

Britain: Financial scandal surrounding Peter Mandelson returns to haunt Labour government

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Britain's government has again been mired in scandal over the £375,000 loan made by multimillionaire Geoffrey Robinson, formerly Labour's Paymaster General, to his cabinet colleague Peter Mandelson to purchase a Notting Hill residence.

In 1998 news leaked out that Mandelson, then Trade and Industry Secretary, had failed to declare to his mortgage brokers that he had received a loan from Robinson to help finance the purchase of a house in a fashionable part of London. Amidst accusations of dishonesty and sleaze, both men were forced to resign whilst protesting that they had done nothing wrong.

Within ten months, Mandelson, the man credited with Blair's meteoric rise to leadership of the Labour Party, was back in the cabinet as Secretary of State for Northern Ireland. His speedy return was helped by the fact that the home loan leak was thought to have originated from Chancellor Gordon Brown's media adviser, Charlie Wheelan, who was also forced to resign. The bitter internal feud between Blair loyalists in the Labour leadership and those supportive of Brown is public knowledge. Following the death of party leader John Smith in 1994, Brown and Blair were the frontrunners to replace him. With the media favouring Blair as the more high profile advocate of Labour's "modernisation", Mandelson switched his support from Brown and went on to lead Blair's campaign.

Robinson, a Brown supporter, has revived the home loan scandal in his memoirs, *The Unconventional Minister*, currently being serialised in the *Daily Mail*. In them, Robinson accuses Mandelson of misrepresenting the way he had obtained his loan. Mandelson had told a Commons Standards and Privileges Committee investigation that Robinson had offered the money, but Robinson insists it was Mandelson who requested the loan.

Speaking on BBC Radio 4's *Today* programme, Robinson said he was not accusing Mandelson of lying, but there was clearly a "marked difference of opinion" between them.

Whilst he personally bore Mandelson no ill will, there were times when the Northern Ireland secretary played a role "that isn't always conducive to the administration of good government", Robinson said.

The Conservative Party has called on the Standards Committee to reopen its investigation into the Mandelson loan and asked Elizabeth Filkin, Parliamentary Commission for Standards, to probe Robinson's assertion that he also directly funded Blair's personal office before the election. The government has always denied this, insisting that funding for the office was supplied through a blind trust, whose trustees alone knowing the origins of all donations.

Robinson is following a well-trod path in publishing his allegations. The Mandelson loan scandal first came to light in a book by Paul Routledge, and there has been a spate of more recent publications concerning the power struggles between the Prime Minister, the Chancellor and other ministers.

In a barely concealed swipe at Robinson, Education Secretary David Blunkett complained of unnamed "self-indulgent" government insiders who were "in a position because of their wealth to be able to enjoy a comfortable life" and consequently put personal grudges ahead of the needs of Labour voters. Mandelson said that such books were primarily written for serialisation in newspapers, "where the authors get huge sums of money and to get those huge sums of money, of course, they have to flam everything up, sensationalise, at which point the truth flies out of the window".

Even if motives of personal aggrandisement and greed were the only issues involved, that so many leading Labour lights have proven susceptible is a damning indictment of the party. A government whose greatest boast is that it has no principles comes at great cost, as Blair is discovering. The drive to distance Labour from its traditional working class base has meant politically sidelining anyone associated with the party's reformist past. Under the banner of junking

outdated ideological baggage, so as to refashion it as the preferred party of big business in Britain, all manner of political numbskulls and opportunists have been promoted to leading posts.

Blair has cast himself as the man with his finger on the nation's pulse, a Prime Minister actively involved in virtually every area of policy. This is in part aimed at reassuring the government's big business and media backers that their interests alone will determine policy and not other political considerations. But Blair has proven incapable of resolving any of the long-standing political divisions within the Labour Party, particularly in relation to Britain's adoption of the European single currency, the euro. His approach has been either to suppress or avoid open discussion on this issue and other contentious policy questions. Every avenue for internal party discussion, and dissent, has been effectively closed so as not to disturb Blair's carefully cultivated media image.

This has proved enormously destabilising. The Labour government is riven by clique ties, in which personal advancement is bound up with the ascendancy of one or another faction. As a result, policy disagreements take on an unprincipled character, with both sides courting the media for support in order to air internal grievances. On most occasions the actual issue at stake is never raised openly. Everything depends instead on undermining the opposing side by fair means or foul.

So it is with the latest row. Robinson makes clear in his book that his main grievance with Mandelson is the latter's forthright support for Britain's entry to the euro. He alleges that in pursuance of this policy, the Northern Ireland Secretary has deliberately sought to undermine the government's "prepare and decide" (a euphemism for wait-and-see) policy on the single currency.

Robinson goes on to say that Mandelson was responsible for the government's first crisis in office in autumn 1997, when he circulated reports that it would soon hold a referendum on euro membership. The Brown camp had first believed Mandelson to be Blair's mouthpiece, voicing opinions that the Prime Minister feared to make openly. But they subsequently concluded that Mandelson was pursuing his own agenda, "markedly different" from that of both Brown and Blair. Peter is a "divisive and destabilising figure", Robinson wrote, whose maverick line on the single currency could cause the fall of the government—just as the issue had brought down Conservative Prime Ministers Margaret Thatcher and John Major previously.

Robinson's fears are real enough. The British ruling class is deeply divided over adopting the euro. Many of the transnational corporations located in Britain have quite forcibly expressed their support for the euro, and have

warned that if Britain remains outside the euro zone it could mean the loss of tens of thousands of jobs. On the other hand, the financial elite in the City of London is either indifferent or opposed to British membership—a position that has been strengthened by the single currency's continuing weakness in the international money markets.

Blair's policy is aimed at straddling this divide, but postponing a decision has only caused greater economic uncertainty and political difficulties. Germany and France are pressing ahead with the creation of a "two-speed Europe" by gathering the core countries committed to the euro together, threatening Britain's marginalisation on the continent. At the same time, opponents of the single currency are becoming ever more vocal. Having promised to hold a referendum on the issue—now postponed until after the next elections—the Labour government fears the result would be a repeat of the Danish "No" vote.

This is the reason why Mandelson has attempted to talk up the benefits of adopting the euro over the last period. In a speech earlier this year, the Northern Ireland Secretary said there was little the government could do to protect industry against currency fluctuations as long as Britain was outside euro-land. He has also called on the government not to bow down before the anti-euro campaign being run by the Conservatives and much of the media, which he chastised for portraying the European Union as a "Franco-German plot designed to do us down". His remarks apparently caused Brown to threaten his resignation unless Mandelson was brought to order.

Despite the serious implications of the issues being fought out, Blair has characteristically dismissed the row as inconsequential "froth". The only thing that matters to people "are the fundamentals", he said.

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