

# Britain: the death of James Callaghan

## “A good Labour man” and the end of reformism

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The death of Jim Callaghan, the former Labour prime minister, passed with little notice from the media beyond a few formal obituaries, none of which conveyed a sense of the man's historical significance. It is as though we have crossed some invisible line since Callaghan left office in 1979 and entered another world in which nothing from that earlier time is considered relevant or useful. Margaret Thatcher declared that there was no such thing as society. With Tony Blair we have discovered that there is no such thing as history. Just as in the 1980s, when politics was cast as pre- and post-Thatcher, today the media operates as if there is only before Blair and after Blair. That part of the time-before-Blair that constitutes the century-long history of the Labour Party has been erased from the official memory. It is invoked only as a warning that society must never again return to those dark days when workers went on strike to demand better wages and conditions and Labour was supposedly the state-ownership-loving party of “tax-and-spend”.

Inasmuch as history gets a look-in at all, it is to acknowledge Blair's own debt to Thatcher—something he readily admits. In so far as he cites anything further back in political time than the legacy of the Iron Lady, he purports to stand in the old Liberal tradition that preceded Labour. That the Labour Party was ever formed is portrayed as a tragic mistake that split the “forces of progress” and is best forgotten.

Callaghan's death was noted in a perfunctory fashion because he embodied that old Labour Party, if any one person could be said to do so. He was happy to accept the epithet “a good Labour man.” No journalist could expect to win kudos in high places by writing a serious assessment of Blair's predecessor. It was enough to summarise the offices he held and show an archive shot of rubbish piled high during the 1978-1979 “Winter of Discontent.”

Callaghan deserves more than that. He is a far more substantial figure than Blair. He was forced to confront a politically mobilised and militant working class, whereas Blair has benefited from the confusion and disorientation produced by the betrayals of his predecessors and the political failure of national reformism. And most importantly, Callaghan's political career is worth examining now because of the light it can shed on what Old Labour was really like and what the party's historical legacy is today. Old Labour has acquired a semi-mythical status that needs to be subjected to serious analysis if the vast majority of people who oppose Tony Blair and his New Labour project are to develop an alternative political perspective.

Callaghan began his political career as a minister in the Atlee government of 1945, after a lengthy period training as a trade union bureaucrat. He served successively as chancellor of the exchequer, home secretary and foreign secretary. But he is remembered today primarily for the ignominious end of his premiership in 1979 brought about by the Winter of Discontent.

The years 1945-1979 spanned the high point of Labour's programme of social reformism, with the creation of the post-war welfare state and the end of that programme, as the working class came into head-on collision

with a Labour government that was cutting wages, creating mass unemployment and destroying the welfare state. Callaghan's political career thus embraced the entire experience of post-war Labourism.

It was ironic that his premiership should end in the Winter of Discontent, because more than anyone else in the Labour leadership of that period, Callaghan reflected the organic link between the trade unions and the Labour Party. Although he was on the right wing of the party, he did not leave it in 1981 when others did. Shirley Williams, Roy Jenkins, William Rodgers and David Owen—the “Gang of Four”—quit to set up the Social Democratic Party (SDP), which explicitly rejected a political link to the trade unions and a social base in the working class. He remained embedded in that trade union milieu that had provided his early political training and education.

For the Gang of Four, breaking from the trade unions was seen as the logical extension of their lurch to the right. A response to the Winter of Discontent, it embodied their severing of any and all ties to the working class and adaptation to the new Thatcherite free-market monetarist orthodoxy. Callaghan, however, had a far clearer understanding of the central role that the trade unions had to continue playing in disciplining the working class.

This understanding had even placed him in conflict with the ostensibly more left-wing Labour Party leader Harold Wilson, when he opposed the anti-union legislation that the Wilson government attempted to introduce in 1969 with Barbara Castle's white paper, *In Place of Strife*. This document was a response to the profound economic crisis that the Labour government inherited when it came into office in 1964 and to the protracted series of industrial struggles that reflected the efforts of the working class to improve their living conditions in the post-war period. Between 1945 and 1968, there were seldom fewer than 2 million working days lost per year through strikes in the UK. Every year, hundreds of thousands of workers were involved in disputes, and in the peak years of 1953, 1957, 1962 and 1968, well over a million workers took strike action. By 1969, many former representatives of the old Bevanite left, like Castle and Wilson, had come to the conclusion that workers would have to be prevented from striking by punitive legal action.

Callaghan rejected a legal approach to controlling strikes and went so far as to challenge Wilson to sack him. He recognised that the freedom of the trade union leaders to manoeuvre was essential if they were to keep their hold over an increasingly assertive working class—which was now frequently engaged in unofficial strikes organised by shop stewards. Legal restrictions on the right to strike would, he knew, only play into the hands of unofficial and far more militant leaders and—worse still—create the conditions where large numbers of workers would possibly rebel openly against the trade unions and seek to build new revolutionary organisations.

In 1964, the Labour government inherited an £800 million deficit—huge by the standards of the time. It immediately introduced spending cuts. Returned to power in 1966 with a large majority, it imposed what was then the biggest package of public spending cuts in history. By November

1967, the government was forced to devalue the pound by 14 percent. Devaluation was accompanied by a £400 million spending cut and a credit squeeze. As Chancellor of the Exchequer, Callaghan knew that he needed the support of the trade unions to enforce these savage austerity measures. He believed that the survival of the Labour government depended on the continued ability of the unions to contain the militancy of the working class. Indeed, the control of the working class by the trade unions and social democracy was the ultimate guarantor of the survival of the state and the profit system. Any attempt to restrict the trade unions by means of legislation would, therefore, threaten the survival of the system of parliamentary democracy itself. *In Place of Strife* risked open class confrontation.

Callaghan is often remembered as the parliamentary advisor of the Police Federation—the body that represents police constables in negotiations with their employers. But his connections in the union movement were much wider than that. The noted left-winger Jack Jones of the Transport and General Workers Union backed him in the deputy leadership contest of 1972. It was this union support that ensured him the leadership of the party in 1976, when Wilson resigned. As prime minister, Callaghan would sit down to regular monthly meetings with trade union leaders to discuss policy over dinner. Comparing their respective achievements in cutting workers' living standards, he remarked to the German Chancellor Helmut Schmidt, "I must say that our trade union leaders, Jack Jones and co. have been wonderfully good."

Labour was returned to power in 1974 on the back of a wave of militancy led by the miners that had brought down the conservative government of Edward Heath in what was a crisis of rule that had revolutionary implications. Labour averted the crisis by granting a pay rise to the miners and issuing a left-sounding manifesto that promised higher welfare benefits, food subsidies, rent control, an annual wealth tax, the end of prescription charges, the expansion of educational provision, worker participation on company boards and a programme of nationalisations that would include oil, ship-building, the aero-space industry and land. Expectations were high, but what Labour did was to reduce the real take-home pay of workers and cut welfare provision in a way that no Tory government could have done.

Where Heath had failed through legislative restrictions on the trade unions, the Labour government could enlist trade union cooperation. Labour's collaboration with the trade unions was encoded in the Social Contract. First used by Callaghan at the 1972 Labour Party conference, it was a term that encapsulated his vision of the way in which the unions should enforce government policy.

However, within months of becoming prime minister, Callaghan was forced to appeal to the International Monetary Fund (IMF) for the largest loan in that organisation's history as international speculators attacked the pound and depleted the UK's reserves. By today's standards, the figures involved seem minuscule, but at that time they were enough to cause panic on the stock exchange. In return for a loan of \$3.9 billion, the IMF demanded a severe programme of cuts in public spending. Callaghan pleaded for some concessions. He accused the IMF of "being oblivious of the impact of mass unemployment on the British economy and imperiling the future of British democracy itself" (Kenneth O. Morgan, *Callaghan: A Life*, Oxford University Press, 1997, p. 547). He was not wrong in his assessment of the situation. The Winter of Discontent was a response to the attack on living standards that followed over the next three years.

In many respects, 1976 can be seen as the point at which the UK turned towards the monetarist policies that later came to be associated with Thatcher. The left often presents the fate of the Labour government as a case of a progressive government blown off course by adverse conditions. But the historical record shows that, however sharp the conflict between the Callaghan and the IMF, the Labour government was already moving away from the Keynesian economics that underlay the party's post-war

programme of social reforms. Callaghan spelled out this shift in perspective at the Labour Party conference of September 1976, before the terms of the IMF loan were known. He told a stunned conference, "We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists..."

It no longer existed because, as Callaghan recognised, the international financial markets would not allow it. Callaghan was making it clear that he no longer believed that it was possible for the government to borrow money in an attempt to stimulate the economy and mitigate the social and political conflict between the bourgeoisie and the working class that is intrinsic to the capitalist system. He recognised that he could no longer follow the kind of reformist policies that the Atlee government had introduced and that had been the basis of Labour Party ideology since the party's foundation.

Such a change could not be made overnight. As early as 1967, when he was chancellor of the exchequer, Callaghan had made a distinct break with Keynesianism and social reformism in rejecting the post-war commitment to full employment. He was not an economist, but in some respects his lack of formal training in economics allowed him to approach the problems of the period less dogmatically than his contemporaries and to feel his way pragmatically towards a new approach that was ultimately to become known as monetarism. Internationally, Callaghan came to play an important role in the restructuring of the world financial system in the crisis years that ended the post-war expansion of capitalism and became one of the midwives of the new IMF system that was to bail out the UK in 1976.

The shift to monetarism and the rejection of social reformism was not an unforeseen event that hit Labour from outside. It was a change in perspective that can be seen emerging within Labour itself as the party responded to economic conditions that made social reform increasingly difficult. When it came to a choice between preserving the social gains that the working class had made in the post-war period and preserving the national capitalist economy, Callaghan gave his loyalty unquestioningly to British capitalism.

The same choice had faced a Labour leader before. In 1931, Ramsey Macdonald had confronted an international financial crisis and the collapse of the pound. He responded by forming a coalition with the Tories and Liberals. His decision split the Labour Party and produced a fall in support from which it did not fully recover until after World War II. Ever afterwards, Macdonald was regarded as a traitor. Callaghan was old enough to remember 1931, and one of the main concerns of his political life was that he should not go down in history as another Macdonald.

Callaghan did not "do a Ramsay Macdonald" in the sense of abandoning his cabinet. He did not need to, because left and right loyally backed him as he imposed the cost of rescuing British capitalism on workers. Michael Foot, the left-wing candidate in the leadership contest, was a central figure in the government's strategy to hold down wages. He was responsible for negotiating a "voluntary" £6 pay rise limit in 1975. Throughout the 1976 IMF crisis, Foot was, as one historian has said, "the essential lynchpin in relations between the government and the unions" (Morgan, p. 549). To the extent that the left had any alternative policies, they demanded import controls, which would have created a siege economy, provoked retaliation and trade war and led to immense hardship for working people.

The role of the left Labourites and unions was vital in keeping Callaghan's administration going and preventing the working class from breaking with a government and party that was doing them such great harm. The left did not even object when Callaghan formed an alliance with the Liberals in the Lib-Lab pact. With their help, Callaghan performed the incalculable service of prolonging the life of the Labour government long enough to allow the deeply divided Tory Party to

prepare itself ideologically under the leadership of Thatcher and monetarist advisors such as Sir Keith Joseph to take power in 1979.

Callaghan may not have quit the Labour Party like the Gang of Four, but the Lib-Lab pact prepared the way for them to quit the Labour Party and indeed, for the eventual formation of New Labour on a programme not dissimilar to that of the SDP. In that fundamental sense, there is an organic connection between New Labour and Old Labour. The one has emerged from the other.

Callaghan did not act out of any malice or evil intent. If it had been possible to implement the 1974 Labour manifesto, he probably would have done so, because he was a pragmatic politician who valued social consensus. Reformism was a way of life for him. There is an objective quality to his turn to monetarism that would have been the same for any Labour politician. They all shared a commitment to maintaining a national capitalist economy and defending the historic interests of the British ruling class by opposing a revolutionary struggle for socialism by the working class. Callaghan was confronted by the first intimations of deep-going changes in the world economy that over the next 30 years were to change the political landscape. The Labour Party was not merely defeated by Thatcher. It had reached the end of its resources and its historical tenure. There can be no return to its programme of social reform.

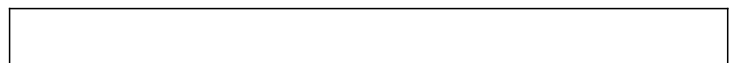
Those that hope for a revival of Old Labour fall into two categories. There are the politically naïve, and there are those that hope to make a career for themselves out of deceiving the politically naïve. The apparent coincidence of interests between them is entirely superficial, because it arises from two different sources. In the one case, it expresses rank opportunism, and in the other, it is the product of the protracted historical experience of a working class that was formed when economic and political life was based on the nation state.

The political forms and ideologies to which the nation state gave rise still exercise an influence over the minds of the mass of the population, even when they no longer express the essential social relations that exist in a modern society, where the international dominates over the national. Consciousness inevitably lags behind social being and retains many outmoded aspects.

In Georgian England, those who remained loyal to the Stuart dynasty used to pass their glass across the water jug when the monarch was toasted, signifying their secret regard for old regime. The King-over-the-Water became a semi-mythical figure promising redemption to a backward-looking and dwindling band of loyalists who hoped to be relieved of the encumbrance of an alien and unpopular monarch. Their nostalgic loyalty never led to a change in dynasty because the unpopularity of the Hanoverian kings was due not to a general desire to see the Stuarts restored, but to widespread opposition to their foreign policy and repressive domestic policies and to profound social and economic changes that were undermining the entire political system of eighteenth century Britain.

Old Labour is Labour's King-over-the-Water. As Tony Blair returns to Downing Street with his credibility badly wounded by the loss of 100 seats, leading Labourites are jockeying for position, attempting to indicate to the voters by arcane signs that they are the inheritors of the Old Labour mantle—without at the same time alarming the City of London and international investors.

Their determination to overthrow the current regime is about as firm as that of the eighteenth century gentlemen who refused to rally to Bonnie Prince Charlie when he arrived in person to claim his throne. But the hostility to Blair and New Labour that they sense in the population is real. They have had tangible proof of it in the election, when only one in five of the electorate could bring themselves to vote Labour. The party will not survive many more victories like that.





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