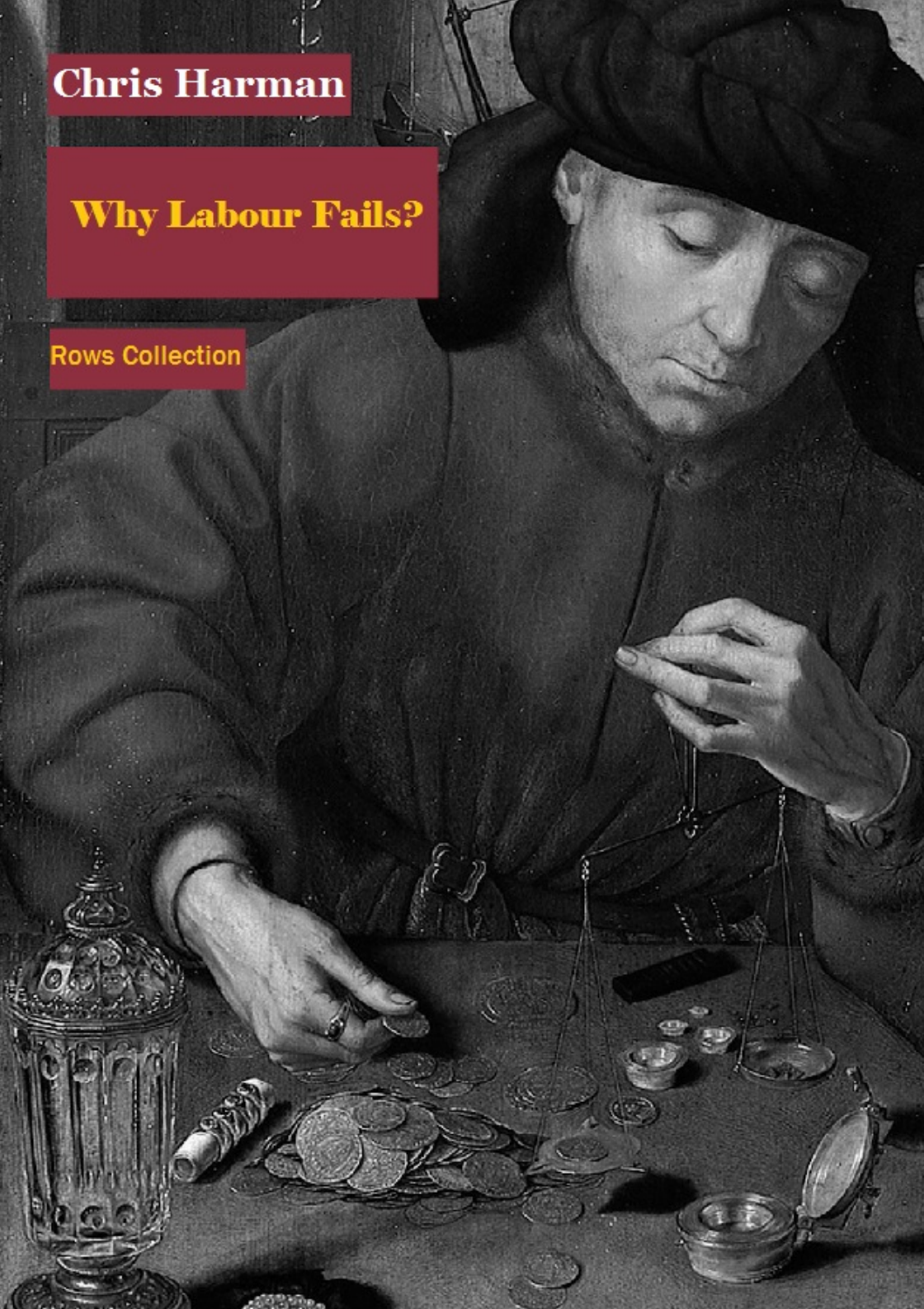


Chris Harman

Why Labour Fails?

Rows Collection





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(June 1979)

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Introduction

Section One

Labour's Britain

The about-turn

'The Commanding Heights'

Industrialists rampage

Connivers in high places

Swinging to the right

Section Two

Can the Labour Party be changed?

Benn: A way forward?

Section Three

The Alternative

Introduction

The Tories are back. Five years after the ignominious defeat of Tory Prime Minister Edward Heath at the hands of the miners, we again have a right-wing Tory government. It has a substantial majority in parliament and can pass into law virtually any measure it wants.

The measures the Tories are already promising include legal action to make picketing and rank and file trade union organisation more difficult, new laws to harass immigrants, increased spending on the army and police, destruction of jobs in the civil service and local government, and an increase in taxes on spending (which we all pay) linked with a cut in the upper levels of income tax (which affect chiefly the rich).

Many people who voted Labour are asking: ‘What went wrong?’ Was it the strikes? Was it the Labour Party? Was it us? Would things have been different if it had been a *left-wing* Labour government?

Within ten days of the General Election, former education minister Shirley Williams, whose 9,000 Labour majority in Stevenage was transformed into a majority for the Tories of 1,296, was giving out her own explanation for Labour’s failure in **The Observer**.

The blame lay, she said, with the strikes at the beginning of 1979: ‘Rubbish in the streets, disrupted hospitals, closed schools, in some places the dead unburied ... Industrial action damaged the whole community.’ On top of this, she argued, there was the presence within the Labour Party of elements who allowed the Tory cry of ‘Reds under the bed’ to stick: ‘The stew at Newham, the wild “troops out” demonstrators, the bullying and intimidating tone of some trade union leaders during the strikes ...’

Of course the strikes did weaken the government’s claim to have the unions in its pocket. But they didn’t put people off joining trade unions – the number of trade unionists has grown by more than a million in the past five years. So Labour cannot blame its defeat on the unions.

No, the election result was a vote of ‘no confidence’ by former Labour supporters in the performance of Labour in government – in ‘Labour’s Britain’.

Shirley Williams half gives the game away when she admits: ‘We were the party of the *status quo*. We had been in government for 10 of the past 14 years.’

What *was* Labour’s Britain?

Section 1.

Labour's Britain

The fact is that the five years of Labour government saw a deterioration in virtually every aspect of the lives of working people:

- **HOUSING:** By 1978 fewer council houses were being built than in any year since the end of the Second World War.
- **HEALTH:** The first two years of Labour government saw the loss of 25,000 hospital beds.
- **EDUCATION:** Shirley Williams herself was responsible for making cuts in schools and colleges that put large numbers of teachers on the dole for the first time in living memory.
- **PRICES:** doubled between 1974 and 1979. Electricity, gas, postal charges and bus and rail fares led the way as the government withdrew subsidies to nationalised industries. Food prices soared as food subsidies were taken away.
- **JOBS:** During the first three years jobs disappeared at the rate of *a thousand a day*. Since then the increase in unemployment has been disguised by schemes such as Job Creation – which created mostly short-term jobs anyway. Factory closures were still being announced in the weeks before the election.
- **WAGES:** Robert Sheldon, then financial secretary to the Treasury, told the House of Commons on 30 January 1979 that a family of four on average earnings were £2.65 worse off *in real terms* than in 1974, and their living standards were lower than in 1972. The incomes of more than 200,000 workers with children

are *below* the social security poverty line.

- **INEQUALITY** between the rich and the rest remained as great as ever. As Professor Peter Townsend has noted: ‘Eleven years of Labour government in the last 15 has not resulted in greater equality.’ Indeed, in the first two years under Labour, the share of the nation’s wealth held by the richest 5 per cent of the population *rose* from 43.1 per cent to 46.2 – while that the bottom 50 per cent *fell* from 7.1 per cent to 5.6.

No wonder the figures show that an increased number of the rich voted Labour, while growing numbers of workers moved away!

These are not just figures on paper, they are the very framework of people’s lives – lives that have become increasingly cramped and restricted.

Former Labour ministers and TV pundits complain about the rubbish in the streets during the election, but they generally ignored things of greater importance to the people living in those streets – the destruction of people’s lives by unemployment, the chronically sick sent home as hospital wards are closed, the months of pain while waiting for an operation, the nursery schools that never opened and the old people’s homes that shut down, the worker on £40 a week who finds his rates have doubled, the car-worker who can no longer afford a third-hand mini, the tenant who has abandoned hope of the council doing repairs.

The **1974 Labour Party Manifesto** correctly told how, ‘for the vast majority of families, the economic crisis takes the form of fear for their jobs, ever-rising prices, particularly food prices, and ever-rising housing costs, particularly council rents and mortgage rates, coupled with the most drastic cuts in their income which people have experienced since the 1930s.’

But five years of Labour government have not improved our lives in *any* of these matters. So is it surprising that many former Labour supporters were no longer prepared to support a government committed to the *status quo* – committed to keeping things as they were? Is it surprising that, in the south and Midlands at least, many even preferred the spurious Tory promise of change?

The about-turn

'We will squeeze the rich until the pips squeak.'

Denis Healey, 1974.

'It is our intention to bring about a fundamental and irreversible shift in the balance of power and wealth in favour of working people and their families.'

Labour election manifesto, 1974.

'The crisis that we inherit when we come to power will be the occasion for fundamental change and not the occasion for postponing it.'

Anthony Wedgwood Benn, February 1974.

If the pronouncements of its ministers were to be believed, the Labour government which took over in March 1974 was going to embark on a series of reforms aimed at making Britain a fairer and better society.

Its policies were not *socialist* – in the sense that they didn't aim to destroy capitalism. But it was argued that it was possible to do away with the worst excesses of the system by government action. The Labour manifesto argued: 'The British people, both as workers and consumers, must have more control over the powerful private forces that at present dominate our economic life.'

This was to be achieved by a series of measures:

'We shall create a powerful National Enterprise Board ... Land required for development will be taken into public ownership ... There will be majority public participation in North Sea oil ownership and distribution ...'

And, through 'a new Industry Act and through a Planning Agreement system', the government would 'plan with industry more effectively'.

At the same time Labour promised to 'tackle rising prices' and 'strike at the roots of the worst poverty' through the extension of 'food subsidies, to be applied to those items bearing most heavily on the family budget', through moves 'to revise and expand the National Health Service' and to abolish prescription charges, through moves to 'expand the Education Service', through 'special attention to the manpower needs of all public services approaching breakdown', and finally through moves to 'create the right climate for incomes to grow in line with production' and on the basis of voluntary co-operation between unions and government. Compulsory wage controls were ruled out.

Few, if any, of these promises had been fulfilled by May 1979.

The shift in wealth was, as we have already seen, *from* the poor *to* the rich.

The National Enterprise Board certainly didn't control private industry – at best it stopped a few firms collapsing in return for the acceptance of

large scale redundancies by the workers, while paying out large sums to former shareholders. It was part of what its architect, Tony Wedgwood Benn, now calls ‘the life support system of capitalism.’

The Planning Agreement system never got off the ground.

The great oil monopolies continue to dominate the production and distribution of North Sea oil.

Food subsidies were *abolished*, and the nationalised industries were forced to *raise* their prices.

Spending on health and education was slashed, not expanded. Prescription charges remain untouched.

Government ‘attention to the manpower needs of all public services’ meant cutting the workforces, not increasing them.

The only ‘public service’ to be expanded was military spending. As Harold Wilson’s press secretary, Joe Haines, wrote later: ‘Even after the defence cuts of 1976, the Labour government was promising to spend more on defence than the Heath government would have done ...’

Far from incomes growing, they were cut by a *compulsory* pay policy. And far from the government controlling ‘the powerful private forces that at present dominate our economic life’, by the beginning of 1979 the situation had been reached where one pro-government commentator, Peter Jenkins of **The Guardian**, could write:

‘One aspect of the situation worthy of note is the extent to which what used to be called the ‘management of the economy’ has passed to the City of London. It is the market that makes policies ...’ (**Guardian**, 8 February 1979).

How is this complete abandonment of Labour’s manifesto promises to be explained?

The simplest explanation is that they were betrayed by Labour’s *right-wing* leaders. Betrayal there certainly was, but it would hardly have been different under ‘left-wing’ leaders. Closely associated with the Labour government’s policies were the ‘left-wing’ leaders of the two biggest unions – Hugh Scanlon and Jack Jones – and for the final three years Michael Foot was actually deputy prime minister, while many other left-wingers happily went along with Labour’s policies as ministers.

So why was it that right and left alike within the Parliamentary Labour Party forgot their promises? Their own explanation is that they were ‘blown off course’.

Thus, back in July 1975, Tony Wedgwood Benn told a conference of the Institute for Workers’ Control that the government had changed course because ‘the problems it inherited had been much greater than foreseen’.

What blew them off course?

‘The Commanding Heights’

It is usual to talk of a new government ‘taking power’ after an election. It is more accurate to say that it ‘takes office’. For most of the power in our society in fact lies elsewhere.

This applies above all to *economic* power – the power to decide what goods will be produced, who will work to produce these goods, what they will be paid, what the prices of those goods will be. Such decisions are not taken by the elected government, but by those who own and control industry. And in Britain today, ownership and control lies in the hands of a small and privileged class of people.

One per cent of the population of Britain own *84 per cent* of the country’s industrial wealth, through their ownership of stocks and shares. *97 per cent* of us own no shares at all.

Half the goods produced are turned out by the 100 largest companies. Control over their operation lies in the hands of a small board of directors in each case. Since it is usual for each director to sit on the boards of at least three or four companies, that puts half the production of the country in the hands of a very small number of people, say 600 altogether.

These men have immense power.

If, for instance, they decide a factory is making insufficient profit, they can close it without a thought, even though it means unemployment and hardship for thousands of workers.

If they decide they can make an easy profit by investing in property or commodity speculation, they can do so at will, even though it will force up prices for the rest of us.

If they decide they can make a quick buck by moving their money abroad, they can do so overnight, regardless of the chaos caused to the country’s economy.

When Labour leaders say they were ‘blown off course’, it is this economic power that raised the wind.

This doesn’t mean that those 600 company directors met to plan a campaign of chaos (although they do meet at company dinners and business conferences and do on occasion plan campaigns of chaos). But they act together without this, because each plans what his company does according to how much profit he reckons can be made. If he does not have ‘confidence’ in the government’s willingness or ability to provide *profitable*

conditions, then he decides not to invest in new production or to move company money abroad, and economic chaos results.

One leading industrialist, Sir Frederick Catherwood, declared early in the Labour government's term of office that 'an investment strike' was taking place. In May 1975 Lord Watkinson, former Tory minister, head of Cadbury-Schweppes and vice-president of the employers' organisation, the CBI, boasted of the 'industrial muscle' of big business and talked of its ability to engage in confrontation with the government.

That an investment strike did take place is shown by the following figures for extra capital investment in manufacturing industry. In 1974 this had already fallen to 76 percent of the 1970 figure, but in 1975 it fell to 45.6 per cent, and in 1976 to 35.1 per cent – half what it was when Labour took office.

At the end of February 1975 the **International Herald Tribune** reported that after the big oil companies had 'threatened an investment strike which would hold back development' of North Sea oil, the government had amended its Petroleum Revenue Tax to give the companies an extra £1000 million over the next five years.

The investment strike is not the sort of strike that gets Page One treatment in **The Sun** and the **Daily Mirror**. It is not denounced by ministers. The strike leaders are not witch-hunted from one TV channel to the next. But its impact is far more damaging, especially during an international economic crisis, destroying the livelihoods of hundreds of thousands of people as factories are closed, others go on short-time, projected new factories fail to open. This investment strike was the main reason why in 1977–78 less wealth was being created in Britain than during the three-day week of January 1974.

The effect of this investment strike in forcing the government to abandon its promises can easily be seen.

Soon after the formation of the Labour government in March 1974, Chancellor of the Exchequer Denis Healey boasted that his aim was 'to use the tax system to promote greater social and economic equality'. The rich were to bear a greater share of the tax burden than they have under the last government', he told the House of Commons on 26 March 1974.

To do this he raised taxes on high income earners and on company profits.

In the weeks that followed the directors of the major companies began to raise a tremendous hullaballoo, claiming they 'couldn't afford to invest'. The investment strike began, and by November 1974 Healey had already changed his tune. In a special budget he relaxed the tax rules for companies, giving them back £800 million profit a year, 'so as to avert the

real and immediate danger of a cut in investment, stock-building and employment’.

The investment strike went on.

In Spring 1975 the dustcart drivers of Glasgow demanded modest improvements in their wages. The government sent troops in to break their strike. But no troops were used against the investment strike that was by now pushing unemployment higher and higher. Instead in 1975 and 1976 further concessions were made in the company tax rules, until experts suggested that no sensible company need pay any Corporation Tax at all.

Taxation of companies had raised 7.4 per cent of total taxation in 1974–75. By the year 1975–76 it was ‘negligible’, according to the **Financial Times** (31 March 1977). The Treasury admitted that after Healey’s new allowances ‘the residual mainstream Corporation Tax bill can be nil’ (**Economic Progress Report**, February 1977). The government’s Public Expenditure White Paper in early 1979 estimated that these allowances had given companies an extra £6,100 million in profits per year.

There was more for the individual rich too. Higher tax rates were cut in April 1976 and again in 1977. The CBI were overjoyed. ‘The overall shape of the budget was bang in line with what we campaigned for,’ they declared.

Taxation was in fact being used to squeeze the poor in the interests of the rich.

The investment strike brought a similarly rapid transformation of the government’s price controls.

‘Price controls were progressively relaxed between December 1974 and June 1976 ... These relaxations, in association with tight wage controls, were accompanied by an increasing share of the national income going to profit.’ (R. Tarling and F. Wilkinson, **Cambridge Journal of Economics**, 1977, no. 4).

James Callaghan explained the reason behind all these moves when he spoke at the Labour Party Conference in September 1976: ‘Industry must have the confidence needed to invest. And that requires that they must be able to earn a surplus, which is a euphemism for saying they must be able to make a profit.’

Foreshadowing one of Thatcher’s slogans, he declared that ‘Wealth must be created before it can be distributed’.

Industrialists rampage

The investment strike was only one way big business dealt with a government that was at first reluctant to dance to their every whim.

Another was the rapid movement of money abroad, clearly shown in the summers of 1975 and 1976.

Throughout April 1975 the value of the pound had been steady. Then in May it began to plunge, as vast sums in sterling were sold in exchange for foreign currencies. Who was responsible and why?

Popular mythology was prone to blame ‘the gnomes of Zurich’, foreign speculators. **The Financial Times** told a different story. Sterling was being sold, it said in mid-June, not by foreign speculators but by ‘big corporations, including UK corporations.’

The reason was described by the **Sunday Times**. They were out to make the government abandon its repeated promises not to introduce statutory wage controls:

‘The sterling crisis is the logical climax to the mood of hysteria, necessary to produce an agreed incomes policy ... As one perspicacious follower of the exchange markets put it: “It looks as if they are putting the frighteners on”.’

They were remarkably successful. On the morning of 30 June Prime Minister Harold Wilson made a speech at Stoneleigh in which he insisted: ‘We reject panic solutions’. While he was speaking, sterling was being sold as never before and the pound dropped 5 cents against the dollar. Wilson rushed back to London in a panic to an emergency meeting with the Governor of the Bank of England. Government policy was reversed. Within 24 hours a compulsory £6 limit had been imposed on wage rises.

The same wholesale selling of sterling was repeated again and again in 1976.

That April and May there was some argument between government and union leaders over the exact terms of the next year of wage controls. Every time there was a sign of hesitancy on the part of the trade union movement about accepting further cuts in workers’ living standards, those with wealth ‘lost confidence’ in the government and the pound sagged.

When the Scottish TUC rejected a proposed 3 per cent limit, massive selling of sterling followed immediately. When South Wales miners’ leader Emlyn Williams spoke against wage controls, the value of the pound fell by a full cent in less than an hour. When it seemed briefly that the National Union of Mineworkers would reject wage controls, the pound plunged downwards again.

So open were the machinations of big business against sterling that even Jack Jones, then general secretary of the Transport and General Workers’ Union, denounced ‘financial manipulation’ – but it didn’t prevent him

declaring that ‘the time is not ripe’ for bringing forward increases in pensions to help old people cope with raging inflation.

The investment strike and the repeated runs on the pound also brought the reversal of Labour’s election commitment to improve health, education, housing and all the other social services. Cuts were imposed in 1976 on a scale the Tories had never dared contemplate.

Nationalised industry subsidies were cut, forcing prices up for electricity, gas, rail and bus fares. Education was cut by £618 million, the Health Service by £300 million, housing subsidies by £300 million, food subsidies phased out altogether.

The **Financial Times** commented on ‘the final demise of post-war social democratic orthodoxy’. He wrote: ‘The triple pillars that have supported the Labour Party of Attlee, Gaitskell and Wilson – the welfare state, full employment and the mixed economy – have crumbled.’

Yet that was only the start. Another £2,000 million in cuts followed.

It was still not enough to appease those who held financial power. By December 1976 the price they exacted for laying off their attacks on the pound was a government agreement with the International Monetary Fund for another £1,000 million in cuts, bringing the total for the year to £6,000 million.

Joe Haines has told how each set of cuts would be agreed: ‘The Prime Minister would have been greeted by the Governor of the Bank of England with the news that huge holders of sterling were about to withdraw their deposits and that the only way to regain confidence would be further drastic cuts in public expenditure. That has happened in 1975 and 1976.’

The **New Statesman** has shown what that did to the government’s election promises:

1. The Vanishing Growth

Below are three government forecasts of how public spending was expected to grow over the four years 1973/4 to 1978/9. Each showed a reduction, but they never caught up with what was really going on.

1975 (Social Contract year):	13.4%
1976 (1st cuts round):	10.9%
1977 (IMF loan crisis)	6.3%
Actual growth over the whole four-year period:	0.3%

2. Victims of Underspending: Industry & Education

	Social Security	Health	Law & Order	Personal Social Services	Northern Ireland	Defence
A: 1976 Promise	+20.2%	+9.1%	+17.4%	+10.6%	+22.5%	+6.3%
B: Performance	+23.4%	+8.9%	+13.7%	+8.7%	+18.7%	-2.8%
B as % of A	102.8	97.1	95.8	96.5	95.3	91.4
	Education, Science, Arts	Overseas Aid	Housing	Roads & Transport	Trade, Industry, Employment	Agriculture, Fisheries, Food
A	+9.2%	+24.1%	+33.0%	+14.1/	-38.0%	+30.3%
B	-1.8%	+5.9%	+13.4%	-8.1%	-51.2%	-13.7%
B as % of A	89.8	86.3	85.2	80.5	78.7	66.3

Connivers in high places

But, you may ask, why didn't Labour ministers use their clear majority in parliament (which was there until 1977, when they became dependent on Liberal support) to stop such sabotage by big business? Wasn't it because right-wing Labour ministers were so closely tied to business interests themselves – Jim Callaghan himself is a former bank director – to turn against them? Wouldn't things have been different if there had been better people at the top of the Labour Party?

No. Left-wing, **Tribune** group members such as Michael Foot and Stanley Orme went along with these policies with hardly a complaint. The reason was they felt powerless against the investment strike and the selling of sterling. They saw the economy plunging into chaos and could find no instruments to bring it under control.

For not only the 'commanding heights' of the economy, but much of the machinery of government too was operating beyond the government's control.

A government can get its decisions implemented only by relying on the people who run the state machine – the heads of the civil service, the Governor of the Bank of England, the directors of the nationalised

industries, the men who control the BBC and the Independent Broadcasting Authority, the judges, the senior officers of the police and armed forces. But these people, almost to a man, come from the same small class of people who own and control industry. Four-fifths of senior army officers, civil servants and high court judges went to public schools and Oxbridge universities. Indeed, they are interchangeable: retired civil servants and army officers become directors of companies, and such directors receive government posts and directorships of nationalised industries.

The men on whom the government depends move in the same circles as the rich – indeed their salaries ensure that they are rich themselves – and they accept the same ideas about society. They impose these ideas on the government. Joe Haines tells how ‘from 1974, Defence fought to spend more against Labour’s commitment to spend less; Environment waged war against the railway system when the Labour Party was pro-railway; and the Treasury persuaded the government in February 1976 to retreat from its commitment to a Wealth Tax.’

Not surprisingly, the people who control the state machine ‘lose confidence’ in government policies that seem likely to damage the drive for profit and the wealth of their social circle. So they feel it is their duty to obstruct such policies.

This was shown blatantly at least three times in 1974–79.

When the run on the pound was organised by top financial and industrial circles in summer 1975 to ‘put the frighteners’ on the union leaders, the heads of the Treasury and the Bank, far from taking immediate counter-action, encouraged this move. The **Financial Times** reported at the time: ‘There are those in Whitehall who argue that alarm about the pound is a necessary ingredient in negotiating new wage guidelines.’

The **Sunday Times** made the same point:

‘Instead of the Treasury and the Bank of England arguing violently the virtues of the pound, the authorities seem anxious that no one should miss the gravity of the situation and the need for action.’

Peter Jenkins of **The Guardian** reported on 28 October 1976 what a ‘wholly authoritative foreign source’ told him:

‘One of the problems is the axis between your Treasury and our Treasury. They seem to be agreed that the Labour manifesto is a manual for suicide. They are constantly in touch with our people, saying: “Don’t bail these bastards out”.’

Reflecting on the experience of 1974–76, Joe Haines, by no means a left-winger, wrote:

‘At times the determination of the Treasury to tell the government of the day to accept policies is ruthless, even to the point where it seeks to create conditions which make it impossible for the Cabinet to spurn its advice.’

The same indifference to the ‘democratic process of elected government’ was shown by leading army officers in May 1974 when the Loyalists of Northern Ireland staged a ‘strike’. Their aim was to overthrow the Northern Ireland Executive, in which Catholic politicians shared office with Protestants. Support for the strike was at first lukewarm, but it was enforced by parliamentary Loyalists with guns and clubs, who built barricades across the streets to bring the movement of people and goods to a halt.

The Labour government in London wanted the army and the Northern Ireland police to remove the barricades and bring the strike to an end. The top army officers were unwilling. They even forced the then prime minister, Harold Wilson, to remove from one of his speeches a reference to ‘a rebellion against the Crown’.

A journalist on **The Times**, Robert Fisk, later described the episode in a book:

‘Junior officers who came into the streets of East Belfast to watch the Protestants patrolling the pavements conceded to a number of journalists that Headquarters in Northern Ireland did not want “punch-ups” with the Protestants ...’

He concluded: ‘The army did play a political role in Ulster ... The army did not trust the political judgment of the British ministers...’

Finally, throughout 1974–79 the top judges both interpreted and made the law in the interests of the rich and powerful.

When a conference of the local government workers’ union NALGO democratically called a one-day strike of the union’s Scottish membership, the judges banned it. When branches of the postal workers’ union voted to black the mail for the anti-union firm Grunwicks or the racist regime in South Africa, the judges made an order preventing it.

They destroyed the power of Labour’s much-vaunted conciliation service, ACAS, to make managements recognise unions. And one judge, Lord Denning, even invented a new legal principle – ‘freedom of the press’ – to prevent journalists taking effective industrial action.

Government decisions that the judges do not like, they have simply overturned. Thus the Law Lords in 1976 countermanded an order from the Department of Education to the extreme right-wing Tory-controlled Tameside Council to end the 11-plus.

It is easy to see how ‘impartial’ were the five judges who heard the case. Between them they held no fewer than 63,791 shares in major companies such as British-American Tobacco, Cadbury-Schweppes, Grand Metropolitan Hotels, ICI, RTZ, Allied Breweries, Shell, Courtaulds. Four went to public schools and the fifth to a snob ‘direct grant’ school – so much for their qualification to pass judgment on the education system they paid to avoid. Such a typical cross-section of the British people naturally found that ‘justice’ was on the side of the right-wing Tories against an elected Labour government.

Now we can see why the honest as well as the corrupt, the left as well as the right in the Labour government ended up placating the rich and powerful at the expense of their own supporters. They were faced with direct action by financial and industrial interests which threatened to push the country over the edge into chaos.

They could perhaps get a Bill through parliament enabling them to take counter-action, but it would take time, it could be delayed by the House of Lords, and the chaos would grow. The heads of the civil service would refuse to implement it if it threatened their own wealthy class, and the judges would likely rule against it and in favour of the right of those with property and wealth to do as they liked with it, regardless of the effects for the rest of us.

Trying to deal with the investment strike and the run on the pound through ‘constitutional’, parliamentary means is rather like trying to bail the water out of a sinking boat with a sieve.

The only way the Labour government could have stopped the wholesale sabotage of its plans would have been to take complete control over the wealth that was being held back from investment, of the funds that were being sold out of sterling. And since parliamentary means of doing this could be prevented, the only way to do it would be by urging Labour supporters in the factories and workplaces to take control of the wealth where it is created, in the factories and workplaces.

But the Labour leaders could not have done that without breaking their most treasured principle – that change must be ‘gradual and constitutional’, that the present system must be kept running while they attempt to improve it.

So one after another the ‘left-wing’ leaders of the labour movement threw their weight behind the government. The alternative was ‘the end of society as we know it’, warned Jack Jones. People would have to be prepared to see an increase in unemployment of 200,000 to keep Labour in power, said Norman Atkinson, the ‘left-wing’ treasurer of the Labour Party. ‘We must sustain and maintain the Labour government ... There is too much at stake

if we lose it,' insisted Tony Wedgwood Benn.

Swinging to the right

Once the Labour Cabinet had begun trying to placate the rich by squeezing the poor, they had to use every effort to get the poor to accept their fate. They had to persuade the workers of the virtues of profit, to insist again and again that 'instant socialism' was no answer, to extol inequalities as 'incentives', to blame rising prices on those trade unionists who did try to defend their living standards, even to give the impression that some of the unemployed were responsible for their own fate.

So, at City of London banquets and union conferences, Labour ministers campaigned for ideas that had traditionally been anathema to their supporters. Already in January 1975 Harold Wilson was warning that 'government money will not be available for failing sections of industry where workers have gone on strike'. From that point on, every defence of living standards or working conditions by those employed in companies such as British Leyland was the signal for a government threat to withhold investment and sack workers – until in early 1978 Leyland's Speke plant was closed and the workers blamed.

When the wages policy was imposed, those who opposed it were, according to James Callaghan, 'small bands of disrupters in industry'.

The TUC was only too willing to lend a hand in dealing with them. In September 1976 the Seamen's Union threatened strike action over a wage award that had been agreed before the wage controls, and then frozen. It would have raised their wages for a 40-hour week to £34. Murray of the TUC told them: 'By God, we'll make sure no union supports you. We'll cripple you.'

At the end of 1977 it was the turn of the firemen. While the government ordered troops in to break the strike, the TUC General Council voted not to organise solidarity.

When, early in Labour's term of office, the Appeal Court refused to free the Shrewsbury pickets who had been jailed for 'conspiring' to struggle for improved wages under the Tory government in 1972, Labour ministers refused to pardon them because this would 'interfere with the rule of law'. The same excuse was used to avoid fulfilling the demand of the Labour Party Conference for an end to legal proceedings against the Clay Cross councillors who had defied Tory orders to put up council rents.

Increasingly Labour ministers were preaching ideas no different to those traditionally preached by the Tories. Labour was now pouring scorn on the idea that there was a better way to run society than that based on the greed for profit. Labour was telling people that the poor were to blame for their plight: they weren't working hard enough. Labour was telling people the capitalist way was the only way.

The party's supporters throughout the country were thrown into confusion. They could no longer oppose right-wing ideas in the factories and workplaces, because these ideas were being put out by the Labour leaders every day. Inevitably the mood in the factories, workplaces and estates moved rightwards too.

This applied not only to wages and jobs, but also to other ideas – such as racism. The Tories and the National Front saw that there were gains to be made for them by turning the discontent of working people at their falling living standards against black people. They campaigned for more vicious measures against immigrants – and the Labour Home Secretaries, first Roy Jenkins then Merlyn Rees, hastened to comply.

After **The Sun** and Enoch Powell had campaigned against the entry into Britain of a few Malawi Asians, National Front Nazis carried out three racist murders – and Jenkins told the Commons there was 'a need for limitation on immigration' and this meant 'occasional harsh decisions'.

As the Labour leaders preached more and more Tory ideas, it was not surprising that a growing number of people came to think that perhaps the Tories had been right all along. At a series of by-elections the Tories romped home.

Yet Labour leaders did not change their tune. How could they? They were dancing to someone else's tune.

In August 1978 the Labour government imposed a fourth year of wage controls. The 5 per cent limit on wage rises meant a certain fall in workers' living standards when the Treasury was predicting an 8 per cent increase in prices. One group of workers after another was forced into action – at Ford, the BBC, bakery workers, provincial journalists, tanker and lorry drivers, local authority and hospital workers, civil servants, teachers.

The Tories and the entire press, including the supposedly left-wing **Daily Mirror**, launched into abuse against the strikers. Margaret Thatcher denounced 'self-appointed strike committees' for 'usurping the powers of the elected parliament' – a nice irony that, after the investment strike and run on the pound by financiers and industrialists. Sir Keith Joseph screamed that the balance of power had swung to the unions. The **Daily Mail** covered its front page with dubious stories of alleged threats of

violence by pickets. Effective picketing was renamed 'secondary picketing' and attacked on all sides.

It was a hysterical onslaught by the privileged classes against workers and trade unionists. Did the Labour Party leaders leap to the defence of their traditional supporters? Far from it. The Labour leaders rushed to join the attack.

Prime Minister Callaghan told MPs on 23 January 1979:

'I assert very clearly that everyone has the right to work and everyone has the right to cross a picket line. It is not a sacred object and I hope they will do so ... There is nothing to stop a citizen crossing a picket line if he believes that is necessary, and I would not hesitate myself to cross the line if I believed it right to do so.'

One month later Foreign Secretary David Owen walked through a civil servants' picket line saying: 'I have great pleasure in crossing this picket line.' Anthony Wedgwood Benn drove through the picket line at his ministry.

Chancellor Denis Healey threatened crudely that if workers did not accept the wage controls – and the cuts in living standards that went with them – then he would deliberately create unemployment through a 'deflationary' budget.

Finally, when Margaret Thatcher called for laws to restrict the right to picket, to weaken the closed shop, and to make the calling of strikes more difficult, Callaghan rushed out an agreement with the TUC – the Concordat – which would give everything that Thatcher wanted without a change in the law.

Labour's reaction to the strikes set the tone for the general election campaign. Commentators noted how 'low key' the campaigning was – they rarely noted that this was because Callaghan put up so little resistance to the basic tenets of Tory ideology. At the end, the difference between the parties must have seemed minor to most voters:

- Labour wanted to hand out more money to prop up private industry than did the Tories.
- The Tories wanted to cut income tax for the rich, raising taxes on spending which hit the poor most – Labour would only go half way, but promised tax cuts for the rich too.

- The Tories were for selling council houses – Labour said not too many.
- The Tories were for more police – Labour boasted they had already increased the number by 7,000.
- The Tories said more should be spent on defence – Labour said more *was* being spent on defence.
- The Tories said the law should restrict picketing and the closed shop – Labour said, the union leaders would do the restricting.

Nowhere was there any challenge to the basic Tory idea that workers should pay the price for the economic crisis, and if they refused, their basic rights should be attacked. Hardly surprisingly. Labour lost the election to the party whose ideas it was preaching.

The election result was a disaster for Labour. The proportion of voters voting Labour was the lowest since 1931, only 36 per cent.

But this is more than just the temporary annoyance of some Labour voters. It is a downward trend that has lasted for years now:

	1966	1970	Feb. 1974	Oct. 1974
Labour vote (millions)	13.066	12.179	11.654	11.468
Percentage of total poll	47.9	42.9	37.2	39.4

In Labour's worst year in the 1950s, 1959, they were still receiving support from 10 per cent more of the voters than they are now.

And those who turned most against Labour in 1979, at least in the Midlands and South, were Labours traditional working-class supporters. **Labour Weekly** wrote: 'Labour did particularly badly in (London) inner city constituencies where there is almost no middle class at all.' The swing against Labour was 14 per cent in Bethnal Green, 11.3 per cent in South Islington, 10.5 per cent in Bermondsey – 'by and large, the more middle-class the area, the lower the swing.'

The **New Statesman** came to the conclusion, on the basis of a MORI opinion poll, that 33 per cent of trade unionists voted Tory against only 23 per cent in 1974.

The Labour Party is clearly running on the wrong lines. Can this be put right?

Section 2.

Can the Labour Party be changed?

Labour has not been only a party of government. For the past 60 years it has been looked to by many rank and file socialists who have disagreed with its leadership but who wanted to maintain contact with the wider working-class movement.

These socialists now face a question: Labour in government has moved so far to the right that is there any prospect, ever, of turning the Labour Party into an instrument for socialist advance?

Wedgwood Benn and the **Tribune** Group MPs say 'Yes'.

So too do other socialist activists in the Labour Party, though many of them do not accept Benn's programme. They all say that the Labour Party is a party of the workers and must be won back from its right-wing leaders. Then a Labour government with socialist policies can be put into office and will open the road to socialism.

Is it possible?

The fact is that Labour was never a socialist party of the working class. Its first parliamentary representation depended on a secret deal with the Liberals more than 80 years ago, and all its leaders since have been prepared to compromise with the powers-that-be – Keir Hardy, who drew up the original deal, Arthur Henderson, who sat in Lloyd George's First World War Cabinet, Ramsey Macdonald, who eventually went over to become prime minister of a Tory-run 'National Government', Attlee who did his best to revive British capitalism after the war, Gaitskell, who tried to remove even mention of socialism from the party's constitution, Harold Wilson, who tried to push through a law against the trade unions.

But it is true that there was a time when the Labour Party had deep roots in the working class, drawing into its ranks the vast majority of workers who actively wanted to improve society. At its height the party had more than a million paid-up members and ran a daily paper with a circulation of more than three million.

Then, it was possible for the left to build a considerable movement of workers within the party ranks. This was done in the early 1950s by the supporters of Aneurin Bevan, the Health Minister who resigned in 1951 in protest at the imposition of health charges.

But the Labour Party has changed. Since then there has been a steady loss of activists, particularly worker activists, from the constituency Labour Parties. This is shown by the membership figures:

1952	1,014,144
1959	847,526
1962	767,459
1968	700,850
1973	665,379

These figures lose all meaning in the most recent years, since a constituency party needs at least 1,000 members to affiliate to the national party. So with 600-odd constituency parties, there must always be 600,000 members recorded. Even Ron Haywood, Labour's general secretary, has admitted the real membership is nearer 300,000. And remember, the qualification for membership is the payment of a low subscription. The active membership is probably less than 10 per cent.

So the rank and file of the Labour Party is about a third of what it was 30 years ago. It is also less working-class.

Two academic studies of local Labour Parties were carried out in the early 1960s. Both showed that the decline in membership was accompanied by a tendency to become less working class in composition.

J.E. Turner looked at three London constituencies in 1961-2. In only one, Bermondsey, was the majority of council candidates or General Management Committee members of manual workers. In Fulham, with a local population three-quarters manual workers, only one in four was a manual worker, and in South Kensington fewer than one in ten. And that was 18 years ago.

Turner also showed how limited was the contact at constituency level between the party and the trade unions. In Bermondsey trade union delegates made up only 27 per cent of average attendance at GMC, in Fulham only 22 per cent.

The weakness of the Labour Party on the ground is the biggest problem facing socialists who try to work within it. It means that passing a resolution at a local ward or constituency meeting achieves little because it doesn't bring any number of workers into activity.

Socialists in the Labour Party usually make a virtue of this. They adopt the attitude that what matters is getting resolutions to annual conference, or being well-placed at selection meetings for councillors or MPs. What gets forgotten in the manoeuvring around conference delegacies and selection committees is any attempt to relate to local workers' struggles,

especially unofficial strikes, which are rarely taken up by Labour Party activists.

Why? Because if you're concerned with getting support for a resolution or winning a nomination for some election, you don't upset full-time union officials who may control a few votes on the GMC.

In Britain 95 per cent of strikes are unofficial – so that means most left-wing Labour activists ignoring most strikes.

This doesn't mean the Labour left has ignored the trade unions. After all, they wield enormous power at Labour Party Conference with their block votes. So the Labour left has always tried to do a deal with a section of the trade union leadership – but this leaves the left in the Labour Party no basis on which to build support for their own policies in the rank and file of these unions. This is going to be particularly important in the months ahead, since the right now dominates Britain's second biggest union, the Engineering Workers, as well as the other big unions affiliated to the Labour Party – the Electricians, the General and Municipal, the Postal Workers and the Railwaymen.

So the left in the Labour Party is bound to face a choice: either to trim its sails to maintain union support, or speak out and risk losing it. This dilemma faced the supporters of Bevan in the early 1950s – it was not long before Bevan decided that influence at the top of the party through the support of union leaders and 'moderate' MPs was more important than sticking with his followers.

Today, the Labour left argues that Tony Wedgwood Benn is different.

Benn: A way forward?

'The time has come,' Wedgwood Benn told the 1979 May Day rally in Birmingham, 'for the whole labour movement to face the harsh realities, take up the challenge and reorganise its own role, party structure and organisation.'

The Labour movement must re-assert its aim 'to bring about a fundamental and irreversible shift in the balance of power and wealth to working people and their families'. It was necessary, he said, 'to defend the interests of working people and their families against any policies which would threaten world peace, restrict our democratic rights, reduce our living standards or undermine our civil liberties.'

A few days later Benn refused to stand for the Labour Shadow Cabinet and took his place on the back benches for the first time in 22 years.

In the pages of **Tribune** he was more forthright:

‘Labour’s best hope for winning mass support lies in a vigorous defence of those who work “by hand and by brain” and in uncompromising advocacy of the radical reforms necessary to get back full employment, to expand social services and to move towards self-management.’

That Benn is certainly going to speak out on issues affecting workers’ conditions in a way entirely different to that of the other Labour ex- ministers was shown in an article he wrote for the **Times Challenger**, the paper produced by workers locked out by **Times** newspapers, in May 1979:

‘What we need is a fight to the finish between a foreign multinational determined to defend its wealth and power and British workers who are defending their profession and press freedom. It is a struggle in which none of us dare be neutral.’

The same tone was there when he addressed the TASS union conference:

‘Trade union strength and aims are modest compared with the influence wielded by the City and large corporations ... The Labour Party has bailed out capitalism three times since 1945, and it seems that only the Labour Party can run capitalism. That was not what we were invented to do. We must have the vision and courage, and we certainly have the experience, to push the frontiers forward.’ (Reported in the **Guardian**, 23 May 1979).

The press has treated Benn’s moves as a bid for the leadership. It is certainly not that in the sense of a short-term move to replace Callaghan. Benn realises he has no chance of doing that while the majority of Labour MPs, who choose the leader of the party, is well to the right.

No, Benn’s aim seems to be to start a new current in the wider labour movement that will later be able to put pressure on the parliamentary party.

But let’s look more closely at what Benn offers as an alternative.

In his speeches Benn makes great play of the need for ‘socialist policies’, but his own specific policies have little to do with socialism – if by that we mean replacing the capitalist system. In fact he himself admits he wants ‘radical reform’. When he stood against Callaghan for the leadership of the party three years ago, his platform was made up of three planks: import controls, planning agreements, and increased power for MPs.

IMPORT CONTROLS are not socialist. They mean leaving industry in private hands, then using state intervention to get orders for the owners of British industry instead of their foreign rivals. In the first 30 years of this century they were the rallying cry of the Tory Party.

One immediate effect of import controls would be to raise prices. Assume, for instance, a ban on shoe imports from Poland and Czechoslovakia. The British shoe factories, mostly owned by Charles Clore, would face less competition. They would raise their prices. Workers would have to pay more for their shoes. And, of course, Clore's profits would climb.

Any increase in jobs in the shoe industry would be at the expense of everyone else's living standards.

But import controls are exceptionally short-sighted. For if we import shoes from Poland, we also export heavy machinery to Poland – and if we restricted the sale of Polish shoes in Britain, Poland would retaliate by cutting its imports from Britain. So the price of more jobs in shoe factories would be the loss of jobs in engineering factories. The crisis would get worse.

In fact this is what happened in the 1930s. Every country imposed import controls, and in every country unemployment grew. The only thing that brought the vicious circle to an end was something even more vicious – the attempt by each country to keep others out of its own markets around the world found its logical conclusion in war.

Because socialists have understood this in the past, we have always opposed import controls. They are just one more way of tampering with the system to try to make it work.

Worse, the call for import controls divides the working class movement in one country from that in another. They are a futile attempt to export unemployment and so are resented by workers abroad – making international unity of workers against the multinational companies that now dominate the world economy yet more difficult.

PLANNING AGREEMENTS are no more socialist than import controls. They involve union representatives acting in collaboration with management and government to ensure that their firm is 'viable', in other words profitable.

In a recent speech in the Commons, Benn said that 'democracy should be developed so that those who have invested their lives in industry have as

much say as those who invested their money.’ But that would still leave those who had invested their money to pocket the profits – for companies would still be run according to profitability, not human need.

The most ‘socialist’ of Benn’s demands is that when government finance is necessary to prop up a capitalist enterprise, it should take the form of partial state ownership (‘equity’) in the firm. This is presented as ‘an extension of public ownership’, and is denounced as such by the Tories.

Yet it was not so long ago that the suggestion of such a policy was denounced by a large section of the labour movement as a betrayal of socialist principles!

Back in 1957 the dominant right-wing leadership in the Labour Party sought to ‘revise’ away its socialist programme. A document titled **Industry and Society** was presented to Labour Party Conference. It was opposed most vigorously by the left.

Jim Campbell, left-wing leader of the Railwaymen’s Union, argued:

‘When you talk of controlling any industry without owning that industry, when you talk of merely buying shares, equity or otherwise, leaving management in the same hands, I say what you are doing is contriving a clumsy conception of the consolidation of capitalism.’

The argument applies as much today against Benn as it applied then against Crosland, Strachey and Gaitskell, right-wingers within the party. It is a sign of how far the Labour Party as a whole has moved to the right that such a scheme can be called ‘socialist’.

Finally, Benn has always kept quiet about his attitude to wages policy. Does his ‘alternative economic policy’ still involve wage controls?

Four years ago Benn wrote a pamphlet with two of his advisers, Frances Morrell and Francis Cripps. In it they outlined a ‘Ten-year Industrial Strategy’, in which they argued that the funds needed to support firms in difficulty and for new investment should be obtained ‘through taxation at the expense of consumption and living standards ... or a planned re-allocation of public expenditure.’ These are precisely the principles behind the Labour government’s wage controls and cuts in social services – and Benn accepted them!

Perhaps that is why, as Secretary for Energy, he felt able to threaten to use troops against strikers at Windscale nuclear plant, and was prepared to sit on the Cabinet sub-committee last winter to implement wage controls, including drawing up plans to break the tanker drivers’ strike by using troops.

Where Benn differs from both the Tories and Labour leaders is not in opposing cuts in living standards and the social services, but in believing

that these are not enough to solve the crisis of British capitalism. He believes they must be combined with greater state intervention – and quotes past Labour leaders such as Attlee in his support. On occasions he has even placed himself in the same tradition of support for state intervention as Churchill and Macmillan!

In this approach, Benn may find a popular rallying cry to gather support as the Tories preside over an ever-worsening economic crisis. But it would not allow him, in government, to behave any different to Healey or Callaghan. He would soon find, as has every previous Labour government, that to make ‘radical reforms’ to the capitalist system, you have to keep it running. And to keep it running you have to win the ‘confidence’ of those who hold economic power in our society. And to do that you must protect their profits – which means cutting the living standards of the workers.

Section 3.

The Alternative

The Labour Party has failed us. The left-wing within the Labour Party has no socialist alternative to offer. So is this counsel of despair for socialists?

Far from it. The last Tory government was driven from office before its five years had expired because it chose confrontation with organised working class, freezing wage levels while raising rents and attacking trade union rights.

The Tories weren’t defeated then by Labour MPs – whose efforts in the Commons did nothing to stop the ‘Lame Ducks’ policy, the Industrial Relations Bill or the ‘Fair rents’ scheme – but by the actions of organised trade unionists.

And not by the actions of the trade union leaders, for often – as when the dockers forced the release of the five pickets imprisoned under the Industrial Relations Act – the actions that defeated Tory policies began in the face of indifference or hostility from the union leaders.

The Times reported in April 1978:

‘A future Conservative government would be unable to defeat certain powerful trade unions in a direct confrontation. That is the advice contained in a secret report to Mrs Margaret Thatcher by a high-level Tory group led by Lord Carrington. The group took evidence from leading businessmen and former highly-placed civil servants.’

There is no movement in existence now that could defeat Tory anti-working class policies. But the potential is there – in the rank and file of the working class and the trade union movement where the Labour Party used to have its roots, but where it is based no more. The huge strikes of the winter 1978–79 show how much power the workers have, if they can be persuaded to use it to change society.

In the winter of '79 particular groups of workers used their strength to defend their own living standards, but not to act together for their common interests. Local authority and hospital workers marched in London against low pay – but the lorry drivers, who were also striking against low pay at the time, were not there with them. Likewise when civil servants staged one-day strikes against low pay, few hospital workers joined their picket lines.

Every group of workers felt justified in protecting themselves, but there was little feeling that they were fighting for the common interests of all workers. The Labour government, by attacking 'greedy workers', has caused confusion and division within the Labour movement. Each group of workers knew they were not greedy, for they could see their own living standards suffering, but they were unsure of the others ...

Opposition to the Tory government, however, can begin to bring unity between workers. The danger, of course, is that the united struggle will take time to build up, as it did under the Heath government, then Labour will nip back into office with another version of the Social Contract and the confusion and division will begin again.

There is only one way to prevent this: socialists must be active now explaining that the struggle is not just against the Tories but against a whole economic system that would continue to dominate our lives whether Thatcher, Callaghan or Tony Benn were prime minister.

Every strike gives workers a glimpse of the strength they have to change things. Each time socialists must be there arguing what sort of change is needed, arguing that we don't need a Thatcher or a Callaghan or a Benn to change things for us, but that together workers have the ability and strength to change things ourselves.

We need to bring workers together in different unions and industries in common rank and file organisations, so that the strength of unity in struggle can withstand any new betrayal by left-sounding leaders, whether in parliament or the unions.

Bert Ellicott, who was chairperson of Stalybridge and Hyde Constituency Labour Party until he resigned at the end of May 1979 after Labour's General Election defeat, wrote on his resignation:

'The cynic states that revolutionary socialism is "pie in the sky", that man's greed and desire for the profit motive is inherent and that the working class do not want to know. The suggestion is that socialism cannot happen in our affluent society – it was suitable for Russia in 1917 and now for the underdeveloped countries ... but one has to look positively at the situation today.

'More workers went on strike in January 1979 than in the whole of such years as 1971, 1975, 1976, 1977 and 1978 – probably more than in any month since 1926 and the General Strike. Many of them were low-paid workers who had never been on strike before.

'Workers learn through struggle, especially through their own struggle. A woman who works in my hospital consistently voted against strike action when we had our mass meetings, but when the majority vote went in favour of strike action she was first on the picket line every morning. Incidents like that help to renew faith in the power and movement of the working class.'

Bert Ellicott left the Labour Party and joined the Socialist Workers Party.

'I, for one, do not think it will be easy.

'I did not join the SWP for an easy ride. I did not join the SWP because I thought it had all the answers. The answers will become clear in struggle.

'I joined because at this stage in my life I have realised the utter futility of the so-called parliamentary road to socialism.

'What we must have is built-in and constant accountability. No life leaders, no super-cadres, no parliamentary leaders beyond recall, no elites. All members of a socialist party have got to be actively involved and accountable at all times to their comrades. That alone will sift the wheat from the chaff.'

So there we stand. The strength of the working class, and only that strength, can bring socialism, can bring a society where decisions are based on people's needs instead of the greed of the few for profit. Though the Labour Party has failed us, the strength of the working class is still there – confused and much disillusioned perhaps, but not defeated.

But that strength needs to be united and to see the task ahead – and for that a new sort of party is needed, not a party like the Labour Party which says: 'Vote for us and we'll get things done for you', but one which says: 'Socialism is about people taking control of their own lives – and no one, not even us, is going to do that for you'.

The Socialist Workers Party is an attempt to build just such an organisation. We work in the factories, the mines, the docks, the offices, the housing estates – because it's there, not in parliamentary debating chambers and council rooms, that socialism will be won, because it's there that our lives need to be transformed.

We in the SWP do not insist that workers agree with us before we join in struggle together – whether for better wages today, or socialism tomorrow. As Bert Ellicott says, the answers will become clear in struggle. So we will welcome every move by the left in the Labour Party to fight the Tories and their attacks on workers' lives. But we cannot hide our belief that their leaders are tied to Labour's parliamentary road, and that road does not lead to socialism.

One obstacle to building a genuine socialist party has always been the false illusions of many workers in the Labour Party. Labour's failure faces us all with the problem of a right-wing Tory government, but for many at least that obstacle is removed. Join us and help build the socialist alternative.
