

Contamination, the Labour Party, nationalism and the Blairites

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In footnote 6 in his essay on the Bilderberg group in *Lobster* 32, Mike Peters noted that the US Left had lost interest in the study of the power elite because the subject had become 'contaminated' by the interest in it taken by the US Right.¹ I had never thought of it as that, but 'contamination' is exactly right. Peters' naming of this issue was very useful, for ideological or political 'contamination' is at the heart of several of the areas in which *Lobster* has been interested in during the last five years, and is one of the central issues of British politics.

Contamination works thus. (This may be self-evident but I think it worth spelling out.) Given the dominant bi-polar concept of politics we have in this country – right, left and centre – most people on the centre-left end of the spectrum are concerned not to be associated with certain ideas or people on the right. This process obviously works in reverse, people on the right do not wish to be seen to be associated with people or ideas on the left. But my knowledge of the right is limited and so I refer throughout to this mostly from the left point of view.

To be associated with an idea from, or people belonging to, the ideological opposite is to be *contaminated*. People, ideas, concepts and movements on the left can all be contaminated by association with the right. The right is anathema.² This rests on a number of assumptions.

The left believes (or takes for granted, very often) the following.

1. Anything the right believes is wrong and anything it supports is suspect at best, and must be opposed.

¹ On the language of left and right: I use Right and Left with capital letters when they function as proper nouns; so UK Left. When not proper nouns I use lower case – as in the next paragraph. In this piece I talk about the 'right' and 'left' as if the terms are uncomplicated. I know they aren't, but to write with all the attendant qualifications draped all over the place would be tedious. So left and right; you know what I mean, roughly.

² Writing this it occurred to me that contamination might also be called anathematization, being made or becoming anathema.

2. The political ideas of the right are expressions not of beliefs about the world but of material interests: and if they profess otherwise they are trying to con people (and possibly themselves). The right has interests not ideas.
3. Many on the right are really much further right than they admit in public. Behind the conservative is the proto-fascist (the fascist menace). In the mirror image, behind the social democrat is the revolutionary left (the communist menace).³

As well as being a reflexive response, 'contamination' or anathematization is a tactic used by the left (and right) to attack opponents; and, within their internal politics, to exclude or undermine actual or potential opposition in the struggle for power and control of the political agenda. Allied to party or group loyalty and the pressure for unity generated by them, the threat of contamination is a very powerful weapon. On the left, for example, it is a serious thing to be guilty of, or suspected of, sexism or racism.⁴

Nationalism in the UK

The most potent contamination concept in British mainstream politics today is nationalism, which is currently one of the chief weapons being used by the pro-European Union centre of British politics, against the anti-European Union politicians. Tony Benn commented recently that, in the debate about the European Union,

Anyone who doubts the wisdom of accepting an unelected central bank is called [by TV journalists] *a nationalist* or a trouble-maker, or is assumed to be launching a crude leadership bid.⁵ (Emphasis added.)

Opposing the European Union (EU), a section of the British Labour Left is in danger of contamination by a section of the Tory Right, which also opposes the EU. Labour Left opponents of the EU thus have to try to ensure that they are not contaminated by such an association, that they are not perceived as nationalists – 'little Englanders' – with its xenophobic and racist overtones. Here is Bill Morris, General Secretary of the Transport and General Workers, preparing to oppose a single European currency:

³ Labour MP writes for *Morning Star*, therefore Labour MP is a communist sympathiser; therefore the Labour Party is communist. Geoffrey Stewart-Smith's big pamphlet in the mid 1970s, *The Hidden Face of the Labour Party*, was a classic of this kind.

⁴ Obviously I am describing a version of political correctness. The British Right lampoons the Left for being PC while concealing the fact they operate their own kind of PC code, albeit less openly and less rigidly.

⁵ The *Guardian* 18 March 1997.

I do not approach this issue from a nationalist position. The flag-waving, tub-thumping tabloid chauvinism of the Tory right is alien to the traditions of the trade union movement.⁶

Here is 'left-wing Eurosceptic' Walter Cairns welcoming the election defeat of Michael Portillo:

Had he won, his chances of his obtaining the leadership of the Tory party on an anti-European ticket would have been extremely high. This would have meant that the Eurosceptic cause would have been even more solidly entrenched into the far-right camp – thus *smearing by association* those who have severe reservations about the EU for reasons other than blind xenophobia.⁷ (Emphasis added.)

And here is Diane Abbott MP, from the Labour Left, in the *Observer* (Business) on 18 August 1996, underneath a piece by John Redwood, from the Tory Right, both of them opposing European Monetary Union:

The debate on economic and monetary union has been *hi-jacked* by the Tory Party right wing. But there is also a socialist case against it. And it has nothing to do with the *backward-looking nationalism of the Tory little Englanders*. On the contrary, for true internationalists . . . (Emphases added.)

The claim that the right has 'hi-jacked' the issue is nonsense. There has always been a section of the Tory Right which, like a section of the Labour Left, has opposed the EEC and the European Union. Rather uncomfortably they lined up together in the 1975 referendum campaign on EEC membership; just as some of their political antecedents had opposed the Marshall Aid plan almost thirty years previously.⁸ The Labour Left has to go through these ritual manoeuvres on this issue in particular, because their opponents in the Labour Party, in the pro-European Union wing, as well as in the predominantly pro-EU media, attempt to contaminate them with nationalism – and thus the right. Here is Prime Minister Tony Blair doing it, in his talk to Rupert Murdoch's News Corp

⁶ The *Guardian* 9 September 1996.

⁷ The *Guardian* (letters) 3 May 1997. It is sadly typical that Cairns thinks – or professes to think – that right-wing hostility to the European Union is simply motivated by xenophobia.

⁸ While the right (Tory) and left (Labour) anti-EEC politicians were uncomfortable, people like Ted Heath and Roy Jenkins discovered that they had more in common with each other than they did with the anti-EEC people of their own party. There are hints that in the wake of the referendum the pro-EEC factions of the left of the Tory Party and right of the Labour Party – symbolised by Heath and Jenkins – explored the possibility of 'breaking the mould' of British parliamentary politics then. The fragments of evidence that exist are given in the appendix.

Leadership Conference, in Australia:

. . . the Labour government I hope to lead will be outward-looking, internationalist and committed to free and open trade, not *an outdated and misguided narrow nationalism*. (Emphasis added.)⁹

Nationalism contaminates on the British Left because of its association with racism, fascism and anti-semitism. But that is not really accurate. For in Wales and Scotland and Ireland¹⁰ it is possible – and intellectually respectable – to be a nationalist and not really risk contamination with the far right. The Scottish National Party, for example, has always been internally divided between the right and left. A 'left nationalist' is intelligible in Scotland and Wales but barely so in England. It would be more accurate to write that nationalism contaminates on the *English* Left because of nationalism's association with the *English* far Right (and thus with racism, fascism, and anti-semitism.) In Scotland, Wales and even Northern Ireland, the National Front, the British National Party *et al* have singularly failed to make even the tiny inroads they have in England in part, at least, because in the non-English parts of the United Kingdom nationalism is regarded as *legitimate* and is embraced by mainstream political parties.

Nationalism contaminates because the Labour Left – and the whole of the British Left – sees itself as internationalist. Nationalism is regarded as one of the sources of all evil in the world: *vide* World War 2, *vide* Yugoslavia, *vide* the history of the world. But the British Left's hostility to nationalism is flexible. When the British Left helped in the struggle to free the British colonies it was working with nationalists. The Left supports Irish nationalism and supported Vietnamese and South African nationalism. These nationalists did not contaminate the British Left, for nationalism is perceived as legitimate when it is opposing a colonial oppressor, when it can be called national self-determination. Here is the basis of the legitimacy of Welsh, Scots – and Irish – nationalism: their oppressor is England.

In fact this doesn't quite work, for the oppression of the Scots and Welsh in recent memory is not comparable to that of the Kenyans, say, or the black South Africans. But there is enough of it left, a vestigial memory, to make Scots and Welsh nationalism seem . . . acceptable. At any rate, the British Left does not assume that *qua* nationalists, the Scots and Welsh Nationalists are

⁹ *The Times* 17 July 1995.

¹⁰ Northern Ireland, divided as it is, contains two identities. Or maybe three if you count the Ulster Protestant and British as distinct.

racists and fascists; and never has, as far as I am aware.¹¹ But it is my experience that this Welsh and Scots nationalism is not even anti-*English*. Scots and Welsh Nationalists don't see the people in the North (or Midlands, or East or West) of England as their oppressor. Their oppressor is in London and the Home Counties – the English establishment, which at its core is the City of London, and what might be best described as the overseas lobby in Britain – the financial, political, administrative and cultural remnants of the British Empire.

Where this essay is going may now be apparent. For the financial interests of that overseas lobby in London and the Home Counties against which the Welsh and Scots Nats are struggling, have all too frequently taken precedence over the interests of industrial, non-metropolitan *England*, as well as Scotland and Wales – most recently and most nakedly, in the 1980s.

The domestic versus the overseas economy

The domestic-overseas conflict is as simple as it looks. Wealth which originated in Britain which is invested or consumed abroad does not benefit the economy of the UK as much – if at all – as it would if invested in the UK. It is presumably not wholly coincidental that Britain's decline from 10th in the OECD 'league tables' of economic performance to its present 18th began in 1980 when the Conservative government scrapped all the remaining controls on overseas investment of British-generated wealth.¹² The policies sought by the City – no controls on their activities and high interest rates to keep the pound high and attract money to London – are antithetical to the domestic and exporting economy. The extraordinary thing is that there is almost nobody left in *mainstream* British politics willing to argue the case for the domestic economy. As a result, the conflict between the overseas lobby and the domestic economy rarely makes it onto the main agendas of this society.

One of the chief themes of the economic history of Britain in the 20th century has been that conflict. From the rise of Tariff Reform League before World War 1, through the attempts by its domestic manufacturing-based successors such Patrick Hannon and the British Commonwealth Union to create an industrial group of MPs in the House of Commons, to the climactic struggle over the reimposition of the Gold Standard and subsequent recession and depression of the 1930s – the conflict was between the interests of the financial and overseas sectors and its instruments in the Bank of England and

¹¹ The discussion of these issues I enjoyed most was Tom Nairn's *The Left Against Europe?* (Pelican, Harmondsworth, 1973).

¹² OECD figures from Larry Elliot, *Guardian* economics editor, in the *Guardian* 15 July 1996.

the Treasury.¹³ In the 1930s crisis a kind of compromise was reached between domestic and overseas sectors: the overseas sector accepted some controls and were largely confined to the trading bloc of the Commonwealth, the sterling area.

During WW2 normal proceedings were subsumed under the command economy; everything, capital movements and trade, was centrally controlled. After the war the controls remained initially as the British state's interest in the maintenance of the empire led to its role as truculent and subordinate partner in the Anglo-American alliance.¹⁴ Bits of the overseas sector in London – commodity trading and shipping, in particular – picked up as post-war reconstruction produced a growth in world trade. But stock market transactions declined between 1946 and 1950 and merchant banking was static.¹⁵

Key episodes in our post-war economic history show different aspects of the same struggle between the domestic and overseas economy. In 1948 Prime Minister Attlee had a fight with the Chiefs of Staff when he expressed reluctance to continue large military spending, notably in the Middle East and the Mediterranean, to maintain Britain's pre-war influence. Attlee had the temerity to tell the Chiefs of Staff in early 1948 that 'there was no one to fight', but eventually capitulated after pressure from Ernest Bevin, who changed his mind and accepted the line coming out of the Foreign Office,¹⁶ and a

¹³ There is now a large and growing – At last! It only took a century! – literature on this thesis, which I take to be proven. A nice clear exposition is Scott Newton and Dilwyn Porter, *Modernization Frustrated* (Unwin Hyman, London 1988) There is a discussion of that literature in Niall Ferguson's review essay, 'Bankers: Beyond Conspiracy Theory', in *Twentieth Century British History*, vol. 4, 1993. The version which first struck me was Frank Longstreth's essay 'The City, Industry and the State', in Colin Crouch (ed.), *State and Economy in Contemporary Capitalism*, (London 1979).

¹⁴ Dean Acheson was quite wrong when he said of Britain after Suez that it had lost an empire but not found a role. It had a role as the new school bully's best friend, trying to use American power in the various Anglo-American alliances formed during and after the war, to maintain its status in the world.

¹⁵ Richard Roberts, 'The City of London as a financial centre in the years of depression, the Second World War and post-war official controls, 1931-61' in Gorst, Johnman and Lucas (eds), *Contemporary British History 1931-61*, (Pinter, London, 1991), pp. 70-71.

¹⁶ Raymond Smith and John Zemetica, 'The Cold Warrior: Clem Attlee reconsidered, 1945-47' in *International Affairs*, Spring 1995. p. 251. A shorter version of the same thesis is their 'Clem – the cold war dissenter' in *New Statesman* 26 April 1985. On Bevin's relationship with the Foreign Office see John Saville, *The Politics of Continuity*, (Verso, London 1993). This was discussed in *Lobster* 28 p.11. Bevin was 'the great foreign secretary' acclaimed by all precisely because he followed the Foreign Office line.

resignation threat from the Chiefs of the Imperial General Staff.¹⁷ The same issue can be seen in the split in the Labour cabinet over the increased arms expenditure – overseas expenditure paid for by domestic cuts – proposed by Labour Chancellor Gaitskell which led to the resignation of Aneurin Bevan and Harold Wilson from the government in 1951.

The Tories return

The arrival of the Conservative Government in 1951 saw the return of interest rates – that is, putting interest rates *up* – as a major economic tool. And though Operation Robot, the 1952 attempt by the Bank of England, the Chancellor of the Exchequer and the overseas section of the Treasury to get the Tory government to scrap exchange controls and move to full convertibility of sterling was resisted – Harold Macmillan called the proposals ‘a bankers’ ramp’ – throughout the 1950s the Treasury and Bank of England worked to remove piecemeal many of the obstacles to the recreation of the City’s pre-war eminence.¹⁸ A 1952 Treasury memo stated:

it must be in our interest to have sterling convertible for we cannot possibly trade and ship and insure and all the other things we do unless sterling is convertible.

Newton and Porter commented that ‘these sentiments represented a rebirth of

¹⁷ Julian Lewis, *Changing Directions: British Military Planning for Post-war Strategic Defense*, (The Sherwood Press, London 1988), p. 292.

¹⁸ The changes are described intelligibly in chapter 3 of Margaret Reid’s *The Secondary Banking Crisis 1973-5*, (Macmillan, London, 1982). For a more detailed account see Evan Green, ‘The Influence of the City of London over British Economic Policy’ in *Finance and Financiers in European History*, Yousseff Cassin (ed.), (Cambridge University Press, 1992), and Richard Roberts, ‘The City of London as a financial centre in the years of depression, the Second World War and post-war official controls, 1931-61’ in Gorst, Johnman and Lucas (eds), *Contemporary British History 1931-61*, (Pinter, London 1991). Discussing Green’s paper, Will Hutton noted that

the Bank and Treasury have been relaxing controls to favour the City’s international interests over industry ever since the 1950s. In internal memos after the war, the Treasury was keenly aware that, as physical controls were scrapped, interest rates would necessarily shoulder more of burden of containing credit growth, with deleterious effects on manufacturing. But the City had to be restored to its former glory. (The *Guardian*, March 6 1995.)

On Operation Robot see Scott Newton and Dilwyn Porter (see note 13) p. 126. A more detailed account is in Scott Newton, *Operation “Robot” and the political economy of sterling convertibility*, European University Institute Working Paper no. 86/256, (Italy, 1986); and an insider account is Donald Macdougall, *Don and Mandarin: memoirs of an economist*, (John Murray, London, 1987), chapter 5.

the prewar orthodoxy which had identified the vitality of finance and of commercial capitalism with the health of the national economy.¹⁹

Fuelled by the long post-war boom, both domestic and overseas sectors existed together while the state managed an orderly retreat from empire. But starved of the investment which continued to go abroad, and repeatedly attacked by high interest rates and cuts ('stop-go'), the British domestic economy was perceived to be not performing as well as its competitors – the comparisons were usually made with members of the EEC and the USA – and a long series of diagnoses of British economic failure were published in the late fifties and sixties, contributing to the climate which helped elect the Wilson government in 1964.²⁰ If it was true that many in Britain *had* never had it so good, as Macmillan famously said, it was also widely believed that we weren't having it as good as the Germans or the Americans. Or the Dutch or the Italians. Or the Belgians.²¹

The Wilson and Heath governments both tried to create a tri-partite alliance of domestic interests – unions, state and employers – to run the domestic economy, without seeking to confront the overseas lobby. Labour's problem was that not only was it too closely identified with the interests of one section of the domestic economy, the unions, a significant minority of its members and MPs were socialists and did not approve of working with capital, domestic or otherwise. Heath's difficulties lay in his party's identification with the financial and overseas apparatus in London which had little interest in the domestic manufacturing economy, and the significant minority of his party which did not approve of dealing with unions.²² Consequently, for both parties corporatism, as it became known, proved difficult to implement, though the economic results of those years in terms of output and employment were infinitely better than the Thatcher experiments which followed them.

Under Thatcher, Howe and Lawson, the overseas sector was given everything it had always wanted – no exchange controls, high interest rates and no controls on lending – with predictably disastrous results for the

¹⁹ Newton and Porter (see note 13) p. 125 The same point is made by Green (see note 18).

²⁰ For example Michael Shanks' *The Stagnant Society* (1961), Rex Malik's *What's Wrong with British Industry?* (1964) and *British Economic Policy since the War* by Andrew Schonfield (1958). All were Penguin Specials.

²¹ Malik (see note 20) p. 33 shows a table in which Britain comes 10th in Europe and America in compound growth rate.

²² While Prime Minister, Heath repeatedly lectured groups of City gents and the leaders of the big UK companies on their patriotic duty to invest in Britain. They ignored him.

domestic economy.²³

The Labour Party's response

The Labour Party leadership used to understand the conflict between the interests of the City of London and Home Counties, and the rest of the domestic economy. Via the analyses now grouped together as the Alternative Economic Strategy, in the mid-1980s Labour actually had come close to a radical, anti-finance capital, anti-overseas lobby, pro-domestic economic policy. Its economic team, and its leader, Neil Kinnock, had finally arrived at a coherent analysis of the situation: the enemy had been identified – the old enemy.²⁴

After the 1987 election defeat Labour leader Kinnock appointed Bryan Gould, one of those who held these views, as 'joint convenor of the group which was to deal with the productive and competitive economy. . . responsible for the development of policy on all issues to do with macro-economy, industrial strategy and public ownership.'²⁵ This group included John Edmonds of the GMB union, Gordon Brown, now Chancellor of the Exchequer, and the economist John Eatwell, who had become Neil Kinnock's personal adviser on economics, and who attended 'as an observer and as a link between the committee and Neil's office'.²⁶ Eatwell had written a book, *Whatever Happened to Britain?*²⁷ and produced a TV series with the same title, on the central role of manufacturing in the recovery of the British economy, the necessity of controls over finance and the adoption of something like the German or French relationship between manufacturing and finance capital – views reflected in Neil Kinnock's 1986 book.²⁸ The Gould group produced the economics sections of the policy review document, *Meet the Challenge, Make the Change*, published in 1989.

²³ Smashing the domestic economy and turning the overseas sector loose was not Mrs Thatcher's *intention*. She thought her policies would benefit the domestic economy. Richard Norton-Taylor *et al* in their book on the Scott Report (reviewed below) note the huge amounts of public money spent subsidizing the arms industry's overseas sales even though arms sales amount to less than 2% of total UK exports. Overseas arms sales are presumed to increase British political power overseas and thus to benefit the overseas sector. See pp. 16/17.

²⁴ See Neil Kinnock's *Making Our Way* (Blackwell, Oxford, 1986).

²⁵ Bryan Gould, *Goodbye To All That*, (Macmillan, London, 1995) p. 202.

²⁶ Gould p. 205. Eatwell is now Lord Eatwell.

²⁷ Duckworth/BBC, 1982

²⁸ See note 24 above.

The day before the document was due to go to the printer, Gould was asked to meet a delegation of John Eatwell, Gordon Brown and Tony Blair, who said that they felt the document should not go forward in its present form.

They objected in particular to what remained of any commitment to return privatised industries to "some form of public ownership" and to the formula agreed for purchasing the 2% shareholding in British Telecom which would give a Labour government a majority shareholding.²⁹

Gould rejected their approach – Blair was not even part of the committee which wrote the policy – and the document, though amended,³⁰ was published without these changes. This last minute attempt to rewrite the Gould group's document was the result of a change of mind about economic policy by the Labour leadership which put them at odds with the Gould group.

The Prawn Cocktail offensive

While the Gould group was working on its policy document, Neil Kinnock and his economics advisor, John Eatwell, had become – or come out as – free market and EEC enthusiasts.³¹ Although they failed to get the Gould committee's report ditched completely, they had it watered down,³² and in the autumn, Gould, who was both anti-EEC and anti-overseas lobby, was moved from his position on Labour's economics team.³³ Shadow Chancellor John Smith had always been in the pro-EEC wing of the party, and after the 1987 general election defeat, around Smith an Economic Secretariat was created, made up of

full-time advisers with degrees in economics (sic) . . . supplemented by a network of high-powered economists, *several of whom had previously believed that Britain should go it alone in a drive to expand the*

²⁹ Gould (see note 25) p. 209.

³⁰ This is discussed below.

³¹ To my knowledge neither has explained this change and I am unable to date this precisely. Colin Hughes and Patrick Wintour in their *Labour Rebuilt* (Fourth Estate, London, 1990) come close to implying that the shift to a pro-EEC position was taken because their polling of public opinion said it would be popular. See p. 184.

³² This is discussed below.

³³ Gould letter to the author 28 October 1992: 'I believe that those who pressed for the change [getting rid of Gould in 1989] were John Eatwell, aided and abetted by Gordon Brown, Tony Blair and others. They took the view that it was essential that we should join the ERM in order to have a credible counter-inflationary policy.'

economy and reduce unemployment, but had now been won over to the stability and shelter of the European monetary system'.³⁴ (Emphasis added.)

By all accounts John Smith was a decent man, a convivial drinking companion and a good lawyer. No-one has ever accused him of knowing anything about economics. Shadow Chancellor Smith was a very traditional Labour Party figure: a Labour economics spokesperson who, knowing nothing about the subject, sought economic advice and fell into the hands of advisers from the City of London who are 'the experts'. Together Kinnock and Smith (and their advisers) decided that Labour should become the party of Europe and Britain should join the Exchange Rate Mechanism.³⁵

Bryan Gould:

I remember [Gordon] Brown addressing the Parliamentary Labour Party on the great advantages of joining the ERM, using arguments I knew to be erroneous. He suggested that by fixing the parity within the ERM, we would be applying socialist planning to the economy, rather than leaving an important issue to market forces. The party responded warmly to the notion that speculators would be disarmed. They all seemed unaware that the only thing which gave speculators their chance was a government foolish enough to defend a parity seen to be out of line with a currency's real value . . . John Smith and Gordon Brown truly believed that the ERM was a new, magical device which would insulate their decisions about the currency against reality.³⁶

On the 16 November 1989, only months after the publication of the Gould committee's policy document on the economy, the Shadow Cabinet met for an all-day session.

The idea that the state could stimulate the economy, either by

³⁴ Andy McSmith, *John Smith: Playing the Long Game*, (Verso, London, 1993) p. 121. They included Gavyn Davies of Goldman Sachs, and Gerald Holtham of Sherson Lehman Hutton. Holtham is currently the Director of the New Labour-oriented think tank, the Institute for Public Policy Research.

³⁵ ERM policy was decided by 'Smith's team and John Eatwell who was working for Neil Kinnock.' McSmith p. 150

³⁶ *Guardian* 19 August 1995. After the collapse of British membership of the ERM, Smith's biographer, Andy McSmith, claims that the Labour front bench knew that the 2.95 D-mark/sterling rate was too high for sterling to enter the ERM, but they said nothing for fear of the effect on the pound. That is, they were afraid they would achieve what they, apparently, thought was the right thing: a lower pound!

expanding the nationalised industries or through local councils, was out, [Shadow Chancellor] Smith told them. The government was not going to raise enough through taxes or borrowing because, other considerations aside, the *rules of the ERM prevented it*. This would mean . . . meeting industrial and financial leaders to establish trust before election day. "We can leave dogmatism to the Tories," he said. So began the "prawn cocktail offensive . . .".³⁷ (emphasis added)

The 'prawn cocktail offensive' saw Labour Party leaders, especially John Smith and Marjorie 'Mo' Mowlam, touring the dining-rooms of the City of London assuring their hosts that Labour had no intention of making their lives any less profitable than they had been under Mrs Thatcher. At one such meeting, 'International currency dealers were promised there would be no attempt to bring back exchange controls. That genie is out of the bottle, Smith declared.'³⁸ At another, Smith's biographer, Andy McSmith, without a trace of irony that I can detect, describes John Smith getting an ovation from an audience of bankers for announcing that Labour did not intend to nationalise the banks – something which had not been seriously considered in the previous fifty years!³⁹

Labour and business

This complete reversal of Labour Party policy was followed by the formation or expansion of a number of the forums at which Labour politicians met representatives of business and finance. One of the new ones was the Smithfield discussion group, led by John Norton, a banker who subsequently married Marjorie Mowlam, of the 'prawn cocktail offensive'.⁴⁰ The older Labour Finance and Industry Group doubled its membership between 1990 and 1992.⁴¹ In 1993 a third, the Industry Forum, was set up by Gerald Frankel. By December 1995 it had 150 members.⁴² From their personnel the Labour

³⁷ McSmith (see note 34) p. 161.

³⁸ McSmith p. 162.

³⁹ Ibid.

⁴⁰ '150 City members meet regularly in the crypt of St Mary le Bow', *Sunday Times* 1 March 1992. In the article Mo Mowlam is said to have eaten 150 City lunches in 18 months.

⁴¹ Some of its personnel are listed in 'Labour's Friends in the City', *Sunday Telegraph* (Business) 1 March 1992.

⁴² Some are listed in 'Love in a gold climate', *Sunday Telegraph* magazine 17 December 1995. The group is also discussed in 'Business butters up Blair', in the *Sunday Telegraph* (Business) 29 September 1996.

Finance and Industry Group appears to represent the views and interests of the domestic manufacturing economy, while the Industry Forum and the Norton group represent the interests of the larger multinationals and the City – the overseas lobby.

The Blairites

'The New Labour project has always been defined
in an Anglo-American context.'⁴³

Gordon Brown used to tell interviewers that he spent his summer holidays in the library at Harvard University. In 1986 Tony Blair went on one of those US-sponsored trips to America that are available for promising MPs and came back a supporter of the nuclear deterrent.⁴⁴ In 1993 he attended a meeting of the Bilderberg Group, one of the forums of the European-American elite.⁴⁵ John Monks, an important Blair ally as head of the TUC, attended last year's Bilderberg Group meeting in Toronto.⁴⁶ David Miliband, Blair's head of policy, did a Masters degree at the Massachusetts Institute of Technology.⁴⁷ Edward Balls, Gordon Brown's economics advisor, studied at Harvard and was about to join the World Bank before he joined Brown.⁴⁸ Majorie Mowlam, now Minister for Northern Ireland, did a PhD at the University of Iowa and then taught in the United States in the 1970s.⁴⁹ Sue Nye, Gordon Brown's personal assistant, lives with Gavyn Davies, chief economist with the American bankers, Goldman Sachs.⁵⁰ Jonathan Powell, Blair's foreign policy advisor, is a former foreign

⁴³ Martin Kettle, the *Guardian* 3 February 1996.

⁴⁴ The *Observer* 14 April 1996.

⁴⁵ It's in his Parliamentary declaration of interests.

⁴⁶ The list of those attending appeared in the Canadian media and was then republished on the Internet. Thanks to Peter Watson for this.

⁴⁷ The *Guardian* 3 October 1994

⁴⁸ The *Guardian* 3 October 1994. His partner, Yvette Cooper, now MP for Pontefract, was also at Harvard.

⁴⁹ Who's Who 1992

⁵⁰ The *Sunday Telegraph* 24 March 1996. Davies was an adviser to the Callaghan government as a member of the Downing Street Policy Unit, headed by Bernard Donoghue (now a Lord). Of Davies' current role an unnamed 'Labour source' said, 'Gavyn doesn't write policy, but he is our City sounding board. We draft the ideas and Gavyn tells us what the effect will be on the economy and what the response will be in the markets.' This was in a feature on Derek Scott, one of Labour's economic advisers, written by Brian Milton for the *London Financial News* 16 June 1996.

office official whose previous posting was in the British embassy in Washington.⁵¹ Chris Smith, now Heritage Minister, was a Kennedy Scholar in the USA (as were David Miliband and Ed Balls).⁵² Patrician Hewitt works for the US company Anderson Consulting. Tessa Blackstone, now an education minister, is a governor of the Ditchley Foundation.

And then there's Peter Mandelson. Via the United Nations Association, of all obscure vehicles, by the end of his final year at Oxford University, in 1976, Mandelson had become Chair of the British Youth Council.⁵³ The British Youth Council began as the British section of the World Assembly of Youth (WAY), which was set up and financed by the CIA and SIS in the early 1950s to combat the Soviet Union's youth fronts.⁵⁴ By Mandelson's time in the mid-1970s – under a Labour government – the British Youth Council was said to be financed by the Foreign Office, though that may have been a euphemism for SIS. Peter Mandelson, we were told in 1995 by Donald McIntyre in the *Independent*, is 'a pillar of the two blue-chip foreign affairs think-tanks, Ditchley Park and Chatham House'.⁵⁵

⁵¹ Ken Coates and Michael Barrett Brown suggest in their book *The Blair Revelation* (Spokesman, Nottingham, 1996) that Powell's job in the British embassy in Washington concealed a role as the liaison officer between British intelligence and the CIA, but they have no evidence. Powell's career summary as given in *The Diplomatic Service List* for 1995 contains nothing from which to definitely infer intelligence connections. He was born in 1956 and joined the FCO (Foreign and Commonwealth Office) in 1979. Since then he was Third later Second Secretary in Lisbon, 1981; Second later First Secretary at the FCO, London; UK delegate to CDE Stockholm 1986; UK delegate at the CSCE in Vienna 1986; First Secretary FCO, London 1989; then First Secretary (Chancery) Washington 1991. An intelligence role is possible but more evidence is needed.

⁵² Peter Hennessy 'The View from Here' in *The Independent* (Education) 1 May 1997.

⁵³ Mandelson 'flunked his first year exams because he was spending all his time working as president of the United Nations Association's youth and student branch.' *Independent* 1 July 1989. Another of the young men involved with the British Youth Council in the mid-1970s was Charles Clarke, who went on to become Neil Kinnock's gate-keeper at Walworth Rd. and is now one of Mr Blair's new MPs. In a piece published many years ago in *Black Flag*, I referred to them as premature careerists. The significance of this connection with the Foreign Office and/or SIS is impossible to evaluate. It may that we have to apply the duck test. Does it quack? Does it lay eggs? Does it have webbed feet? Then it's a duck. Mandelson and Clarke look like ducks to me.

⁵⁴ On WAY see the scattering of references in Joel Kotek's *Students and the Cold War*, (Macmillan, London, 1996), Joseph B. Smith, *Portrait of a Cold Warrior*, (Ballantine, New York, 1981) and Jonathan Bloch and Patrick Fitzgerald, *British Intelligence and Covert Action*, (Junction/Brandon, London and Dingle [Ireland], 1983)

⁵⁵ The *Independent* 29 July 1995.

In short, the people round Blair are all linked to the United States, or the British foreign policy establishment, whose chief aim, since the end of the Second World War, has been to preserve the Anglo-American 'special relationship' to compensate for long-term economic decline. The Blair group's orientation is overseas: this is the territory of the Foreign Office and its think tank satellites like the Royal Institute for International Affairs – the political and propaganda apparatus of the overseas lobby.

The Ideology of the Blairites

It is not as if Mr Blair has made any attempt to conceal what he believes. To the annual conference of Rupert Murdoch's News Corp he said:

*. . . the Americans have made it clear they want a special relationship with Europe, not with Britain alone. If we are to be listened to seriously in Washington or Tokyo, or the Pacific, we will often be acting with the rest of Europe . . . The real patriotic case, therefore, for those who want Britain to maintain its traditional global role, is for leadership in Europe . . . the Labour government I hope to lead will be outward-looking, internationalist and committed to free and open trade, not an outdated and misguided narrow nationalism.*⁵⁶ (Emphasis added.)

It could hardly be more specific. We asked the Americans and they said go with Europe and free trade; in other words, go with traditional, post-war American foreign policy objectives. And how could we not go this route? On the one hand there are those who are 'outward-looking, internationalist and committed to free and open trade'. On the other hand there is 'an outdated and misguided narrow nationalism'. Who would be out-dated, narrow and misguided? This rhetorical device enables Blair to make the crucial shift against those who see this orientation as inimical to British self-interest: 'the real *patriotic* case, therefore . . . is for leadership (sic) in Europe.' Patriots are those 'who want Britain to maintain its traditional global role'; and you support this 'traditional global role' by supporting membership of the EU.

Put another way: thanks to the massive exportation of capital permitted during the Thatcher years, British-based capital has the largest overseas investments after America, and we will continue to support American political and military hegemony as the best protection for those interests. This is being 'outward-looking' – looking beyond Britain to where British-generated capital has gone.

This is the key move by the Blairites: they have become the party of the City, the big transnational corporations and the Foreign Office – the overseas

⁵⁶ *The Times* 17 July 1995.

lobby. They have succeeded triumphantly in becoming the party of Europe – still desired by a majority of the overseas lobby in Britain.⁵⁷ This shift explains the enthusiasm for the Blair faction expressed by the London establishment – the Foreign Office, the higher media and the EU-oriented section of British capital – before the election. Labour, under the Blair faction, is a more reliable bet for continued EU membership than the Conservative Party with its vociferous English nationalist wing, the so-called Eurosceptics.⁵⁸ And with this shift to an overseas orientation, comes the concomitant position that Labour's traditional constituencies – so-called Old Labour – the domestic economy, especially manufacturing and the public sector, become merely interest groups to be taken for granted and ignored.⁵⁹

The central shift

The key move was to see the City – the overseas lobby – and the asset-stripping of the domestic economy in the 1980s, not as the problem but as the solution. This shift can be illustrated by two quotations. The first is from the Labour Party policy document, *Meet the Challenge Make the Change: A new agenda for Britain* the final report of Labour's Policy Review for the 1990s, published in 1989. The sub-section Finance for Industry begins:

Under-investment is the most obvious symptom of short-termism in our economic affairs, yet there is no shortage of funds for investment purposes. The problem lies in the criteria by which the City judges investment opportunities. If short-termism is the disease, then it is the City which is the source of the infection.' (p. 13)

This section was written by the committee chaired by Bryan Gould. This final

⁵⁷ The non-EU section of overseas UK capital, chiefly in the US and the Commonwealth, is less enthusiastic about EU membership. Their views are expressed in the *Sunday Telegraph*, notably by Bill Jamieson in the Business section.

⁵⁸ An unnamed 'businessman close to the Labour leadership' said in the *Observer* (Business) 13 April 1997, p. 5: 'The big companies – the ones who do the most trading with Europe – are really worried about the xenophobe right.'

⁵⁹ Labour economic advisor, Gavyn Davies, made this plain in his recent comments on the rationale behind the creation of an independent Bank of England. Davies states flatly that the exporting manufacturing economy – never named but described as 'the one quarter of the economy which is directly affected by the exchange rate' – 'cannot take precedence over the maintenance of the inflation target.' In other words, too bad if the exchange rate makes the domestic economy uncompetitive. 'An inflation target' is a euphemism for keeping interest rates high to attract money to London. Davies works for Goldman Sachs, an off-shore US bank based in London. His comments are in *The Independent* 12 May 1997, p. 19. See also the same paper's letters page on 14 May 1997 for responses, including mine.

version was the result of a re-write by what Austin Mitchell MP called 'the leadership'.⁶⁰ The original Gould committee version had stated, *inter alia*: 'The concentration of power and wealth in the City of London is the major cause of Britain's economic problems' . . . and that Britain's economic policy had for too long 'been dominated by City values and run in the interests of those who hold assets rather than those who produce.'⁶¹

Seven years later in their *The Blair Revolution*, Peter Mandelson and co-author Roger Liddle said of Britain in the 1990s:

Britain can boast of some notable economic strengths – for example, the resilience and high internationalisation of our top companies, our strong industries like pharmaceuticals, aerospace, retailing and media; the preeminence of the City of London.⁶²

Not only has the City ceased to be the problem it was perceived to be nine years before, its preeminence is an 'economic strength'. Mandelson and Riddle have internalised the values of the overseas sector of the economy, of which the City is the core. We now have a retailing 'industry' and media 'industry'. In the 1980s, as the Thatcher regime accelerated the deindustrialisation of Britain which had begun in the 1970s, this was rationalized in and around the City of London and by some of its spokespersons in the Tory Party, notably Chancellor of the Exchequer Nigel Lawson, with the fantasy that financial and other services would replace manufacturing industry: we were moving to a post-industrial society. With this came the extension of the term 'industry' to encompass any kind of economic activity. We now have service 'industries', and financial 'industries'. It didn't matter if the manufacture of products in Britain declined: they would be replaced by financial 'products'.

That the British economy policy is 'outward-looking, internationalist and committed to free and open trade', in Blair's words, is precisely the problem from which non-metropolitan Britain has suffered. These are the values of the overseas lobby, the Home Counties financial elite, people for whom Bradford or Norwich, let alone Glasgow and Cardiff, are far away places about which they know nothing – and care about as much.

British politics has been stood on its head. The Conservative Party,

⁶⁰ See his review of *Defeat from the Jaws of Victory: Inside Kinnock's Labour Party* by Heffernan and Maquese, in the *Guardian* 15 December 1992.

⁶¹ Cited in Eric Shaw's 'The Evolution of Labour's Campaign Strategy 1987-91: some Preliminary Notes and Comments', a paper presented at the Conference of the Political Studies Association, Queen's University, Belfast 7-9 April 1992.

⁶² Faber and Faber, 1996, p. 12

traditionally the party of financial and overseas interests, has been replaced in that role by Labour. Instructed by its new friends in the City, Labour has become the party of financial – that is pre-Keynesian – orthodoxy. Gordon Brown looks determined to re-enact the role of Philip Snowden in 1931. The last three years of the Major regime saw Chancellor Kenneth Clarke running the kind of orthodox Keynesian policy – increasing government deficits in response to the recession – which Labour, under Wilson or Callaghan, would have run, but which is anathema to ‘Iron Chancellor’ Brown.⁶³

The Labour Party used to be the British national party; that is, it was chiefly concerned with the British domestic economy – its chief constituencies being the domestic trade unions and the public sector.⁶⁴ This was abandoned following the 1987 election defeat. The fundamentals of the Blair revolution so-called were created by Neil Kinnock and John Smith.

The ditching of Bryan Gould and the views he represented by Neil Kinnock – and Gould’s subsequent defeat in the leadership election by John Smith – were the key events. Not only was Gould’s analysis correct, in my view, it opened up enormous political possibilities. How easy it would have been to lead a political party willing to overtly proclaim its allegiance to the real economy rather than those asset-stripping this country and shunting the money abroad! How easy and pleasurable to campaign against finance capital – and the political party which fronted for it! But such a policy was perceived as antithetical to membership of the EEC;⁶⁵ and, more importantly, entailed attacking a section of British society perceived by the economic illiterates at the top of the Parliamentary Labour Party to be too powerful to be challenged. Worse, such a strategy would look populist and vaguely nationalist, anathema to those in the Labour Party who perceive themselves to be socialist and internationalist. How could the Labour Party be seen as the party of populism and nationalism? That is the territory of the right: contamination lies there. And so in 1988, at the point when the failures of the Thatcher years and the destructive dominance of the City were finally clear for all to see, in the nick of time came the union and Labour embrace of EEC membership, the protracted

⁶³ Brown’s first actions on becoming Chancellor was to put up interest rates, despite the pound being too high for the domestic manufacturing economy, and hand over future interest rate decisions to the Bank of England – ensuring that interest rates will stay too high.

⁶⁴ Tom Nairn, writing in 1973, saw the Labour Party as ‘national-socialist’. If the socialist component was *ever* worth taking seriously, it hasn’t been for nearly twenty years. See note 10 above for Nairn.

⁶⁵ This is exaggerated in my view. Other countries seem to be well able to pursue policies of aggressive self-interest within – or despite – the EU

business of grovelling before the City began, and Labour was heard throughout the land calling for entry into the Exchange Rate Mechanism. The triumph of the overseas lobby was complete: finally, none of the major political parties is willing to oppose it.

Before the 1997 election campaign, leading Labour spokespersons would sprinkle their discourse with phrases such as 'all our people' and 'this country' – the traditional, muffled, slightly embarrassed, Labour appeal to *British* patriotism. During the election campaign itself they stepped forward boldly as the party of 'one nation', adopting the nationalistic language of the Conservative Party, and some its symbols, to disguise their support for the policies of the overseas lobby at the expense of the domestic economy – just as the Tories had traditionally done.

The Blair faction will fail. 'One nation' rhetoric, continuing membership of the institutions of the New World Order – which is essentially the same old American post-war order minus the Soviet challenge – and leaving economic policy to the overseas sector won't affect the real structural problems of the British economy. When it does finally dawn on the Parliamentary Labour Party that it won't work, they will have to look elsewhere. The wrong turning was taken at the point when Bryan Gould was defeated by John Smith and the party leadership decided to surrender to the overseas lobby. To that disjunction it will have to return.

Appendix

Hints of machinations in the mid 1970s

What I should have foreseen, were that Ted's appetite for a return to power would be wetted, and that forces inside and outside the Conservative Party which were determined to get rid of me would seek to use the all-party coalition campaigning for a 'Yes' vote as the nucleus of a movement for a coalition of the 'centre'.⁶⁶

In 1975

Wilson's 'fear had become that I might be instrumental in forming a coalition. His fears here would have been increased by the form of the referendum campaign . . . However, all these vague yearnings were very different from actually plotting to bring about a reshuffling of the political pack . . . [after the referendum] I arranged with Willie Whitelaw that he and I would keep in touch . . . some political realignment might be necessary . . . A coalition of the right of the Labour Party and the left

⁶⁶ Margaret Thatcher, *The Path to Power*, (HarperCollins, London, 1995) p. 331

of the Conservative Party might have done it with much greater precision than the bombastic manichean Thatcherite revolution . . . I look back on 1975 as a great missed opportunity for Heath and Whitelaw and a whole regiment of discarded Conservative “wets” as much as for Shirley Williams and Steel and me.⁶⁷

In 1976 Reg Prentice, then a Labour MP, met with Conservatives Robert Carr, Nicholas Scott and Patrick Cormack.

‘These and others were beginning to meet, together with Labour MPs, on an increasingly regular basis.’

A meeting finally took place in Julian Amery’s house – Amery himself, Patrick Cormack, Maurice Macmillan, Reg Prentice, John Mackintosh and Brian Walden – to discuss bringing down the Callaghan government. Prentice met with Margaret Thatcher and came away ‘with the impression that she would feel bound to participate if there were evidence of wider support’. But Roy Jenkins, the key Labour figure in the scheme, refused to take part.⁶⁸

Yesterday Robert Kilroy-Silk, Labour MP for Ormskirk, told me that £2 million had been left unspent by the pro-Market lobby and it was in a fund the trustees of which were Heath, Thorpe and Jenkins . . . the rumour was that if Wilson moved too far to the Left, they would use the money to set up a new Party.⁶⁹

⁶⁷ Roy Jenkins, *A Life at the Centre*, (Macmillan, London, 1991) pp. 423-6.

⁶⁸ Stephen Haseler, *The Battle for Britain*, (I.B. Tauris, London, 1989) pp. 60-61. Haseler had access to Prentice’s diary.

⁶⁹ Tony Benn, *Against the Tide, Diaries 1973-76* (Hutchinson, London, 1989), entry for 14 October 1975.