

## Editorial

# What price austerity?

Whilst still in opposition, in August 2009, the then Shadow Chancellor, George Osborne, argued for what he called ‘progressive’ and ‘fundamental’ reform of public services. The alternative, according to the Chancellor in waiting, was ‘deep cuts in the quality of those services’. Praying in aid Tony Blair and Alan Milburn, who were by then advocating something similar, he said that what was true ‘in the years of plenty’ was doubly true in an age of austerity.

Now installed, Chancellor Osborne has set about his austere task with a will. As the comprehensive spending review looks to slice further tens of billions from departmental budgets, the cuts are already scything through public services round the country. Local government workers in their tens of thousands have received Section 118 redundancy notices, as have their counterparts in the Civil Service and sundry quangos. Public service, and all its outworks, is being chopped hard. Osborne shows little awareness of how adversely his cuts impact the private sector. The likelihood of a double-dip recession, not to say a full-blown slump, seems to worry him hardly at all.

It does, however, worry more responsible, and experienced, commentators. Joseph Stiglitz, for example, the Nobel Prize-winning economist, warns there is a ‘wave of austerity’ building throughout Europe (see box). He makes the compelling point that, as so many countries cut back on spending prematurely, ‘global aggregate demand will be lowered and growth will slow – even perhaps leading to a double-dip recession’. He acknowledges that America may have caused the global recession, ‘but Europe is now responding in kind’. ‘The eurozone needs better co-operation,’ says Professor Stiglitz, ‘not just the kind that merely enforces budget rules, but co-operation that also ensures Europe remains at full employment, and that when countries experience large adverse shocks, they get help from others’.

The Trade Union Congress, when it gathered in Manchester, met the wave of austerity head-on. It exposed the Coalition’s bogus argument about the overriding necessity to reduce the deficit, which provides cover for Chancellor Osborne to wield the axe in his spurious cause of ‘progressive reform’. We print below the excellent briefing on this question which has been issued by the Public and Commercial Services Union (PCS), whose General Secretary, Mark Serwotka, explained to Congress why not a single job has to be lost, not a single penny should be cut in public spending. As he says, there is an alternative.

## Wave of austerity

'To make up for the losses of these vital tools for adjustment, the eurozone should have created a fund to help those facing adverse problems. The US is a 'single currency' area, but when California has a problem, and its unemployment rate goes up, a large part of the costs are borne by the federal government. Europe has no way of helping countries facing severe difficulties ... The worry is that there is a wave of austerity building throughout Europe ( ... even hitting America's shores). As so many countries cut back on spending prematurely, global aggregate demand will be lowered and growth will slow – even perhaps leading to a double-dip recession.

America may have caused the global recession, but Europe is now responding in kind. The eurozone needs better co-operation – not just the kind that merely enforces budget rules, but co-operation that also ensures that Europe remains at full employment, and that when countries experience large adverse shocks, they get help from others. Europe created a solidarity fund to help new entrants into the European Union, most of whom were poorer than all the others. But it failed to create a solidarity fund to help any part of the eurozone that was facing stress. Without some such fund, the future prospects of the euro are bleak ...'

**Joseph Stiglitz**, *in the Afterword to the new edition of his book Freefall: America, Free Markets, and the Sinking of the World Economy (Penguin, £9.99)*

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## Labour's new Leader

Ed Miliband was not supposed to win the election to become Leader of the Labour Party. Most of the remaining Blairite MPs and some MEPs, and quite a lot of money, piled in behind brother David. It was the votes of individual trade unionists that swung it for Ed. In so doing, they and their unions have helped to open up a little political space, which is as uncommon as it is welcome in modern British politics. Into that space, whilst it's there, we extend Stuart Holland's reflections on public ownership and Old Labour. With an insider's grasp of the detail, reaching back to the 1960s, Stuart challenges the stereotyping of 'Old' Labour as 'outdated nationalisation' and 'civil servants running industry' by showing that Labour's Programmes from 1973 to 1983 were based on French and Italian industrial policy; that the Party never proposed to 'nationalise the

top 25 companies’, and that its proposals for selective public ownership through a National Enterprise Board were widely endorsed within the Party. He shows how France has developed its high-speed rail network, retained many of its own manufacturing industries, and, so far, avoided Three Mile Island-type accidents within its nuclear industry as a consequence, in significant measure, of planning agreements with leading firms including those which were publicly owned. These lessons remain pertinent, notwithstanding Ed’s avowal that ‘we changed Clause 4’ and ‘we were right to do so’.

The new Leader’s arrival has also opened up some much needed space on foreign policy. Ed Miliband put it this way in his Conference speech: ‘this generation wants to change our foreign policy so that it’s always based on values, not just alliances’. During the campaign, he was refreshingly explicit. He told the BBC Question Time audience:

‘There is something that we have got to get to grips with in our foreign policy, which is our relationship with the USA. Unless we get to grips with that, and understand the deeper lessons of Iraq, then the danger is we make the same mistake in the future.’

If the Labour Party can, indeed, learn that deeper lesson, then something will truly have moved.

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## **Deception and cover-up**

*‘Bush wanted to remove Saddam, through military action, justified by the conjunction of terrorism and WMD. But the intelligence and facts were being fixed around the policy.’*

*Sir Richard Dearlove*

*Head of the Secret Intelligence Service*

*Prime Minister’s meeting on Iraq, Downing Street, 23 July 2002*

‘Deception’ is one of the part titles of Brian Jones’ new book, *Failing Intelligence*, about which he writes elsewhere in this issue. Dr Jones thinks the unthinkable. He writes that Dearlove’s mention of fixing ‘may have been a suggestion that London would have to do the same’ (page 72).

The Downing Street Memo, which contained Dearlove’s candid remarks quoted above, spawned an enormous upsurge of activity and research in the United States. There, in May 2005, the After Downing Street coalition sought to expose the lies that had launched the war on Iraq, and hold accountable its architects, including through ‘censure and

impeachment'. Congressman John Conyers took up the campaign with a passion.

May 2005 was, of course, the month of Blair's last election. The Downing Street Memo had been leaked 'during his race', as President Bush complained, thus avoiding questions about the difficult issues that were raised by the document. Nor did Mr Blair give answers that were any straighter. A series of devastating leaks had charted his Government's preparations for his own key meeting with President Bush at Crawford, in April 2002. There, it seems, he pledged the United Kingdom to Bush's coming war. But the PM was then able to brazen his way through. Now, Tony Blair dare not sign copies of his memoir for fear of citizen's arrest.

The briefing paper for the meeting in Downing Street on 23 July 2002, in addition to the minute of the meeting itself\*, was also leaked in 2005. Dr Jones had not been aware of the Downing Street meeting when he and his colleagues were insisting, unsuccessfully as it turned out, on accurate intelligence in the Government's Dossier, *Iraq's Weapons of Mass Destruction: The Assessment of the British Government*. Only now, whilst a fifth official inquiry is still in train in Britain, has the deception and subsequent cover-up been exposed in some detail. Dr Jones has pieced together the evidence, and written a telling indictment. What will be the response?

*Tony Simpson*

\* See *The Dodgiest Dossier*, [www.spokesmanbooks.com](http://www.spokesmanbooks.com)

### **Long forgotten?**

'... Mr Clegg hopes that forcing banks to disclose – in pay bands – all bonuses over £1m will force them to show more restraint, but even on this score he will be disappointed in the short term. The Treasury has failed to table the secondary legislation needed to force banks to include the details in their annual reports in March: by the time the legal instrument is in place, the bonus season may be long forgotten.'

*Financial Times*, 22 September 2010