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New Labour or Socialism

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## New Labour or socialism?

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British politics today is dominated by the prospect that the Labour Party under Tony Blair will form the next government. The opinion polls give Labour an enormous lead over the Tories (though this will probably diminish the closer the general election approaches). John Major's government is exhausted, divided and desperate. After what seems a lifetime of right wing Tory rule the mass of people's hopes of a better life are concentrated on Labour. Everyone, even the Tories as they wage a bitter rearguard action to hang on to office, is waiting for Tony Blair.

But what precisely does the party which Blair likes to call 'New Labour' have to offer? Will it, in government, bring real change to a society that most people would agree has become more unequal, worse run, meaner and dirtier since 1979?

The evidence is piling up that it will not. One can see this in the big things which Blair has done – like in scrapping the pledge in Clause Four of the Labour Party's constitution to achieve social ownership of the economy. But some of the small things that Blair and his colleagues have done are just as revealing – for example, his own decision and that of his close

ally Harriet Harman to send their sons to selective schools, and shadow home secretary Jack Straw's revolting attack on some of the most wretched victims of Tory Britain, those whom he called 'the beggars and squeegee merchants'.

No wonder that many middle of the road Labour supporters are beginning to express growing worries about the direction taken by the party under Blair. One of them wrote to the **Guardian** after miners' leader Arthur Scargill resigned from Labour in January 1996 to form the new Socialist Labour Party: 'While we have invariably considered Arthur Scargill's proclamations to be honest but foolish, we are now finding young Tony's utterances are a cause for concern.' The writer went on to say that, following in the footsteps of those who broke away from Labour in the early 1980s to form the Social Democratic Party, which 'looked to us like the Conservative Party Mark 2', Blair

now seems intent on ... turning the Labour Party into a Conservative Party Mark 3.

We want to be pro-Labour, not just anti-Tory ... Blair's intention of abandoning the central planks of Labour's policies and principles to gain power may succeed, but to what end? We pale pink Old Labour voters are hardly likely to follow Scargill into the wilderness, but we could well jump ship in despair. The disaffected Tories who just might grit their teeth and vote Labour this once will be no substitute for us. [1]

These concerns are shared by many. The desire to get rid of the Tories is immense. But at the same time there is the fear that a great opportunity to change British society will be thrown away by a government that merely continues, with minor variations, its predecessors' policies. So what does Tony Blair stand for? How different is his project from the traditions of the 'old' Labour Party? And if 'New Labour' isn't going to change things, what sort of alternative is there to it?

## **The politics of Tony Blair**

Tony Blair was elected leader of the Labour Party in July 1994. After the sudden death of the previous leader, John Smith, he emerged as the candidate of the ‘modernisers’, as the extreme right wing of the Labour Party like to call themselves. What they describe as ‘The Project’ can be traced back more than ten years earlier, to Neil Kinnock’s election as Labour leader.

## **Thatcherism with a human face**

Kinnock became leader after Labour’s devastating defeat at the hands of Margaret Thatcher’s Tory government in the June 1983 general election. Kinnock and his supporters drew the conclusion that the British electorate had come broadly to accept the ideology of Thatcherism – a vision of society as a collection of self-seeking individuals. If, therefore, Labour was to have any chance of winning future elections then it would have to move right in line with the electorate. It would have to offer a brand of politics well summed up by a label originally coined for the Social Democratic Party (SDP), which broke away from Labour to the right in 1981 – ‘Thatcherism with a Human Face’.

So Kinnock refused to back the miners in their epic struggle with the Thatcher government in 1984–85. He systematically purged the party rank and file of organised socialists, notably supporters of the Militant Tendency. Any party policy that carried a whiff of socialism – for example, support for unilateral nuclear disarmament – was ditched. Tony Blair made a very rapid ascent after his entry to parliament in 1983. He first made his name when, as shadow employment secretary, he announced that Labour would not after all scrap the Tory anti-union laws. Under the guidance of Kinnock’s chief spin-doctor, Peter Mandelson, style and presentation took priority in the party over any effort to resist Tory policies. By the late 1980s Labour left

wingers were denouncing Labour under Kinnock as an 'SDP Mark 2'.

Many Labour activists, both in the constituency parties and the unions, were also unhappy about this shift to the right. But they went along with it in the belief that it was necessary to defeat the Tories. Instead Labour went down to two more humiliating defeats, in the 1987 and 1992 elections. All that sacrifice had been for nothing.

After the 1992 defeat Kinnock was replaced by John Smith. Though himself a right winger Smith found himself under very heavy pressure from the 'modernisers', whose leading figures were Gordon Brown and Tony Blair (with Mandelson pulling the strings in the background). Rather than review a strategy which had produced only electoral failure they argued that it was necessary to go much further and faster in changing Labour. In particular they sought to weaken the link between Labour and its trade union affiliates and were critical of Smith for being too willing to make compromises with the union leaders.

The chief victory for the modernisers under Smith came when the 1993 party conference voted for one member one vote (OMOV). From now on the selection of parliamentary candidates would be by ballot of the local party membership. At the same time the union share of the conference vote would be progressively reduced to 50 percent. Increasingly the Labour right could rely on the support of the purged, demoralised and fragmented membership of the constituency parties to help them overcome resistance to their policies.

Smith's fatal heart attack in May 1994 gave the modernisers the opportunity to place one of their own in the leadership position. Smith's body was still warm when a huge media campaign was launched behind Blair's candidacy. Fleet Street had elected the new Labour leader long before party members had a chance to vote. However, the modernisers were forced to accept John Prescott, a leading figure on Labour's centre left, as

deputy leader.

## **Scrapping Clause Four**

Tony Blair hit the ground running. By the time he became leader, Labour had an enormous lead over the Tories in the opinion polls. Labour's support reflected the huge popular revulsion against John Major's government. This had begun in the autumn of 1992 when the pound was forced out of the European Monetary System and Michael Heseltine announced the closure of most remaining coal mines.

Blair was not responsible for Labour's popularity. John Smith's last political act was to preside over a historic defeat of the Tories in the May 1994 local elections. But Blair used the strong position Labour's poll lead gave him to force through further change inside the Labour Party. He made clear his intention to break with the past in the autumn of 1994 by first becoming the only Labour leader in living memory not to deliver the fraternal address to the Trades Union Congress and then announcing at the party conference that he intended to amend Clause Four of Labour's constitution.

Blair's target was the pledge in Clause Four 'to secure for the producers by hand and brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of common ownership of the means of production, distribution, and exchange and the best obtainable system of popular ownership and control of each industry or service'.

Clause Four thus represented Labour's commitment to achieving a socialist society in which productive resources are under collective and democratic control rather than the instruments of a handful of bosses to make profits. It was very largely a paper commitment. Labour in office had mostly

ignored it (see chapter 3 below). Why then did Blair seek to scrap it?

There were two main reasons, one practical, the other ideological. From a practical point of view Blair wanted to reassure big business and the financial markets that they would be safe under a Labour government. He tried various means to achieve this – for example, courting Rupert Murdoch in the hope that he would swing his union-busting media empire behind New Labour. Eliminating the last vestiges of socialism from Labour's programme would undoubtedly help to send the right message to the City and the multinationals.

At the same time the modernisers wanted positively to commit the party to the market economy. Most of their revised Clause Four was meaningless waffle but it included among its objectives:

a dynamic economy, serving the public interest, in which the enterprise of the market and the rigour of competition are joined with the forces of partnership and co-operation to produce the wealth the nation needs and the opportunity for all to work and prosper, with a thriving public sector and high quality public services, where those undertakings essential to the public good are either owned by the public or accountable to them.

The apparent commitment to public ownership the revised clause contained was shown to be meaningless by the Shadow Cabinet's refusal to pledge to renationalise the utilities such as gas, electricity and water which the Tories had privatised and by the confusion that surrounded Labour's attitude to rail privatisation. What counted was New Labour's support for 'the enterprise of the market and the rigour of competition'.

Labour in office had never sought to achieve 'common ownership of the means of production'. What it had tried to do was to use the power of the state to regulate capitalism and to prevent its worst excesses. After the Second World War it had done so under the influence of the Liberal economist John Maynard Keynes, who argued that state intervention could

correct the violent gyrations of the market and achieve full employment.

Labour under Tony Blair has formally abandoned Keynesian economics. This became clear in particular with the Mais lecture Blair delivered in May 1995. There he praised Nigel Lawson, Thatcher's Chancellor of the Exchequer between 1983 and 1989, for pursuing an economic policy aimed at reducing inflation to a minimum by controlling public spending, and declared: 'the control of inflation through a tough macro-economic policy framework is even more important than the Tories have said'. [2]

But Lawson's policy had been based on free market economics. In the version known as monetarism and popularised by Milton Friedman and Friedrich von Hayek in the 1970s it had provided the basis of Thatcherism. This rested on the assumption that the market should be left to its own devices. Everyone would be better off if the state didn't intervene in the economy and public spending was pared down to a minimum.

In practice, of course, the policies of the New Right led to economic disaster in Britain and elsewhere. Faced with economic stagnation in the mid-1980s Lawson boosted public spending, slashed taxes and made borrowing easier to help the Tories win the 1987 election. The result was an inflationary boom followed by an economic slump from which Britain has yet to emerge.

The Mais lecture caused one of Blair's chief intellectual backers, **Guardian** columnist Will Hutton, to protest:

the whole point of the economics in which left-of-centre politics is rooted is that capitalism is definitionally unstable and its workings inequitable. There are vicious and virtuous cycles; credit booms and busts; industries, firms and regions can lock into almost unassailable positions, and so on. Above all, the price-mechanism alone cannot produce the results the New Right hopes because prices cannot tell the parties to market bargains what will happen in the future, so necessarily they represent bets and hunches as



much as calculated acts ... Markets do not and cannot drive themselves to 'best' outcomes. [3]

As, under the influence of the New Right, state economic regulation was relaxed in the 1980s, global financial markets came to resemble a huge casino in which investors gambled for easy and quick profits. Their speculation could wreck economies as, for example, Mexico discovered in the mid-1990s (see chapter 4 below). New Labour under Tony Blair responded to this 'casino capitalism' by surrendering to it.

### **Embracing inequality**

Despite the retreat it represented from any attempt to control the market, Blair's attempt to refashion the Labour Party enjoyed a comparatively easy ride. The new Clause Four was accepted by a special party conference in April 1995 by 65 percent of the votes with the main opposition coming from a handful of unions. Of 441 Constituency Labour Parties balloted only three voted to retain the old Clause Four. Some 85 percent of party members who voted in the ballots supported Blair. [4] This didn't mean that Labour supporters were happy with the change. Significantly, John Prescott was wheeled out at the conference to make a summing up speech designed to reassure the rank and file that Labour traditions weren't simply being dumped.

Nevertheless, most Labour activists went along with the changes. This was mainly because they were desperate, after four successive election defeats, to get rid of the Tories. Many accepted Blair's argument that British society had changed and that therefore to win votes Labour had to change as well. Some also harboured the hope that Blair was secretly more radical than he let on and that a Labour government would go much further than he was prepared to admit in public.

But more and more evidence has piled up showing this to be wishful thinking. One example is provided by Labour's Commission on Social Justice. Appointed by John Smith, it reported after his death, in November 1994. The commission's research documented the growth of poverty and inequality in British society. Contradicting the claims of Labour front benchers that class divisions are becoming less acute, it showed that nearly two thirds of the population receive less than the average income. [5]

Despite this the commission essentially accepted the Tory analysis that the welfare state is becoming an increasing burden on the economy. It concluded that it is necessary to retreat from the principle, always defended by Labour as basic, that benefits are as far as possible universally available. It proposed a guaranteed minimum pension but made access to it dependent on a means test. In a critique of the commission's report, Professor Peter Townsend argued that it reflected the thinking of Labour 'pretenders': 'The "pretenders" believe that greater inequality is inescapable, and has to be dressed up in New Labour language; they are committed to market-compliant policies which may at best slow the slide down but not challenge the logic of polarisation.' [6]

In fact, it soon emerged that even this report was too left wing for Blair. His shadow social security secretary, Chris Smith, is undertaking a review of the welfare state which (leaks make clear) seeks to pare it down even more than the Tories have. Policies such as workfare, which would cut off benefits to the unemployed if they have not found a job after a fixed period, are under active consideration. A taste of things to come was provided when, in February 1996, the Tories announced plans to cut the social security budget by a quarter. Andrew Smith, Labour's shadow chief secretary to the Treasury, told Chris Smith in a leaked letter that these cuts 'are perfectly feasible'. The **Financial Times** commented: 'He may inadvertently have

given the DSS a significant boost as it contemplates the forthcoming cuts.’ [7]

But it was perhaps in their choice of their children’s schools that New Labour leaders made their attitude to society most clear. Tony Blair stirred up trouble when he decided to send his son to the London Oratory, a conservative Catholic grant maintained school. Even worse was to follow when the news got out in January 1996 that shadow health secretary Harriet Harman had decided to send one of her sons to the highly selective St Olave’s and St Saviour’s Boys’ Grammar School.

Labour had reaffirmed its long standing commitment to comprehensive and non-selective schooling as recently as its 1995 conference. Harman’s hypocrisy therefore provoked a storm. Gerald Steinberg MP resigned as chair of Labour’s parliamentary education committee. Pointing to the party’s opposition to Tory plans to make schooling more selective he asked, ‘How on earth can we take such a stance and then find a member of the Shadow Cabinet ignoring party policy and subscribing to Tory ideology designed to destroy comprehensive education?’ [8]

Labour leaders’ support for selective schooling is scandalous. It goes against any commitment to a fairer society. Selection means ‘choice’ for a minority of middle class parents and no choice for most working class families. In taking this stance Blair and Harman went against the strongest traditions even of the Labour right.

After the Second World War the Labour right became increasingly hostile to nationalisation. They made an unsuccessful attempt to scrap the old Clause Four after Labour lost the 1959 election. But the right’s main theoretician, Tony Crosland, remained strongly committed to achieving social equality. The main route to this objective, Labour right wingers rather naively believed, was through creating a fair education system, in particular by scrapping the class based division

between 'public', grammar and secondary modern schools, and creating genuinely comprehensive state schools.

Hence it was right wing Labour education secretaries, first Crosland himself and then Shirley Williams (later one of the founders of the SDP), who were responsible for the move to comprehensive schooling in the 1960s and 1970s. Crosland and other middle class Labour ministers such as Tony Benn sought – in stark contrast to Blair's and Harman's conduct a generation later – to show their personal commitment to the principle of social equality by taking their children out of 'public' schools and sending them to comprehensives.

It is thus appropriate that Crosland's main political heir, Roy Hattersley, should bitterly attack Blair's acceptance of selection. Hattersley is no left winger. As deputy Labour leader under Kinnock he helped push through a large scale purge of socialists. After the Trafalgar Square poll tax riot in March 1990, he demanded 'exemplary sentences' for the 'ringleaders'. He hasn't moved left. Labour under Blair has moved right, going so far in its abandonment of the ideals of even the traditional party right that even Hattersley looks radical.

Apparently, the anger provoked by New Labour's support for selective education and social inequality doesn't worry Blair and his cronies. The **Observer** reported: 'Labour sources say modernisers around Blair welcome the controversy because it shows how far New Labour has travelled from its roots. Telegenic role models such as the Blairs and Harmans taking the politics out of education and "putting children first" is seen as a vote winner.' [9]

The whole affair exposed the arrogance of the New Labour gang. After the Harman row had caused what Blair himself conceded was his 'toughest week' as leader, the same paper reported:

it would be a mistake to believe that the week has left Ms Harman depressed or repentant. On the contrary, friends say, she ended on a

high, convinced she has proved herself tough enough to survive in the political jungle ... Modernisers believe that Tony Blair has shown an unerring judgement of how to touch a cord with [the] public, if necessary by defying party opinion. [10]

## The big idea

Defenders of ‘The Project’ would nevertheless claim that New Labour does not represent the abandonment of any attempt to change society. On the contrary, Blair has a vision of an alternative to Tory Britain. This is the idea of a ‘stakeholder economy’ which he unveiled in January 1996. A Labour government would, he promised, work with ‘the grain of global change’ but would make sure that the benefits of the market economy were ‘fairly distributed and all our citizens are part of one nation and get the chance to succeed’. Blair made these remarks in a speech in Singapore, an odd venue for a Labour leader since it is a notoriously repressive society which tightly controls its citizens’ lives. Lee Kuan Yew, for decades Singapore’s ruler, praised Blair as ‘young and energetic’. [11]

The thinking behind Blair’s speech was well summed up by TUC general secretary John Monks: ‘The debate on the centre-left is no longer about socialism versus capitalism, it is about different kinds of capitalism.’ [12] This idea is developed by the French writer and businessmen Michel Albert in a book called **Capitalism against Capitalism**. He argues that the main conflict in the world today is between different variants of capitalism. In particular, he counter-poses ‘Anglo-American capitalism’, which keeps interference in the market to a minimum and accepts high levels of class inequality and poverty, to ‘Rhineland capitalism’ which prevails in continental Europe and involves tightly regulated markets, close co-operation between capital and labour, and a relatively generous welfare state.

This basic analysis is taken much further by Will Hutton in his widely read book **The State We're In**. This contains a devastating critique of free market economics and of the record of British capitalism. The British economy, Hutton argues, is dominated by financial institutions based in the City of London and obsessed with making big, quick profits. The resulting 'short-termism' makes it difficult for companies to undertake long term investments and has therefore made manufacturing industry uncompetitive. Tory policies since 1979 have simply reinforced the long term tendencies of British capitalism and disastrously widened social inequality.

The alternative, Hutton contends, is 'stakeholder capitalism' as it is to be found, in different forms, in Germany, Japan and the rest of East Asia. These societies depend upon co-operation as well as competition. This is reflected, for example, in the institutionalised set up that has brought employers, union leaders and the state together in western Germany since 1945 in a process of non-stop social bargaining. These far more cohesive societies than Britain or the United States have been able to make long term investments that have kept their manufacturing industries competitive. And so, Hutton concludes:

the great challenge of the twentieth century, after the experience of both state socialism and of unfettered free markets, is to create a new financial architecture in which private decisions produce a less degenerate capitalism. The triple requirement is to broaden the area of stakeholding in companies and institutions, so creating a greater bias to long term commitment from owners; to extend the supply of cheap, long term debt; and to decentralise decision making. [13]

This kind of diagnosis faces two kinds of difficulty. The first is that it's not just 'Anglo-American' capitalism that is in trouble these days. The great recession of the early 1990s hit the two great examples of 'stakeholder capitalism' particularly hard. Germany in 1993 went through its worst recession since the 1940s, pushing unemployment up to four million. After a brief

recovery the German economy began to slow down again in the second half of 1995, even shrinking towards the end of that year.

Japan suffered even more in the same slump. The great banks which Hutton praises as the sources of careful long term investment went on a huge spree of speculation in shares and property in the late 1980s. This ‘bubble economy’ then teetered into a predictable and devastating crash. The banks found themselves stuck with enormous bad loans that they had dizzily made at the height of the boom. The Japanese economy, one of the great dynamos of the world economy, ran to a halt and even contracted.

The evidence is accumulating that both the German and the Japanese economies face long term crises of competitiveness. One study suggests that in October 1993, compared to a European average of 100, unit labour costs in manufacturing were 125.1 in Germany and 121.3 in Japan, but only 73.1 in the United States. [14] Faced with increasingly intense international competition big German and Japanese companies are laying off workers in their domestic plants and investing heavily in building factories abroad where labour costs are lower. German employers are making increasingly vocal demands for labour market ‘flexibility’ and cuts in welfare spending.

‘Rhineland capitalism’ therefore doesn’t look like a real alternative to the ‘Anglo-American’ variant. There is, moreover, a second difficulty with Hutton’s advocacy of ‘stakeholder capitalism’. Achieving it in Britain would require making quite substantial changes in both the economy and the state. In particular, big inroads would have to be made in the entrenched power of the City and its allies in the Treasury and the Bank of England. Hutton recognises this in a rather confused way when he says that ‘the financial system ... needs to be comprehensively republicanised’, and proposes various political reforms such as the introduction of a written constitution (though not, oddly enough, the abolition of the monarchy). [15] He has also called

for legislation to ‘break the self-perpetuating oligarchy of most British firms’. [16]

But pursuing this goal would involve a direct confrontation with the British establishment. This is the last thing in Tony Blair’s mind. It cuts across his attempt to reassure big business that the economy would be safe in Labour’s hands. When the Tories attacked the idea of stakeholding, he retreated rapidly into empty phrases such as: ‘The stakeholder economy ... is about giving power to you, the individual.’ He cited various British companies as examples of stakeholding, including John Lewis and Marks & Spencer – which ban unions – and BP which derecognised unions at seven sites in two years. [17]

Blair conceded in an interview that the stakeholder economy was a ‘slogan’. The **Guardian**’s Hugo Young cynically commented: ‘He openly admits that stakeholding is not his big idea but his buzz-word, his unifying theme, the catchy feel-good number – a little more sharp-edged than “community”, a little less socialistically offensive than “shareholder” – with which he hopes to ensnare the collective brain of Britain.’ [18] The whole business of the stakeholder economy therefore simply served to underline how little New Labour intends to change British society.

## **Blair and Labourism**

For all their differences there is one thing on which Tony Blair and his opponents in the Labour Party agree. Both sides accept that he represents a very sharp break with Labour tradition. Blair initially stressed that he was committed to the same ‘values and objectives’ as past Labour leaders but was simply using different means to realise them. But the more confident he became of his position, the more he stressed the theme of ‘New Labour’. This



was, he explained in one interview, ‘not some public relations exercise but a new and different party’. [19]

The image was thus projected of a fundamentally new party – though one that was unfortunately burdened with the heritage of the past. And ‘Old Labour’, it soon became clear, embraced not only the trade unions and the left, but also the traditional centre and right of the party – John Prescott and Roy Hattersley as well as Tony Benn and Arthur Scargill.

Strangely enough a similar picture is broadly accepted by many of the socialists who reject Blair’s policies. Scargill in particular counterposes New Labour to what he believes to be the party’s socialist traditions:

It is commonly agreed that the Labour Party was born out of the trade union movement and various Socialist groups with the aim of creating a Parliamentary Party to give expression to a Socialist political agenda in the House of Commons.

At the time of its formation the Labour Party had both a Constitution and policies which projected a Socialist philosophy, policies and programme. [20]

Thus, Scargill argues, ‘in ditching Clause IV from the Constitution, Labour has erased its commitment to the aim of common ownership without which social justice, economic democracy and Socialism are impossible.’ ‘New Non-Socialist Labour’, he contends ‘is now almost indistinguishable from the Democratic Party in the United States, Germany’s Social Democrat Party, or, nearer home, the Liberal Democrats.’ [21]

Now Tony Blair is undoubtedly the most right wing leader Labour has ever had. His closest rival for that title is Hugh Gaitskell, leader between 1955 and 1963, who tried to scrap Clause Four in 1959. But Gaitskell remained committed to a programme of nationalisation that would place him today alongside Dennis Skinner. He wanted to see the chemical, machine tool and possibly aircraft industries taken into state ownership. After Gaitskell’s death his friend the historian M.M.

Postan wrote: 'had he been then [1957] in power, his shopping list of industries and interests to be nationalised would have been far wider than that of many defenders of Clause Four.' [22]

But it's one thing to recognise how far Blair has shifted Labour policies to the right. It's another thing to accept at face value his claim to represent a complete break with the past. And it is a dangerous mistake to look back nostalgically to a Golden Age when Labour was a real socialist party.

## **No golden age**

It is true that the Labour Party is the creation of the trade unions. It was established in 1900 as the Labour Representation Committee. The name is significant: Labour existed to represent trade union interests in Parliament. There was no question in its early years of the party pursuing 'a Socialist political agenda'. On the contrary, its strategy was one of 'Lib-Labism' in which Labour acted as the junior partner in an alliance with the Liberals, still then one of the two main parties. A newspaper at the time summed up what this meant under the Liberal government of 1905–15: 'The Labour members ... talk valiantly on platforms about their independence ... But in the House itself they are as obedient as trained poodles ... they line into the right lobby with a subservience that is entertaining.' [23]

It was the radicalising impact of the First World War that drove Labour to free itself from the tutelage of the Liberals and seek to transform itself into a mass socialist party. The slaughter in the trenches caused workers throughout Europe to rebel against the system that had produced the war. Under pressure from below, as shop stewards in the engineering industry led a wave of unofficial strikes and as workers all over the world rallied to the banner of the 1917 Russian Revolution, Labour leaders moved leftwards. In 1918 the party adopted a new

constitution which, apart from the socialist commitment contained in Clause Four, made Labour for the first time a mass membership party which individuals could join (previously it had been a purely federal body to which only organisations could affiliate).

However, important controls were retained to ensure that a socialist membership didn't take control of the party. Crucially the bulk of the votes at party conferences were firmly in the hands of the leaders of the affiliated trade unions. As Tony Cliff and Donny Gluckstein put it, Labour has always been 'the political expression of the trade union bureaucracy'. It isn't rank and file trade unionists who help to decide Labour's policies, but the full time officials. These officials form a distinct group within the unions, separate from ordinary workers. Their interests lie in reconciling bosses and workers and therefore in containing the class struggle within the framework of the existing system. As the political expression of this bureaucracy Labour is, as Lenin put it, a 'capitalist workers' party', which pursues workers' interests so long as they are compatible with the well-being of capitalism. [24]

The fundamental nature of Labourism was made clear in the first two minority governments that the party formed under Ramsay MacDonald in 1924 and 1929–31. From the start Labour in office showed itself bitterly hostile to strikes, using emergency powers against several. MacDonald declared: 'Public doles, Poplarism [named after the Labour controlled council in Poplar that defied the law rather than cut back on its welfare services], strikes for increased wages, limitations of output, not only are not Socialism but may mislead the spirit and the policy of Socialism.' [25] Labour ministers authorised the secret strike breaking organisation the Tory government of Stanley Baldwin used against the 1926 General Strike.

The MacDonald government's economic policy was rooted in the free market orthodoxy of the 19th century. The historian

A.J.P. Taylor writes of Philip Snowden, Chancellor of the Exchequer in both governments:

Snowden had spent his life preaching social reforms; but he also believed that a balanced budget and rigorous economy were the only foundations for such reforms, and he soon convinced himself that the reforms would have to wait until the foundation had been well and truly laid ... Most Labour men assumed that finance was a neutral subject, which had nothing to do with politics. [26]

MacDonald's and Snowden's attitude is echoed in the stance of Tony Blair and his shadow chancellor, Gordon Brown. They have accepted the basic principle of Tory monetarism, that the main aim of economic policy is a stable fiscal and monetary framework that will keep inflation low. The only reforms that a Blair government will undertake are those that will fit into this very restrictive framework.

Free market orthodoxy left the MacDonald government helpless in the face of the onset of the Great Depression in 1929. The ruling class demanded 'sacrifice' from working people. Bankers, in words all too familiar today, called for the government to reduce its deficit – the difference between its spending and the taxes and other revenues it received. They wanted 'waste' eliminated, by which they chiefly meant that the relief payments to the employed should be cut. After a majority had initially accepted this cut, the cabinet rebelled. MacDonald, Snowden and three other ministers then broke with Labour and formed a National Government with the Tories to push the bankers' programme through. Ironically, this government was more economically adventurous than its Labour predecessor and took Britain off the gold standard. 'No one told us we could do this,' complained Sidney Webb, an ex-minister and, as founder of the Fabian Society, one of the main theorists of Labour's strategy of gradually changing society.

The MacDonald governments set a pattern that has been followed by Labour in office ever since. Labour governments have sincerely sought reforms that would improve the living

standards of the working people who voted them into office. But they have sought to do so within the framework of capitalism. This means that when the system is in crisis they have been faced with a harsh dilemma. Do they persist with the reforms they were elected to push through, even if this further undermines the stability of the system, or do they seek to rescue capitalism at the expense of working class living standards in the hope that once the economy improves reforms will once again prove possible?

This dilemma was summed up by the German trade union leader Fritz Tarnow at the height of the Great Depression in 1931:

Are we sitting at the sick-bed of capitalism, not only as doctors who want to cure their patient, but as prospective heirs who cannot wait for the end or would like to hasten it by administering poison? We are condemned, I think, to be doctors who seriously wish a cure, and yet we have to retain the feeling that we are heirs who wish to receive the entire legacy of the capitalist system today rather than tomorrow. This double role, doctor and heir, is a damned difficult task. [\[27\]](#)

As Tarnow makes clear, Labour governments and their counterparts elsewhere have always resolved this dilemma by acting as doctors of capitalism, rescuing it at the expense of their working class supporters. When, however, the system is expanding the choices that face them are a little easier.

Thus the most successful Labour government, that of 1945–51 under Clement Attlee, held office at the beginning of the longest economic boom in the history of capitalism. Unlike its predecessors under MacDonald it presided over an economy in which unemployment stayed for most of the time at negligible levels. And it benefited from a consensus that prevailed throughout the political establishment.

The Second World War had produced a working class radicalisation, not just in Britain but throughout Europe, which persuaded the ruling classes that, in the words of Tory MP

Quintin Hogg (later Lord Hailsham), ‘if you do not give the people social reform, they are going to give you social revolution.’ The main social reforms carried through by the Attlee government, including its greatest achievement in the establishment of a National Health Service, were foreshadowed in the 1942 report by the Liberal academic William Beveridge which was accepted by all the parties in the wartime coalition, including the Tories under Winston Churchill. Most of the industries nationalised after 1945 were unprofitable and inefficiently run affairs whose owners were often only too happy to be bought out. Similar reforms were introduced by other European governments – for example, in West Germany under the chancellorship of the conservative Christian Democrat Konrad Adenauer.

But even the post-war Labour government was subject to the constraints imposed on it by its aim of managing capitalism. It was as hostile to strikes as its predecessors. Indeed, Geoff Ellen writes, ‘on 18 different occasions between 1945 and 1951, the government sent in troops, sometimes 20,000 of them, across picket lines to take over strikers’ jobs’. By 1948, it has been argued, ‘strike-breaking had become almost second nature to the Cabinet.’ [\[28\]](#)

Abroad the Attlee government sought to maintain the British Empire. It withdrew from commitments beyond Britain’s resources, above all in the Indian sub-continent, but waged a vicious colonial war to hang on to Malaya. As foreign secretary Ernest Bevin was a crucial ally of the United States in the Cold War partition of Europe into rival superpower blocs and the creation of the North Atlantic Treaty Organisation (NATO). Attlee took the decision to develop British nuclear weapons without even consulting the cabinet.

In January 1948 Bevin declared: ‘It should be possible to develop our own power and influence equal to that of the United States of America and the USSR. We have the material resources in the Colonial Empire, if we develop them.’ [\[29\]](#) The historian

David Reynolds comments that under the Attlee government and its Tory successor, 'Britain was exerting itself as a power more energetically than at any time outside the world wars, certainly far more than in its supposed Victorian heyday'. [30]

To allow Britain to continue this world wide imperial role the Attlee government took out a loan with the US government which was tied to stringent economic conditions, in particular making the pound convertible with other currencies as quickly as possible. The loan was publicly justified as essential to prevent Britain from starving but Maynard Keynes, who actually negotiated the loan, admitted afterwards:

It comes out in the wash that the American Loan is primarily required to meet the political and military expenditure overseas. If it were not for that, we could scrape through without excessive interruption of our domestic programme... The main consequence of the failure of the loan must, therefore, be a large scale withdrawal on our part from international responsibilities. [31]

The price of empire was high. When the pound went convertible in July 1947, money flooded out of the country. The government was forced to suspend convertibility. Particularly after Stafford Cripps became chancellor in November 1947 the watchword of Labour economic policy became 'austerity'. The TUC was persuaded to accept wage restraint. Cripp's successor as Chancellor, Hugh Gaitskell, imposed the first prescription charges in the NHS to help fund a massive rearmament programme launched after the outbreak of the Korean War in 1950. Aneurin Bevan and Harold Wilson resigned from the government in protest. This disarray, coming as it did after years of pressure on living standards, set the stage for the Tories' narrow victory in the 1951 general election.

## **Prisoners of capitalism**

By the time Labour again returned to office in October 1964 the bloom was beginning to go from the long post-war boom, in Britain at least. The British economy was slipping behind its rivals in Germany and Japan and elsewhere. Labour under Harold Wilson cultivated a language of ‘youth’ and ‘newness’ copied from John Kennedy’s Democratic administration in the US and very similar to Tony Blair’s incantation of ‘New Labour – New Britain’ at the 1995 party conference. Paul Foot explained at the time in words that could be applied to Blair with very little change:

When Wilson became leader of the Party in 1963, he set to work playing down the traditional emphases of British Labour – on equality, on welfare, on fighting issues rather than personalities – and introduced the Kennedy rhetoric of ‘dynamism and change’ ... The switch delighted no one more than the journalists and communicators, whom Wilson cultivated as carefully as Kennedy had done. Unanimously, and totally without scepticism, they helped to build up the image of a new, dynamic Labour leadership bursting to get Britain ‘on the move’. [\[32\]](#)

Wilson thought Gaitskell’s attempt to scrap Clause Four was foolish, but he had no intention of changing the structure of British society. He spoke of ‘white heat of the technological revolution’ and promised to get rid of ‘the dead wood in Britain’s boardrooms’. His aim was to make British capitalism kinder and more efficient, not to get rid of it. The claim made by Peter Mandelson after Wilson’s death in 1995 that his government failed because had been too radical is absurd and displays either gross ignorance or a conscious attempt to distort the truth.

But even the very limited reforms offered by the Labour Party were too much for the financial markets and the big corporations. From the day Labour took office the pound was under constant pressure in the currency markets. Lord Cromer, Governor of the Bank of England, bombarded Wilson with



demands for deflationary policies that would slow down the economy by raising taxes and cutting public spending.

In his memoirs Wilson described one such confrontation:

Not for the first time, I said that we had now reached the situation where a newly elected Government with a mandate from the people was being told, not so much by the Governor of the Bank of England but by international speculators, that the policies on which we had fought the election could not be implemented; that the Government was to be forced into the adoption of Tory policies to which it was fundamentally opposed. The Governor confirmed that that was, in fact, the case. [33]

Despite such protests, Wilson capitulated to the markets. Particularly after the pound was devalued in November 1967, harsh deflationary policies were forced through pushing unemployment up to what was then a post-war high. The Labour government also imposed statutory wage controls to stop workers from defending their living standards, then being eroded by rising inflation.

The conflict this created between workers and ‘their’ government reached its climax in 1969. Wilson and his left wing employment secretary, Barbara Castle, drew up a White Paper, **In Place of Strife**, which proposed restrictions on ‘unconstitutional’ strikes. Wilson had to withdraw the proposals after they had provoked a storm of protest in the unions, on the back benches and even at the cabinet table. The fact remained, however, that a Labour government had made anti-union legislation respectable.

The confrontation between workers and the state that developed under the first Wilson government reached fever pitch after the Tories under Ted Heath returned to office in June 1970. The long boom was coming to an end. Faced with intense international competition the bosses were demanding sacrifices from a strong and confident working class. The result was intense confrontation leading to the government’s defeat at the

hands of the miners and the dockers in 1972, and its fall in the face of a second miners' strike in February 1974.

Labour under Wilson returned to office as the world economy descended into the first great slump since the 1930s. Workers' militancy had pushed the party leftwards. In 1973 Labour adopted a programme calling for 'a fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families'. It had been drafted by Tony Benn who entered the new government as industry secretary. Benn used his popularity with shopfloor militants to press for the implementation of this programme.

However, in office the manifesto promises proved not to be worth the paper on which they were written. Faced with the worst economic crisis since the Great Depression, Labour proved itself once again the doctor of capitalism, not its gravedigger. Will Hutton recently admitted: 'It was not the Thatcherites who launched British-style monetarism as they entered office in 1979. It was the Labour Chancellor, Denis Healey, who, after the 1976 IMF crisis, began focusing policy on lowering the public sector borrowing requirement, targeting money supply growth and lifting exchange controls.' [\[34\]](#)

In fact, even earlier Healey had moved British economic policy decisively back to the free market orthodoxy that had been abandoned in the 1930s. In July 1975, after Wilson had humiliated Benn by demoting him, Healey announced a £6 limit on pay increases and introduced cash limits on public spending. He never actually believed in the economic dogmas of the New Right. He merely cynically adjusted his policies in response to pressure. Describing in his memoirs the crisis which developed in 1976 when, despite the fact that 'our real economy was steadily improving', the pound started to fall again on the currency markets, Healey writes: 'I soon learned that there is not much point in complaining when the financial markets behave like hysterical schoolgirls. You cannot buck the markets.' [\[35\]](#)

Quite apart from the sexism of this remark it was of course Margaret Thatcher who famously declared: ‘You can’t buck the market.’ That at any rate was the conclusion that the Labour government reached in the autumn of 1976. As the pound dropped like a stone on the markets, Healey raised interest rates to 15 percent and went to the International Monetary Fund for a loan to help restore ‘confidence’ in the British economy. Like the bankers in 1931 the IMF demanded, with the support of the US Treasury, that as a condition of the loan public spending be cut to reduce the budget deficit.

Also as in 1931, the cabinet rebelled when Healey, backed by Jim Callaghan, Wilson’s successor as prime minister, proposed to cut spending by £1 billion. This time, however, the prime minister and chancellor got their way without a party split. Left wingers like Tony Benn and Peter Shore opposed the cuts, but so too did Tony Crosland, foreign secretary and the Labour right’s leading theorist. Crosland systematically refuted the economic case for the cuts. But when Callaghan laid his authority on the line and backed Healey, Crosland capitulated: ‘He remained absolutely unconvinced by the economic arguments which had been used. But his clear political judgement was that, given the position which the Prime Minister had taken, it would not be right to press the issue.’ [\[36\]](#)

The IMF loan did therefore mark a turning point. During the post-war boom Crosland and other Labour ‘revisionists’ had argued that state ownership of the economy was no longer necessary to achieve social equality. Thanks to Keynes, the state could manage the capitalist economy to achieve full employment and rising living standards from which further reforms could be financed. But in 1976, with the world economy once again in crisis, Labour right wingers such as Healey and Crosland who had taken their inspiration from Keynes surrendered to what they recognised were the irrational and destructive demands of the financial markets. In doing so they prepared the way, not merely

for Thatcherism, but for New Labour's acceptance of free market economics.

Working people paid the price of this capitulation. The Labour government had negotiated a Social Contract with the trade union leaders. The latter undertook to persuade their members to restrain their wage demands. The agreement held firm for three years, between 1975 and 1978. Prices rose much faster than wages. The result was the biggest cut in the living standards of employed workers for a century. In the autumn of 1978 Callaghan and Healey demanded yet another year of pay restraint. But the union leaders couldn't hold the line any longer. That winter the bitterness of rank and file workers over falling real wages exploded in a wave of strikes in both the public and the private sector. Broken backed, the Callaghan government stumbled into defeat at the hands of Margaret Thatcher and the Tories in the general election of May 1979.

In opposition Labour initially swung to the left. The failure of the 1974–79 government infuriated many party activists, who had in any case been radicalised by the great straggles of the early 1970s. Tony Benn headed a left wing movement which won a number of conference victories and in the autumn of 1981 came within an inch of capturing the deputy leadership of the party. Meanwhile some Labour right wingers broke away to form the SDP.

But the left's conference triumphs were taking place in a vacuum. Industrially, workers were suffering the impact of the worst recession British manufacturing had suffered since the Industrial Revolution. The Tory government was beginning to win the series of victories over the unions that would culminate in the defeat of the 1984–85 miners' strike and of the printers at Wapping. The Bennites' successes proved to be, not the crest of a wave of a radicalisation, but a rearguard action. Even before Labour suffered its worst defeat since 1931 in the general election of 1983 the union leaders were using their conference block votes to push the party back to the centre. The long march

rightwards whose climax was Tony Blair's election as leader had begun.

## **A break with the past?**

Set against this historical background, New Labour seems much less of a dramatic change than nostalgists for Old Labour such as Arthur Scargill suggest. It is true that Blair has openly embraced casino capitalism in a way that would have given previous leaders pause. But in practice Labour governments from Ramsay MacDonald's onwards have consistently capitulated to the market.

Moreover, Labour's move right in opposition over the past 15 years mirrors what its counterparts elsewhere in the world have been doing in office during the same period. Labor governments in Australia and New Zealand, Socialist Party governments in France and Spain, Social Democratic governments in Sweden and Austria have all pursued the same sort of pro-market policies as the Tories have implemented in Britain and that New Labour has now embraced.

Perhaps the most spectacular example of this process is provided by the French case. The Socialist Party leader, François Mitterrand, was elected president in May 1981, ending more than twenty years of right wing rule. Amid huge popular celebrations the new government began to implement Keynesian policies which were consciously designed as a riposte to the free market economics then gaining ground on both sides of the Atlantic, including extensive nationalisations and higher social spending.

Capitalists reacted by going on strike. They stopped investing. Money poured out of the country. The franc came under huge pressure in the currency markets, particularly within the European Monetary System. Within two years of his election

Mitterrand had performed a U-turn and adopted Thatcherite economic policies. Spending was slashed and unemployment soared, helping to create the poverty and inequality that have provided such an effective breeding ground for the biggest fascist movement Europe has seen since the Second World War.

Surrendering to the market has thus become the common policy of reformist parties throughout the world. But perhaps this means that Labour under Blair has ceased to have anything to do with the left. This seems to be what Scargill is saying when he claims that there is now little difference between the Labour Party and the Democrats in the US.

The Democratic Party is an openly and straightforwardly capitalist party. It was the party of the Southern slaveholders and their racist allies. With the exception of the 1991 Gulf War, all the major wars of American imperialism in the twentieth century have been waged by Democratic presidents. Just like the Republicans it competes for the backing of big business and receives significant corporate support. Today the Democratic president, Bill Clinton, vies with right wing Republicans like Newt Gingrich in his enthusiasm for budget cutting and attacking the poor.

However, even today there is one fundamental difference between Labour and the Democrats. The Labour Party is still closely tied organisationally, financially and politically to the trade unions. This does not mean that Labour is the party of rank and file workers. Its link to the unions comes mainly through the full time officials, who are a conservative group who seek to balance between workers and bosses and reconcile their interests.

Nevertheless, for all their conservatism, the trade union leaders depend for their power and influence on the strength of the organised working class. If the unions diminish to a negligible force in society, so too do their leaders.

Therefore, in however cautious, bureaucratic and straightforwardly cowardly fashion, the union leaders have to press for the advancement of working people. That is why, for example, Bill Morris of the Transport and General Workers Union and John Edmonds of the GMB were prepared to attract Blair's ire by pressing Labour to commit itself to a minimum wage of £4.15 an hour. Of course, at the 1995 party conference they backed down over the issue, but it had still brought them into conflict with the Labour leadership.

Now it's clear that the modernisers around Blair are very hostile even to unions like the GMB that have traditionally been strongholds of the Labour right. They successfully pressed for the unions' share of the vote at party conferences to be reduced to 50 percent and want to see it cut further, if not actually eliminated. Undoubtedly Blair would like Labour to become a purely capitalist party like the American Democrats. Sympathetic journalists have been briefed that a Blair government would seek further to reduce or even to break the link with the unions.

Thus not long after Blair's Clause Four victory Philip Stephens wrote in the **Financial Times**:

Mr Blair likes quoting statistics about his party's membership ... The numbers are still rising and, from this trend, the Labour leader extrapolates his favourite statistic: by the time of the next election, half of the membership will have joined since the 1992 election. Most of those will have signed up since his leadership.

Think about it. In its leader's mind this means a new party, one made in his own social democrat image. The new members are his power base. Something strange is happening when standard-bearers of the left like Diane Abbott and Jeremy Corbyn discover that the ranks of their local party activists are swelling with Blairites. And every addition reinforces the irrelevance of the trade unions. No, Mr Blair is not strong enough yet to deny the union leaders their annual outing to party conferences. Yes, if he wins the election, there is little future for the present institutional link

between party and unions. Remember the Social Democratic party's gang of four. Well, think of Mr Blair as the gang of one. [37]

This article probably gives an accurate description of Blair's intentions. But he is very unlikely actually to achieve this objective. His easy victories in becoming leader and scrapping Clause Four have concealed what may well prove to be in the longer term a relatively weak position. After the row over Harriet Harman's decision to send her child to a grammar school, one Labour MP commented: 'The lack of support for her illustrated that the modernisers really do not have much of a power-base inside the party. It showed that, when Blair was elected, they pulled off a coup d'état.' [38]

To get his way Blair has depended on two factors. One is the support of the centre left, represented in the Parliamentary Labour Party by figures like John Prescott and Robin Cook. They provide most of the few really able people on the front bench. There is plenty of evidence that the centre left deeply distrust and resent the modernisers. Their support for Blair is highly conditional. They would certainly oppose an outright break with the unions, with whom they enjoy close links.

The second, and stronger, factor working in Blair's favour is the desperate desire throughout the working class movement finally to get rid of the Tories and see a Labour government back in office. Blair has quite consciously played on this feeling, effectively saying to party and union activists, 'I'm your last hope, so you'd better back me to the hilt.' This is powerful blackmail. But even before the general election it is far from being fully effective.

Dislike of the modernisers is plainly widespread among trade union officials and activists, as is shown by the cold reception Blair received at the 1995 TUC. He had to promise the union leaders to leave their block votes alone at least until the general election – during which Labour will rely on the unions for 85 percent of its campaign funds. Blair's attempt in the election to



the TGWU general secretaryship to replace Bill Morris with his close ally Jack Dromey failed miserably. And the 1995 Shadow Cabinet elections were widely seen as a setback for the modernisers, with Old Labour candidates taking most of the seats.

Nor are the mass of people who have joined the Labour Party since Blair became leader a rabble of sharp-suited yuppies who send their children to selective schools and are eager to break with the unions. An official Labour Party survey of 1,000 new members in May 1995 reported that 47 percent had white collar jobs, 25 percent were retired, 9 percent were unemployed and 9 percent were students. [39] Most of the new members had been recruited by a friend or relative who was already a member, and almost as many (a fifth) were impressed by John Prescott as had been by Blair (a quarter). [40] As the table below shows, the new members have an interesting mix of political attitudes including, among many, strong reservations about Blair's strategy.

### **Political attitudes of new Labour Party members**

	<i>Yes</i>	<i>No</i>	<i>Don't know</i>
Should there be a minimum wage?	96%	4%	
Should Labour set a rate for the minimum wage before the next election?	57%	40%	3%
Do you support a federal Europe?	50%	19%	31%
Do you agree with the direction the party	40%	23%	37%
Do you feel positive towards the left of the party?	34%	12%	54%

Have you always voted Labour in the past?	77%	23%	
Do you think trade unions should be more active in the party?	30%	26%	44%
Do you support the change to Clause Four?	67%	33%	

*Source: Red Pepper, February 1996*

It is hatred of the Tories and a desire for change that have drawn people such as these into the Labour Party, not a positive commitment to Blair's 'Project'. Certainly a Labour government would not be able simply to take their support for granted. Moreover, as prime minister Blair would need the union leaders to restrain their rank and file members' demands for wage increases and social reforms. It would be the greatest folly in this situation to antagonise these same leaders by seeking to break the links between Labour and the unions. However much the modernisers may desire to turn Labour into a Democratic party they are unlikely to succeed.

The Labour Party under Tony Blair thus is, and is likely to remain, a capitalist workers' party. It rests upon organised workers and reflects their aspiration for a better society. But it seeks to reconcile this desire with the existence of capitalism. This has led Labour governments consistently to act as doctors of capitalism at working people's expense. Labour under Blair expresses the priority traditionally given to capitalism in a particularly sharp way. This is a consequence both of the opportunity Labour's long period in opposition has given the right to take control of the party, and the more general capitulation to the market of reformist governments all over the world. But Labour is still recognisably the same political animal it has always been. So what should be done about it?

## The socialist alternative

### The necessity of socialism

The basic assumption shared by Tony Blair and those helping him to drive through his New Labour 'Project' is that it no longer makes sense to talk about, let alone to seek, a socialist alternative to capitalism. No doubt Blair and many of his cronies never believed that socialism was desirable anyway. But they dress this belief up in the argument that society has changed. A favourite version of this argument is the appeal to what it has become fashionable among media commentators and academics to call 'globalisation'. By this they mean the development of much greater links between capitalists in different countries thanks to the expansion of global financial markets, the greater reach of multinational corporations and the growth of international trade.

New Labourites argue that international capitalism is now so strong that no national state can resist it. But the reforms of past Labour governments and their counterparts elsewhere depended on the power of the state. 'Globalisation' therefore rules out serious reforms. So Blair declares 'the determining context of economic policy is the new global market,' and that therefore 'the room for manoeuvre of any government in Britain is already heavily circumscribed'. [41] And the Oxford don John Gray, formerly a fan of Thatcherism but now a Blair supporter, claims that 'any attempt at a return to such policies [ie traditional reforms] would be interdicted by the international mobility of financial capital.' [42]

Undoubtedly there have been important economic changes over the past generation. Capital is now more mobile and more global than it has been for much of the twentieth century (though not significantly more so than it was before 1914). [43] But many of the claims made for globalisation are wild

exaggerations – ‘globaloney’, as Will Hutton calls them. He points out that international investment and trade are still dominated by the advanced industrial countries of Western Europe, North America and Japan, and that their big corporations depend heavily on their ‘home’ base in a particular nation state. Thus ‘one survey shows that on average two thirds of the sales and assets of German, Japanese, American and British transnational companies are at home.’ [44]

Even the right wing business magazine the **Economist** has attacked what it calls ‘the myth of the powerless state’. [45] The myth is a useful one for Blair and his friends because it lets them off the hook. It allows them to say, ‘Don’t expect too much from us. The world has changed since 1979, and the markets won’t let us do anything radical.’ But the financial markets have always attacked Labour governments. As we have seen, in 1931 the bankers’ demands for cuts broke up the MacDonald government. In 1964–66 and 1975–76 flights of capital forced Labour cabinets to abandon their programmes and adopt Tory policies. The problem that Gray points to is a real one, but it has always been there. There’s nothing new about it.

Moreover, to the extent that capitalism has changed, it has become more anarchic, more out of control, more irrational. Casino capitalism means that a handful of individuals can make huge fortunes out of financial speculation. The ‘investor’ George Soros made \$1.5 billion playing the currency markets on Black Wednesday, 16 September 1992, the day the pound was driven out of the European Monetary System.

The same gyrations that deliver unimaginable wealth to a few wreck the lives of millions of people. American speculators poured their money into Latin America, and especially Mexico, at the beginning of the 1990s. In 1994 they started to move their money out again because there were better pickings elsewhere. At the end of 1994 the exodus became a flood. The Mexican economy collapsed and unemployment soared. A Wall Street money manager summed up the casual way in which decisions

that may affect the fate of a whole continent are taken: ‘We went into Latin America not knowing anything about the place. Now we are leaving without knowing anything about it.’ [\[46\]](#)

It is the very anarchy of the system that forces capitalists to rely on the state. The Mexican financial crash threatened many Wall Street banks. So they turned to Bill Clinton to save their investments. The US government organised through the IMF and the Group of Seven top industrial countries a huge rescue package for the Mexican economy. Blair doesn’t mind this kind of interference in the market – to protect capitalists from the results of their own greed. It’s political action to defend the living standards of ordinary working people that he doesn’t like.

How capitalism works today strengthens the case for socialism. We need a different form of society, one in which working people get together to decide collectively and democratically how the world’s resources should best be used. Productive resources shouldn’t be controlled by cliques of overpaid executives and their cronies who run the big investment funds, but by the people who actually do the work of producing the goods and services on which we all depend. Rather than an economic system that relies on capitalists betting on which way the market will go, we need one based on democratic planning whose aim is to match resources to the real needs of ordinary people.

The case for socialism is even stronger today than it was in the past. Plainly, after the defeats the working class movement suffered under the Thatcher government in the 1980s, achieving socialism isn’t something that will happen overnight. But how do we begin at least to lay the basis of a real socialist movement?

**Breaking with Labour**

Traditionally, in twentieth century Britain socialists have been mainly to be found inside the Labour Party. There have, of course, been other organisations to Labour's left. In particular, the Communist Party between the 1920s and the 1970s provided the political and organisational cement binding together many militant trade unionists. Nevertheless, it has been Labour which provided the main framework within which those wanting to see a socialist society have operated.

Of course, these socialists have usually been very dissatisfied with right wing party leaderships and very critical of Labour's poor record in office. They have generally sought to transform Labour into a real socialist party which would seek election in order to begin dismantling capitalism. At several stages in the party's history powerful left wing movements – the Socialist League under Stafford Cripps in the 1930s, the Bevanites in the 1950s, the Bennites in the late 1970s and early 1980s – have mounted powerful challenges to the Labour establishment.

The idea that socialists should be inside the Labour Party fighting to change it is still alive today. Thus Ken Livingstone criticised Arthur Scargill's decision to launch the Socialist Labour Party on the grounds that it would weaken the Labour left in the coming struggle inside the party:

I believe that within a few months of taking office, Tony Blair will face the stark choice of governing with the consent of the Labour Party and its supporters in the trade unions, or finding himself in a minority in his own Cabinet. At that stage real politics will come into play.

It is a tragedy for Arthur, and the small number that will follow him, that he will not be around to take part in these decisive struggles for the future of the Labour movement and the next Labour government. [\[47\]](#)

The trouble with this argument is that it goes against all the history of the Labour left, which is a history of defeat, failure and often betrayal. All the major left wing movements inside the Labour Party have been unable to beat the party establishment.

This power has always rested on an alliance of the parliamentary leadership and the trade union bureaucracy, with its huge reserves of financial and organisational strength and its conference block vote. It has been ruthlessly used against the left and its leaders. Stafford Cripps was actually expelled from the Labour Party for several years. Aneurin Bevan was expelled with Cripps, though only for a few months, and narrowly escaped expulsion again in the 1950s. While disciplinary measures weren't used against Tony Benn and his supporters, large numbers of socialists, mostly supporters of the Militant Tendency, were purged from the party in the 1980s.

Faced with the entrenched strength of the parliamentary and trade union machine most leading left wingers have eventually capitulated. Cripps ended up as 'austerity' chancellor in the post-war Labour government. Bevan made his peace with the very right wing Labour leader Hugh Gaitskell. As shadow foreign secretary, Bevan shocked his old followers when, at the 1957 party conference, he denounced a resolution calling for nuclear disarmament as 'an emotional spasm'.

Michael Foot, Bevan's biographer and most loyal follower, assumed his mantle as leader of the left. In the 1974–79 Labour government he played a crucial role in persuading the trade union leaders to accept the disastrous Social Contract. In one conference speech he invoked 'the red flame of socialist courage' to justify wage cuts. During the dying days of this government, when it had lost its parliamentary majority, Foot spent his time making cynical deals with Loyalist MPs from Northern Ireland to gain their votes. As party leader in 1980–83 he waged war on the Bennite left and presided over the restoration of the disciplinary regime that had been used against him in the 1950s but which he now turned against Militant supporters.

To his honour, Tony Benn has not surrendered to the party establishment. But many of his followers and supporters (among them David Blunkett, Margaret Beckett and Mo Mowlam) have

abandoned him for plum jobs as shadow ministers and the like. Today the Labour left is weaker than it has ever been in the party's history. Ironically, one of the main constitutional changes achieved by the Bennites at the end of the 1970s – the election of the party leader by an electoral college composed of MPs and union and constituency delegates – has made it much easier for the leadership to be fixed by deals between trade union leaders and the parliamentary party.

However, much more significantly the mass of Labour's individual members in the constituency parties (as opposed to those who are members via affiliated unions) have swung behind Blair and the right. The constituency parties voted overwhelmingly to scrap the old Clause Four. This is a major change – from the early 1950s to the mid-1980s the constituency parties were the stronghold of the left. But 17 years of Tory government have made most party activists desperate for electoral victory and ready to pay almost any price to achieve it. As a result Benn, Livingstone and the rest of the 'hard' Labour left have been reduced to an isolated and powerless rump.

With the right so strong and the left so weak it is hardly surprising that some socialists who fought bitterly to change Labour from within have now given up this hopeless struggle. Thus, after the 1992 election a majority of the supporters of the Militant Tendency, which had previously vehemently defended the strategy of turning Labour into a 'mass socialist party', broke away to form Militant Labour.

Now a much more important figure, Arthur Scargill, has resigned from Labour to form the Socialist Labour Party (SLP). In doing so he acknowledged, 'Many on the left argue that it [the Labour Party] was never socialist, that it was at best social democratic and that people like me were deluding ourselves in thinking that we could campaign within it. I now accept that argument, and believe that New Labour can no longer be "home" to socialists.' [48]



This step by a trade union leader whose name is indelibly associated with the Great Miners' Strike of 1984–85 is a very welcome one. Seeking to transform the Labour Party from within has been a trap and a lure for socialists throughout the present century. They should instead organise separately to present a real socialist alternative not just to the Tories, but to Labour New and Old.

But this leaves open the question of what this new socialist party should be like. The question is an important one, for it is perfectly possible to break formally with the Labour Party but still to act on the basis of the politics of Labourism. We can see this very clearly in the case of Scargill and his SLP in two crucial respects.

In the first place, the focus of the SLP is essentially electoral. Scargill indeed initially proposed that 'it should commit itself to fight every parliamentary seat'. [49] But even to contest a fraction of the total number of seats – say 50 – would be a mammoth task for a party which he expects would have about 5,000 members after 18 months of existence. It would take all the party's resources.

This electoral orientation will extract a heavy price. It means that the SLP would not in practice be able to relate to the extra-parliamentary campaigns which Scargill rightly acknowledges as the focus of 'radical opposition' in Tory Britain. He mentions 'the groupings such as those which defeated the poll tax, the anti-motorway and animal rights bodies, Greenpeace and other anti-nuclear campaigners, and those fighting against opencast mining' [50], but one can think of others – the Anti-Nazi League for example.

A party that is seeking, in the first instance, to offer an electoral alternative to New Labour will be hard pressed to find the resources to involve itself in these struggles. Moreover, it will be taking on Blair where he is strongest. The Labour Party is a massive machine designed with one end in mind – to win

elections. Most working people, whatever doubts and reservations they may have about New Labour, will still look to it to get rid of the Tories.

Secondly, in focusing on elections Scargill is reflecting one of the most deep seated assumptions of Labourism. This is the belief that politics and economics must be kept separate. Politics is about contesting elections and is the task of the Labour Party. Workers' collective effort to improve their lives is, by contrast, a purely economic matter and is the concern of the trade unions. This division between the political and industrial 'wings' has shaped the British labour movement throughout the twentieth century. Supported by both Labour parliamentarians and trade union leaders this division has been used to prevent workers from using their industrial strength for political ends – not merely to win a wage increase but to transform society as a whole.

In line with this division, Scargill talks about elections, not strikes. So he says, 'Socialist Labour will, for example, support all the "single issue" campaigns for peace, animal welfare and the environment', but doesn't say anything about the recent industrial struggles by Liverpool dockers, Hillingdon hospital workers, firefighters, postal workers, college lecturers and civil servants. [51] This reflects his position as a trade union leader.

Far more courageous and militant than any other leading figure in the British labour movement over the past quarter century, Scargill has still been very reluctant to breach the collective unity of the trade union bureaucracy. During the 1984–85 miners' strike, he allowed his hands to be tied by the NUM national and local leaderships, refusing to break out and appeal over their heads to the rank and file. Similarly, when the Tory programme of pit closures was announced in October 1992 Scargill went along with the official TUC line, which by doing nothing let the government off the hook. The SLP will no doubt support strikes, for example as Scargill has in sponsoring the Liverpool dock strike, but it is likely to avoid arguing for the

policies needed to win them since this would bring it into conflict with trade union leaders like Bill Morris, something that Scargill is still unwilling to do.

The formation of the SLP is nevertheless a welcome step. As he says, ‘Socialist Labour is born from the frustration and anger of trades union and Labour movement activists who feel disenfranchised by New Labour.’ [\[52\]](#) But for the this frustration and anger to find positive expression in a real alternative a break must be made, not just with Labour, but with Labourism. What does this mean?

## **The real socialist tradition**

Socialist politics has been dominated since the 1920s by two traditions. One was Stalinism, which treated the Soviet Union as the model of socialism. This was a disastrous wrong path. The so called ‘socialist’ countries were in fact simply a variant of the capitalist system to be found in the West, one in which state bureaucrats rather than private bosses exploited workers. When Blair and his hangers on claim that ‘state socialism’ is dead, what they are referring to is the state capitalism which used to exist in the USSR and Eastern Europe. The revolutions of 1989 and the collapse of the Soviet Union have destroyed Stalinism as a political force.

The second tradition – social democracy, or reformism – represented in Britain by the Labour Party, is still very much alive. It is in many ways very different from Stalinism (so the reformist parties of the Second International generally supported the NATO alliance in the Cold War). But the two traditions have one very important thing in common. Both see change as something that comes from above. In the Stalinist case it was the party, acting in the name of the working class and controlling the state, that would change society. Social democracy, by contrast,

sees Labour parliamentarians winning control of the government and then introducing reforms. In both cases the mass of working people are passive observers, watching a process they don't participate in, but which is supposed to be for their benefit.

The focus on winning a parliamentary majority is something common to all wings of the Labour Party, right and left, New and Old. Parliament matters as much to Tony Benn as it does to Tony Blair. The reason lies in their shared belief that electoral success will give Labour control of the British state and thus give them a lever with which to make changes. The main difference between Labour left and right concerns how much change should be made, not the importance of parliaments and elections.

But power does not lie in parliament, or even in the cabinet notionally responsible to it. The real centres of economic power lie outside Whitehall and Westminster, in the financial markets and the executive suites of the multinational corporations. The Tory Chancellor of the Exchequer, Kenneth Clarke, has described the day in September 1992 when senior ministers gathered in John Major's office (temporarily in Admiralty House) to decide how to react to the huge pressures being placed on the pound within the European Monetary System. In fact, Clarke admitted, they could do nothing:

Summoned to Admiralty House to share in the decision to withdraw the pound (one person present commented later that he had been asked 'to put his hands in the blood') he was horrified at the way the core of the government's economic strategy was being swept away by the speculators. He told friends later that the technicians – the Treasury mandarins – had taken charge as the politicians stood by powerless. He was appalled when officials demanded that their political masters simply 'sign on the dotted line'. [\[53\]](#)

The financial markets, which in this case destroyed the economic policy of a Tory government, have often been

mobilised against Labour governments in the past. It would be no different under an administration headed by Tony Blair. Even the most timid tinkering around might provoke a savage reaction from the speculators and the big companies.

Usually, as we have seen, reformist governments have capitulated to the markets. But, in the very rare cases where they try to put up a fight, they must confront another unelected centre of power. This lies in the state itself. For the state isn't controlled by the elected government. The decisions that count are made by unaccountable bureaucracies run by senior civil servants and military officers whose ultimate loyalty is not to any democratic constitution but to the capitalist system from which they draw their power and privileges. A reformist government that sought to stand up to capital would confront unconstitutional and ultimately violent challenges from the civil service, the army and the security services. The fate of the left wing Popular Unity government of Salvador Allende in Chile, bloodily overthrown by a military coup in September 1973, shows what this might mean.

Faced with the economic and political power of capital, putting their faith in the ability of parliament to control the state and society, Labour governments have ended up as prisoners of the system. Occasionally reformist ministers have been unwilling prisoners. New Labour under Tony Blair by contrast positively celebrates social democracy's inability really to change society.

But there is an alternative. There lies in the organised working class the collective strength to challenge and defeat the power of capital. The French mass strikes of November–December 1995, which rocked the freshly elected right wing government of Jacques Chirac and Alain Juppe to its foundations and forced it to reverse many of its policies, is an indication of this strength.

However, tapping the power of the working class requires a political break with both the dominant traditions that have so

distorted socialism this century. It means rejecting the idea that change can come from above, whether through a Labour government or an all knowing party. The revolutionary socialist tradition, founded by Karl Marx and Frederick Engels, starts on a fundamentally different basis – from the idea that socialism is the self-emancipation of the working class. Socialism, in other words, can only come from below, through the organisations and struggles developed by working people as they resist the daily pressure of capitalist exploitation.

Socialism, moreover, cannot come through parliament. The whole experience of Labourism in Britain and of reformism internationally shows that the existing state can't be used to change society. It is in fact the bosses' last line of defence, one that will always be used to crush attempts really to change things. This capitalist state must be challenged and overthrown by the working class. The basis for an alternative socialist democracy, far superior to the limited capitalist democracy that exists today, lies in the workers' councils and other forms of rank and file organisation thrown up during great periods of mass struggle.

This conception of socialism has to be reflected in how we organise. A real socialist party is one that orients not to elections, but to workers' struggles. It is where workers use their collective strength against the bosses that they have the power to transform society. Moreover, when workers are on strike they are open to socialist ideas to a far greater extent than is normal in capitalist society. They are acting collectively, not as individuals. The sense of their power that workers feel when striking increases their confidence in their ability to take on the system as a whole. And, on strike, workers see the contrast between their own direct experience and the lies purveyed by the mass media and the education system.

Socialists have to organise around struggle. Elections are the terrain most favourable to Blair. It is when workers go on strike that his influence is at its weakest. Promises of 'stakeholding'

and chants of 'New Labour – New Britain' are irrelevant when workers are struggling to make their action effective, to mount pickets, to win the solidarity of other workers and to raise money for themselves and their families.

It is precisely the lack of confidence in their own power which most workers feel as a result of the defeats of the 1980s that is Blair's greatest source of strength. He exploits the sense of despair that so many people feel after four Tory election victories, after so many groups of workers have been crushed, after the orgy of privatisations, after the steady erosion of the welfare state. The weaker workers feel, the more attractive voting for even the most superficial and phoney of alternatives to the Tories.

But this situation will not last. A Blair government will be put to a very harsh test. However much the Labour leaders seek to reduce their supporters' expectations in advance of an election victory, their return to office after such a long period of savage right wing rule will raise great hopes. These hopes will run in direct conflict with the hubbub of demands from the financial markets in particular for further cuts in public spending that will press the welfare state to breaking point.

Labour in office, like its predecessors, will seek to pursue what Blair likes to call 'sensible' policies that accept the priorities of the market. It will thus find itself caught between two sets of pressures – from above from the bosses, from below from its own working class supporters. Blair will find that he can no longer draw on the immense reserves of political tolerance from union and party activists that have allowed him such an easy ride up to now.

These conflicts are likely to be most intense on the industrial front. Workers' experience of falling real wages and endless management pressure or more 'flexibility' will contrast sharply with the apparently rosy vistas of Blair's 'New Britain'. The **Financial Times** reported at the end of 1995:

A growing number of union leaders are concerned about what they fear will happen in the first year of a Labour government if elected by 1997. They believe that many low-paid staff harbour unrealistic expectations that their pay would rise substantially under Labour after a prolonged period of what they believe to have been a relative decline in their earnings. The possibility that such groups would take forms of industrial action in the early months of a Blair administration has begun to preoccupy union leaders. [54]

All the experience of past Labour governments suggests that major strikes will indeed develop which force workers to choose between their political loyalty to Labour and their own interests – though whether or not they will do so ‘in the early months of a Blair administration’ is impossible to tell in advance. This doesn’t mean that we can, as Ken Livingstone suggests, simply wait for ‘these decisive struggles’ to revive the fortunes of the Labour left.

The history of past Labour governments also shows how often they have been able, with the help of the media and the trade union leaders, to isolate groups of workers who come out on strike and force them onto the defensive. Harold Wilson, for example, mounted a vicious, red baiting witch hunt against the leaders of the 1966 seamen’s strike (among them a young militant called John Prescott). The 1974–79 Labour government used its Social Contract with the unions, and in particular the support of left wing leaders like Jack Jones of the transport workers and Hugh Scanlon of the engineers, to persuade most workers to go along, however grudgingly, with its policies.

Such an offensive could only be countered by a socialist organisation acting independently of Labour. Such an organisation could begin to knit together working class activists across different workplaces, industries and unions. It could provide them with the arguments that they need to counter the lies of the bosses and their allies in the media and the government, and try to make sure that particular groups of workers don’t fight alone. And it could help people develop a



vision of a different kind of society from the injustice and anarchy that we know under capitalism.

But although such a party must base itself on the future – on the idea of a socialism which workers make for themselves – it will have to be firmly rooted in the present. Organised socialists can make the difference between victory and defeat in the battles we wage in the here and now – just as they did in the movements against the poll tax and the Nazi BNP. It is the experience, the confidence and the strength workers gain in these struggles that will allow them to face up to the challenge of a Blair government.

So we need to start building a socialist alternative to Labour now. This is what we in the Socialist Workers Party are trying to do. This will not be an easy task, but achieving it carries the promise of a transformation of society undreamt of in Tony Blair's philosophy. Why not join us?

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## Notes

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- [3. Guardian](#), 29 May 1995
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- [5.](#) Institute of Public Policy Research, **The Justice Gap** (London 1993), pp. 45–6.
- [6.](#) P. Townsend, *Persuasion and Conformity*, **New Left Review**, 213 (1995), p. 145.
- [7. Financial Times](#), 21 February 1996.
- [8. Guardian](#), 22 January 1996.
- [9. Observer](#), 21 January 1996.
- [10. Observer](#), 28 January 1996.
- [11. Financial Times](#), 9 January 1996.
- [12. Guardian](#), 1 January 1996.

- [13.](#) W. Hutton, **The State We're In** (London 1995), p. 298.
- [14.](#) **Financial Times**, 18 January 1996.
- [15.](#) Hutton, **The State We're In**, p. 298; see also pp. 287, 297.
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- [19.](#) **Guardian**, 15 January 1996.
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- [39.](#) **Red Pepper**, February 1996.
- [40.](#) **Observer**, 1 October 1995.
- [41.](#) **Financial Times**, 22 and 23 May 1995
- [42.](#) **Guardian**, 29 January 1996.
- [43.](#) See P. Hirst and G. Thompson, **Globalization in Question** (Cambridge 1996), chs 1–5. The book makes good criticisms of the idea of globalisation, but the political solutions it offers suffer from all the weaknesses of reformism.
- [44.](#) **Guardian**, 12 June 1995
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- [46.](#) **Financial Times**, 27 January 1995.
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- [48.](#) **Guardian**, 15 January 1996.
- [49.](#) Scargill, *Future Strategy*, p. 8.
- [50.](#) Scargill, *Future Strategy*, p. 9.
- [51.](#) **Guardian**, 15 January 1996
- [52.](#) As above.
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