

Britain's Labour government hit by scandal

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The British Labour government has become embroiled in a 'cash for access' scandal. It centres on allegations made in *The Observer* July 5 that former Labour aides, now working for lobbying firms, passed confidential government information on to corporations, arranged meetings between their clients and Ministers, and organised the appointment of business representatives to government policy making bodies.

Lobbying firms like to portray themselves as public relations bodies through which corporations and other organisations seek to make their views known to government. Their activities are considered legitimate within the parliamentary set-up as long as politicians are not paid for influencing government policy and lobbyists do not use their political contacts to pass on privileged information to their clients. This fiction was blown apart during the previous Conservative Party government when ministers were accused of receiving cash from lobbyists for raising parliamentary questions on behalf of their paying customers.

Labour made the issue of Tory 'sleaze' central to its General Election campaign of 1997, promising to be a more 'open and accountable' government. Yet after just 14 months in office, Tony Blair's administration is facing similar charges.

The *Observer* story stemmed from an investigation into reports that certain lobbyists were offering inside government information for a fee. The paper utilised its American-based contributor, Gregory Palast, who also works for consultancy firm US Associates, to act as an investigator. Palast approached lobbyists, supposedly on behalf of two American energy companies, seeking 'an influential presence' in Britain.

He initially made contact with Karl Milner, a former adviser to Chancellor Gordon Brown, now employed by the lobbying company GJW Government Relations whose clients include private health care provider BUPA, Premier Oil and Goldman Sachs investment bank. On June 8, Milner faxed a House of Commons Select Committee report on energy policy to Palast's offices, with a note: 'Thought you may be interested'. The report was not due to be published until the following day.

Early access to such a report's recommendations could provide vital investment opportunities for energy businesses. Milner later informed Palast that his access to government policy papers was standard practice: 'We have many friends in government.... They like to run things past us some days in advance, to get our view, to let them know if they have anything to be worried about, maybe suggest some changes.'

On another occasion, Palast made contact with Derek Draper from the lobbying firm GPC Market Access. Draper is the former chief aide to Peter Mandelson, Minister without Portfolio and

Blair's main adviser. GPC's clients include the energy companies PowerGen and British Gas, and US investment bankers Salomon Smith-Barney.

Palast claims he held a phone conversation with Draper on June 11, the day that Chancellor Gordon Brown announced the government's spending plans. Draper was very excited that Brown had limited total spending to an increase of 2.75 percent, and not 2.5 percent as had been predicted. He is said to have claimed that a week earlier he had supplied Salomon Smith-Barney with this information. He boasted to Palast that he had been acting on 'inside information.... If they [Salomon] had acted on it, they'd have made a fortune.' Such market sensitive information can prove vital for securities traders and arbitrageurs.

Draper is reported to have told Palast that he had special access to the Treasury and Downing Street and could fix positions on government policy bodies for corporate figures. He said that GPC had pushed for the appointment of David Varney, chief executive of British Gas, to the government's Welfare to Work Task Force.

He also claimed that he had been crucial in setting up a potential buy-out of East Midlands Electricity by PowerGen, the privatised national electricity supplier. The company's attempt to buy up regional electricity suppliers had been blocked by the Conservative administration. Under Labour, Draper was able to take PowerGen's chairman, Ed Wallis, directly into the Treasury to discuss with officials. On June 25 the government released its energy review, which involved PowerGen having to sell some of its generating plant. The same day PowerGen announced it had put in a £2 billion bid for East Midlands Electricity, subject to government approval.

Draper also introduced Palast to Roger Liddle, a senior government European Affairs policy adviser able to provide direct contact with government. Liddle reportedly told Palast, 'Just tell me what you want, who you want to meet and Derek [Draper] and I will make the call for you.' When Palast questioned Liddle as to Draper's influence, Liddle reportedly said, 'There is a circle and Derek is part of the circle. And anyone who says he isn't is an enemy.... Derek knows all the right people.'

Palast also approached the lobbying firm, Lawson Lucas Mendelsohn (LLM). The firm's three founders, Neal Lawson, Ben Lucas and Jon Mendelsohn, were all former advisers to Tony Blair. Lucas informed Palast that on June 11 Gordon Brown would announce the establishment of a new housing inspectorate. He was in touch with 'insiders' with access to the forthcoming speech, Lucas claimed, and had passed the information on to one of LLM's interested clients.

Prime Minister Blair has denied any impropriety, putting it all

down to the 'boastful' antics of young lobbyists 'trying to make all sorts of claims of influence'. However, the government must be seen to be 'purer than pure,' he said, promising action against anyone guilty of impropriety. The media has by and large taken up his damage limitation exercise, portraying events as the result of a few bad apples. Draper has been suspended from GPC, subject to an internal investigation.

The *Observer* has filed affidavits from Palast and businessman Mark Swedlund confirming their conversation with Liddle as reported. Peter Mandelson dubbed Palast a 'man with an agenda', implying the reporter was hostile to Labour. Similarly the *Daily Mirror* released the remarks of a New York judge who had questioned Palast's expert testimony in a 1996 case on electricity price fixing as, 'disingenuous, evasive, biased, and palpably false in numerous respects.'

The *Observer* nevertheless stands by its report, describing Labour's rubbishing of Palast as 'extraordinary' given that the journalist previously worked as an adviser to the government. An avid supporter of Labour, the newspaper has presented its allegations as being aimed at helping Blair 'clean up' government.

Unlike the previous scandals surrounding the Conservative government, there is no allegation of financial impropriety by individual ministers. But the issues raised by the *Observer's* report are, if anything, more politically significant. They do not simply confirm the connections between big business and government--a subject with which most working people are already familiar. They illuminate the role of the New Labour government as the direct political vehicle for these business interests.

The Conservative government's relationship with big business was epitomised in its programme, which subordinated all aspects of social and economic life to the 'market'. This programme was formulated through policy 'think tanks', such as the Adam Smith Institute, in discussions with civil servants and in party conferences. Direct connections with business interests were largely kept at an informal level.

Labour has brought leading businessmen directly into government and onto its policy making bodies on a scale never before seen in Britain. Whereas under the Tories, lobbyists would approach government Ministers on behalf of corporate clients, the relationship is now almost reversed. One LLM representative told the *Observer* that their clients are now complaining about the number of task forces and policy bodies that they are solicited to participate in by the Labour government.

Cynically commenting on this relationship, Lawson noted that the key to LLM's success was their ability to play on 'politics without leadership'. The name of the game was 'non-ideologically-poisoned decision-making,' the report stated. 'In a milieu in which a lack of conviction is deemed an asset, with no fixed star of principles by which to steer, policy is susceptible to the last piece of lobbying. 'The Labour government is always of two minds; it operates in a kind of schizophrenia,' he [Lawson] said. 'On big issues especially, they don't know what they are thinking. Blair himself doesn't always know what he is thinking.'

Palast reports a 'mind-numbing two hour lecture on the Third Way' (the slogan meant to epitomise Labour's policies) that he was subjected to in his role as prospective client at LLM's offices. But

'it had a purpose,' because they were getting 'introduced to a world in which message matters more than content.' For a £5,000-£20,000 monthly fee, clients were instructed, 'in the political grammar of the world of Tony Blair.' When Palast informed LLM that his clients were seeking to bypass environmental restrictions in Britain, they were told to just re-package their plans as 'earth-friendly'. 'Tony is very anxious to be seen as green. Everything has to be couched in environmental language--even if it is slightly Orwellian,' an LLM representative said.

The Labour Party was elected as a result of mounting hostility amongst broad masses of working people to the pro-business agenda of the Tory administration. The Blair government was charged by the ruling class with the task of defending the interests of the major corporations, under conditions where the main party of business had largely disintegrated. But it had to do so while appearing to respond to the demands of the electorate for change and a fairer society.

Blair invoked the slogan of a 'Third Way' as a means of distancing his party from both Thatcherite free market nostrums and Labour's old reformist policies. The 'Third Way' was meant to signal the formation of a new national consensus based on a partnership between business, government and workers, the private and public sector. To this end Blair boasted that Labour had no 'fixed' ideology based on the old and outmoded class antagonisms.

The latest scandal has proven the real content of this claim. Labour's entire policy is determined by the dictates of the global markets and transnational corporations. To the extent that the government exerts any influence over events, it is only as their errand boys.

See Also:

Labour's lobbyists in search of a fast buck
[10 July 1998]

A year of New Labour's 'third way'
[6 May 1998]



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