

## Editorial

# Browned Off

Although it had been gradually dawning over recent years, there has now been a sudden flash of general realisation that Mrs. Thatcher has gone on and on and on. Now it is crystal clear. Many people thought a long time ago that Tony Blair was a continuator of all the essential principles of Thatcherism, only more ruthless and, if possible, less sentimental. But this realisation has become inescapable, because it is now clear as crystal that Gordon Brown is cast in exactly the same mould.

Over recent years, his jockeying for position has from time to time meant that he has developed an appearance of difference from Blatcherism. True, he has made different speeches at Labour Conferences, and remained sensitive to various elements in old Labour rhetoric. But watching him appearing at the Trade Union Congress in 2007, and following his resolute despatch of low-paid public sector workers with a below inflation imposed settlement in their pay, we cannot fail to be aware of his benign approach to the bonuses of major company directors. Equality of outcome is nowhere to be seen.

Half the population in Britain today, taken together, earns only one-third of the combined income of three per cent of our fattest cats.

Manifestly the age of Thatcher will one day come to an end, and that may be soon. It cannot be sustained, and it is only tolerated because the entire political class has been corrupted in its presence. The result of this corruption manifests itself in various disintegrations. In England, the disintegration most visibly affects the social fabric, as parts of the underclass arm themselves for ferocious shootouts with rival contenders, and children knife one another at school. Gang warfare breaks out in our cities, as drug lords assert their sway over entire territories. Social disintegration makes increasing areas of our cities uninhabitable for the respectable poor, whose wages are frozen while their problems intensify.

Things are apparently different in Scotland, where an authentic Social Democrat has come to head the Government, as the Scottish Nationalists have provided an area of genuine, if restricted, choice for a people much put upon by the indignities of Blatcherism. The justified hatred of Thatcher in Scottish coalfields will yet cause trouble for her most recent host in Downing Street, whose constituency suffered grievously from her depredations.

Before the downfall of Tony Blair, Richard Brooks, the Fabian Research Director, asked if it were time for a further revision of the Labour Party's Constitution, rectifying the new Clause IV. This consists of such anodyne verbiage that it is unlikely that any politician would want to alter it, running the risk of accidentally making an actual commitment to do something or go somewhere.

The revised Clause IV is such babble that it will be impossible to refine it without running the risk of meaning something. The reason for Blair's constitutional reform was claimed to be that the original Clause, as drafted by Sydney Webb, promised one or another form of public ownership of the means of

production, distribution and exchange. It has been universally forgotten that this undertaking, which was by some people thought a little rash, had already been extensively revised by the incorporation of an addendum drafted under the influence of Hugh Gaitskell, which merely insisted on the maintenance of a mixed economy. It does not cross Mr. Brooks' mind to ask where the mixed economy went. But since the annulment of the Labour Party's commitment to socialism, it has become clear why the mixed economy perished at the same time as public ownership of production, distribution and exchange. The new firm was just as committed against the revisionist aim as it was against the original Ark of the Covenant. Neither Tony Blair nor Gordon Brown wanted any truck with a mixed economy, because it was their avowed intention to privatise all of it. The New Labour project was about eliminating public ownership in any form, and establishing the complete, final and total domination of the market place.

That is why Richard Brooks finds 'equality is a difficult issue, both in theory and practice'. In a market society, inequality is an absolute precondition of economic activity. Competition rules, and where competition is the main motor of activity, some win, and this needs others to lose. As the losers become more and more numerous, the winners become more and more rich. As democracy wanes, the military needs to wax.

'Why' asks Richard Brooks, 'should a child born into poverty have worse health, poorer education prospects, a higher risk of being a victim of crime and a shorter life expectancy than one born to middle class parents? It might be argued that the right objective is not equality but minimum standards for all – and never mind what happens to those who are more fortunate.'

Alas, this is not obvious to the majority of Party members, continues the Fabian researcher. We need to come to a better understanding of this issue, or risk the return 'to a situation where the members no longer believe in the stated objectives of the Party'.

It might be thought that if the members no longer believed in babble, that this could represent a useful step forward. But this is not the present day Fabian belief. Modern political Parties are prototype advertising agencies, selling access to the sources of power. The only problem with babble as a stock in trade, they believe, is that people might cease to believe it, so that the creative task that must be faced is the constant renewal of its credibility.

Perhaps this might not need so much renewal if it stayed closer to political realities, but this could mean diluting the babble quotient and opening a dangerous window on truth. Original Fabians knew that the approach to equality was difficult, and Bernard Shaw once even claimed that he favoured precise mathematical equality and could see no justification for anything else. More pragmatic Fabians believed in the inevitability of gradualness, and preached an approach to equality which could, perhaps slowly, render us all more equal than we used to be.

The Russian Revolution learned from this principle and insisted that Communist Party members apply a rule in which the wealthiest drew no more than four times the remuneration of the poorest. This differential could be (and

Nothing, therefore, is really in question, or ever has been, but the differences between class incomes. Already there is economic equality between captains, and economy equality between cabin boys. What is at issue still is whether there shall be economic equality between captains and cabin boys. What would Jesus have said? Presumably he would have said that if your only object is to produce a captain and a cabin boy for the purpose of transferring you from Liverpool to New York, or to manoeuvre a fleet and carry powder from the magazine to the gun, then you need give no more than a shilling to the cabin boy for every pound you give to the more expensively trained captain. But if in addition to this you desire to allow the two human souls which are inseparable from the captain and the cabin boy and which alone differentiate them from the donkey-engine, to develop all their possibilities, then you may find the cabin boy's work does not do so much for the soul as the captain's work. Consequently you will have to give him at least as much as the captain unless you definitely wish him to be a lower creature, in which case the sooner you are hanged as an abortionist the better.

George Bernard Shaw  
Preface to *Androcles and the Lion*

was) varied by allowing greater differentials: but it could also, in principle, be varied by narrowing the gap. But there is no way in the world that old Fabians could have bought into current Labour doctrine on the income distribution appropriate to modern economies.

Of course, a crucial argument for public ownership was that it was believed to facilitate the narrowing of differentials, on the grounds that democratic ownership would tend to restrict the rewards of leaders to levels more acceptable to the led. The good manager might be worth a premium to the collective: but that premium would not exceed the rational expectations of those over whom his or her managerial talents were to be exercised. To give the boss twice your wages would seem to many cooperative workers to be more than generous, and the Russian rule that they be given wider differential of up to four times would seem excessive. But Gordon Brown's rule that the wheels of industry will stop if the fat cats are not given a hundred times the rewards of normal people, could not be defended anywhere.

At the beginning of October 2007, *The Independent* reported:

'The bonanza in boardroom pay has become even more spectacular, according to the latest figures from the accountancy firm KPMG. The typical chief executive of a FTSE 100 company has seen their total remuneration rise by 12 per cent in the past year, to reach over £2.6m. That's four times the rate of increase in average earnings, leaving the business élite on pay over 100 times what most of their employees earn.'<sup>1</sup>

That is why the babble industry has done so very well, because few have the ability to provide a coherent justification for inequality on the modern scale, and without sufficient babble to anaesthetize the sound of injustice you will one day need a very large army. Alas, at present, that is all away, playing the Great Game in the wastes of Helmand, or learning the arts of self-defence in Basra's airport.

Behind the babble, somebody does the actual counting. Alan Greenspan recently told the *Financial Times* (17 September 2007) that there was one very odd feature in the 'global market nirvana' which characterises today's economy, to wit:

'Profits are much higher than they should be in a world of ever intensifying global competition.'

Greenspan says:

'We know in an accounting sense what is causing it. The share of worker compensation in national income in the US and some other developed countries is unusually low by historical standards. But we don't know in an economic sense what the processes are.' In the long run, he says, 'real compensation tends to parallel real productivity, and we have seen that for generations, but not now. It has veered off course for reasons I am not clear about.'

The *Financial Times* reports that Mr. Greenspan expects some normalisation of profit and wage shares, but he remains puzzled about why the proportions have shifted.

'He worries that if wages for the average US worker do not start to rise more quickly political support for free markets may be undermined.'

So it may, indeed, be time to revisit Clause IV.

A loud knock on the door was heard during the Northern Rock crisis, when the much-celebrated independence of the Bank of England seemed to have been overruled by Government intervention in order to guarantee personal savings in that beleaguered bank. Commentators were quick to point out that this amounted to a decision to nationalise the Bank. Up to a point, Lord Copper. But it does without doubt amount to a dilution of the pure essence of Thatcherite doctrine. And if the crisis which has already visited the United States, Germany, Spain and Ireland does not go away, but actually intensifies, what other interventions may prove necessary?

No doubt these matters might have impinged on the discussions between the Prime Minister and Mr. Greenspan during his visit to Downing Street<sup>2</sup>. Attempts to explain the remarkable story of the General Election that never was have tended to hinge on allegations of electoral opportunism. Mr. Brown, it had been said, was enjoying a surge of support, a 'bounce' which put him strongly in the lead in the polls. All this had been a very abrupt development, but it was to be quickly matched by an equally abrupt transformation, in which Mr. Cameron was to appear the runaway success story, while the Prime Minister's poll scorings fell further and further away. On the surface, this seems to offer a reasonable if unflattering explanation for what happened. But the futurology of polls is a less than reliable indicator of likely outcomes. And what *was* Mr. Greenspan telling his friend during that visit?

The *Financial Times* (26 September 2007) was quite lonely in insisting that:

'As Gordon Brown attempts to read the election runes, statistics charting the outlook for the UK economy will consume the Prime Minister almost as much as polling data from key marginal seats.'

There are already many economic numbers freely available, to sustain arguments for and against an early election. But the *Financial Times* is right when it says that:

‘The big “what if?” that may keep the Prime Minister awake at night, however, is whether Northern Rock was an exception or a sign of a generalised malaise in the management of the British economy.’

Gabriel Kolko already posted a warning in his article for *The Spokesman* (see below, pages 8-10). But is it likely that Alan Greenspan was not alive to all these issues? And is it not possible that what tilted Gordon Brown towards an early election was precisely the anticipation of severely turbulent economic weather to come?

The resurgence of Conservative support made any such calculation problematic. If Labour could prepare for bad times to come with a runaway election victory, even one secured only in the nick of time, opportunity would certainly knock. But if Labour were to reap a setback, even a hung Parliament, this would not help in the least in the negotiation of hard economic times to come.

We are not privy to the thoughts of Mr. Greenspan, and we don’t know about the apparently feverish changes of mind in Downing Street during those troubled days. But it does seem, on balance, that economic uncertainty, and political turbulence, are on their way back among us.

How long will it be before the ethos of public intervention, or indeed of public enterprise, also begins to reappear among us?

*Ken Coates*

## Notes

1 Sean O’Grady elaborates further:

‘In the case of those chief executives still in post, their income went up by 16 per cent, accelerating last year’s 9 per cent rise. The chief executive of one of the smaller FTSE 250 companies would expect to see a total package of just over £1m, up from £878,000 in 2006. Britain’s top corporate earner is probably still Bob Diamond of Barclays Capital, who took home £22.9m last year, including a performance-related bonus of £10.4m. Others in that bracket include Bart Becht, chief executive of Reckitt Benckiser, the man behind Mr Sheen, on £22m; Giles Thorley, head of Punch Taverns, making ends meet on £11m; and Lord Browne, late of BP, similarly well-looked after. Mr Thorley’s package is equivalent to 1,147 of his staff’s pay. Taken together, the directors of FTSE 100 companies collectively earned £515m last year – exceeding the GDP of the likes of Eritrea and the Seychelles. Looking around the boardroom, we find the average FTSE 100 finance director can expect to see around £1.4m land in his bank account, with other executive directors on around £1.2m. For the FTSE 250, the equivalent figures are £623,000 and £544,000.’

2 This visit, which took place on Monday 17 September 2007, was part of a concerted series of meetings with the American financial establishment. Visits were received from the Chairman of the US Federal Reserve, Ben Bernanke, on Friday 21 September, and Henry Paulson, the US Treasury Secretary, who met with Chancellor Darling and the French Finance Minister, also on 17 September. It seems that the British were being persuaded to intervene more directly in the crisis of Northern Rock.