

WSWS International Editorial Board meeting

# New Labour and the decay of democracy in Britain

## Part One

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*Published below is the first of a two-part report on Britain delivered by Julie Hyland to an expanded meeting of the World Socialist Web Site International Editorial Board (IEB) held in Sydney from January 22 to 27, 2006. Hyland is a member of the World Socialist Web Site IEB and assistant national secretary of the Socialist Equality Party in the UK.*

*WSWS IEB chairman David North's report was posted on 27 February. SEP (Australia) national secretary Nick Beams' report was posted in three parts: Part one on February 28, Part two on March 1 and Part three on March 2. James Cogan's report on Iraq was posted on March 3. Barry Grey's report was published in two parts: Part one on March 4 and Part two on March 6. Patrick Martin's report was published in two parts: Part one on March 7 and Part two on March 8. John Chan report on China was published in three parts: Part one was posted on March 9, Part two on March 10 and Part three on March 11. Uli Rippert's report on Europe was posted in three parts: Part one on March 13, Part two on March 14 and Part three on March 15.*

The opening report to this meeting by David North stressed that our elaboration of perspective and orientation must proceed from a historical understanding of the development of world capitalism. It presented two alternative hypotheses, with two very differing results for the prospects for socialism.

In his report on the world economy, Nick Beams also drew attention to the positions of Panitch and Gindin, who postulate that the strength of US imperialism means there is no possibility of an explosive outbreak of inter-imperialist antagonisms.

Interestingly, Alex Callinicos of the British Socialist Workers Party has been involved in something of a polemic with the pair. While disagreeing with certain aspects of their analysis, Callinicos conceded exactly this point. In a recent article, after pointing to tensions between the major powers, and US concern at the rise of China and India, he wrote that the position of Panitch and Gindin was a useful corrective to the mistaken claim he himself had previously made—that the end of the Cold War would see a return to potentially disastrous economic and geopolitical competition among the Great Powers, as in the era of classical imperialism.

From another angle, Martin Jacques, formerly of *Marxism Today*, has written a series of articles in the *Guardian* postulating the imminent rise of China as the second super power, which he insists proves not merely the continued viability, but also the absolute necessity of the nation-state form.

Then there is the position of Cliff Slaughter, who has broken years of silence, releasing a single chapter of a yet to be published book,

supposedly articulating, “New thinking on the old idea of socialist internationalism”. As could be anticipated, Slaughter’s essential argument is that there is no basis for socialist internationalism. With globalisation, capitalism no longer threatens the world simply with barbarism but with “the very destruction of nature and humanity”.

Consequently, it is no longer sufficient for socialists to “restrict” their perspective to winning political power from the bourgeoisie. The destructive character of capital means that it is actually destroying the basis for its revolutionary overthrow. Socialists, therefore, must seek to “defend, preserve, protect and nurture the natural and cultural conditions of the future social metabolism that is the true objective of the proletarian revolution”.

Moreover, this must be done under conditions in which globalisation has produced in the imperialist centres a stupefied mass, bought off with a new crumbs—in the form of “transient commodities”—from the exploitation of the oppressed masses in Africa, Asia and the Americas. This “corrupts the human personality” and means that workers in the West “are separated in consciousness and organisation” from the oppressed masses. The solution is to defend and celebrate “humankind’s cultural heritage”, which cannot “wait upon socialism”.

Slaughter’s position is not new—it is essentially a regurgitation of the position of the Pabloites and others that the embourgeoisement of the working class in the West has shifted the epicentre of revolution to the colonial and semi-colonial countries. But whatever the starting point of the ex-radicals, they agree that any perspective of socialist revolution is completely utopian. To the extent that they advance any programme for social change, it is one based on certain minimal demands aimed at blocking an independent movement of the working class. This is essentially the standpoint of movements such as Attac, Left Alternative, Respect, etc.

The more the old labour and national bureaucracies have moved to the right, the more so have the ex-radicals. It is important, however, to recognise just how discredited these positions are, and the profound objective difficulties involved in attempting to breathe life into the reformist opposition to socialist revolution.

In contrast, we have insisted that the developments associated with globalisation provide the objective basis for a socialist internationalist development of the working class, so that the class struggle is international not only in content but in form.

Whatever Slaughter’s claims, it is a matter of record that unlike at the turn of the previous century, when imperialist penetration of the globe enabled the development of a labour aristocracy in the advanced capitalist countries, which in turn provided the basis for opportunist politics, the

exploitation of the world's resources today by the transnationals is not accompanied by such concessions. Rather it is the basis for undermining these gains and carrying out an unprecedented transfer of global wealth to a narrow layer of the super-rich.

This is the subject of open discussion among the financial elite. Recently the banks HSBC and Citigroup carried out research into global inequalities. Citigroup argued that a new aristocracy is emerging—called plutocracies—exemplified by the US, Canada and the UK, where the extraordinary wealth of a tiny few has commandeered a vast chunk of the rising profits, either through drawing capital profits or paying themselves massive amounts, and these riches essentially power the economy.

HSBC's research looked at the redistribution of income between countries, drawing attention to the weakening of the position of labour in the developed world due to the opening up of Eastern Europe and the entry of China into the world market, along with the growing mobility of capital.

Commenting on the HSBC research in the *Guardian*, Larry Elliot noted: "When there was a risk, however small, that people in the West might be seduced by communism, social democracy was an insurance policy. Now it is seen as an impediment in the more efficient application of the market. Politics in the West has adjusted to this new reality, with parties of the left far more aggressive in their embrace of the market than Thatcher and Reagan were prepared to go in the 1980s."

This is an extraordinary phenomenon that cannot be passed over. Other speakers have drawn attention to the significance of the fact that in the US, the process of wealth accumulation has been disconnected from socially useful production and analysed its impact in terms of the domination of a parasitic and corrupt elite.

This process is mirrored in the UK but with the distinction that, while this process began under the Conservatives, it has been carried far further by the Labour Party, which in turn has been entirely transformed into a political representative of a global financial oligarchy.

These developments are the source of major instability, in that the resulting class polarisation takes place under conditions in which the old bureaucracies are directly responsible for facilitating and administering the requisite conditions of exploitation and social cuts.

## **New Labour and the oligarchy**

Let me try to flesh out the full extent of Labour's transformation into a vehicle of the oligarchy.

Whereas the trade unions once generated 90 percent of Labour's income, they now account for just 30 percent. Three multi-millionaires account for just as much.

We have previously noted relations between Tony Blair and Rupert Murdoch. In July 1995, Labour's then newly elected leader made the keynote speech to a News International conference on Hayman Island, where he "vowed to free media companies from 'heavy regulation'".

This earned Blair the support of his most high-profile and wealthy backer, whose News Corporation has about 800 subsidiaries, including 60 in tax havens like Bermuda and the Virgin and the Cayman Islands: That is besides Sky Global Networks, the owners of BSkyB.

It is known that Blair meets with Murdoch and that the media baron's adviser, Irwin Steltzer, was at one point paid as a consultant by Downing Street. According to reports, since 1998 News Corporation has paid less tax in the UK due to tax rebates it has received in some years, which have cancelled out payments in others.

But Murdoch is only the head of a stable of oligarchs who directly determine government policy. Among Labour's biggest donors are the

richest men in Britain. Some are unreconstructed Thatcherites, while others, such as Lord Sainsbury and Lord Diamond, were key supporters of the Social Democratic Party—a right-wing break-away from the Labour Party in 1981.

We have pointed out that Labour Party conferences have been closed as a venue for discussion—as the octogenarian Walter Wolfgang found out to his cost last year. During last year's conference, some 600 people were arrested under the Prevention of Terrorism Act—Wolfgang among them—for making anti-Blair noises, wearing oppositional t-shirts, etc.

The conferences are little more than forums for business to set up its stalls. Fringe meetings discussing Labour policy are sponsored by the likes of Nestle, Unum Provident and Barclays. Many of these events are directly related to taking over the running of privatised government services. Private health company BUPA sponsors discussions on the future of the National Health Service (NHS) addressed by health ministers, while Murdoch's Sky TV hosts meetings to discuss ending the BBC's Charter Review, also addressed by Labour ministers.

This is important because the attacks on the gains of the working class involve not only cuts in wages, but the gutting of social provisions, in order to benefit private capital and stock markets. One of Thatcher's key changes was the creation of the London International Financial Futures Exchange for betting on the future price of currencies, interest rates and derivatives. The deregulation of the financial markets was crucial for British capital. Four of the top ten global financial corporations are based in the UK. It is estimated that the global value of derivatives rose from \$2.9 trillion to \$127 trillion between 1990 and 2002, with the UK snaring an average daily turnover of £643 billion in April 2004.

That is why the UK, alongside the US, has been vociferous in the support of international measures aimed at ending national laws and regulations that act as a barrier to trade in services. The UK ranks second to the US as an exporter of commercial services and accounts for 7.8 percent of world trade in this sector.

As we noted in relation to the Turner Commission on pensions, which recommended raising the retirement age to at least 68 years of age, one factor behind the push for workers to take out private provision for their old age is the expected annual inflow of almost ten billion pounds into the stock market.

## **Nepotism and corruption**

Blair is on record as the biggest dispenser of political patronage in the House of Lords since life peerages were created in 1958. In eight and a half years, he created more peers than Thatcher did in 11 years, so that Labour is now the largest party in the Lords for the first time in history. Many are leading donors to the party, including Lords Levy, Sainsbury and Drayson.

According to the *Sunday Times*, a "tariff system" operates in which donors to Labour's educational reforms—which are aimed at facilitating privatisation—are nominated for a CBE or peerage depending on how much they gave to the programme. The donors, who include the likes of Sir Peter Vardy, a car dealer and Christian evangelist, can determine curricula. So Vardy's recipient school teaches creationism.

The *Times* revealed that every £1 million donor to Labour had been given an honour.

The relations go beyond patronage. Ties between politicians and big business are nothing new, but Labour has circumvented the need for surreptitious brown envelopes by drafting businessmen directly into government, where they draw up plans for privatisation and dispense government contracts.

Lord Sainsbury has been Science Minister and a member of the cabinet biotechnology committee responsible for national policy on GM crops and foods. He has significant interests in GM companies such as Diatech and Innotech. The laboratory that Sainsbury helped set up in 1987 to conduct research into GM crops has been a beneficiary of government grants.

Lord Paul Drayson's company, PowderJet, won a £32 million government smallpox vaccination contract, from which he made an estimated £20 million. Drayson made his second £50,000 donation to Labour just as the government was deciding who should win the contract. He was subsequently made a life peer.

Gavyn Davies, who has since fallen out with Labour after being appointed chair of the BBC, took out a 54 percent stake in UKprocure, an internet company supplying the NHS, just as the government instructed the NHS to order its equipment on-line. His partner was one Chai Patel, a City banker and Labour donor, who has advised the government on private sector involvement in the NHS. In 2002 the *Observer* established that Patel's Priory chain of psychiatric clinics was regularly charging the NHS—which made up more than half its overall business—significantly more than private providers.

Others who have benefited from Labour's creeping privatisation of health and education include Lord Sawyer, former Labour general secretary, who was chairman of a recruitment agency making £5 million a year supplying NHS with workers, and Alan Sugar who owns Viglen. Sugar's company supplies IT to two-thirds of UK universities and sells curriculum and network software to schools.

Enron's donations to Labour just as it was bidding for the contract to take over Wessex Water—which it won—are well documented. So is the role of Enron's business advisers and accountants Andersen, which drafted in staff to act as government advisers on such schemes as the London Underground public-private partnership and the sell-off of air traffic control.

Another accountancy firm, KPMG, has provided staff to Downing Street to promote the government's Private Finance Initiative (PFI). So has the Brunswick Group, the largest financial communications consultancy in the UK, to help work on the Financial Services and Markets Bill.

In 2002 the government awarded a £4 billion contract to Tubelines to run one-third of the London Underground for 30 years. It is a consortium of three firms: Amey, Jarvis and Bechtel. The Jarvis board includes a number of Labour donors and it owns shares in Partnerships UK, the government's official PFI backer. Both Amey and Jarvis finance the New Local Government network, a pro-privatisation think tank addressed by Labour ministers. Jarvis also has contracts for running schools, whilst Bechtel was brought in by Labour to manage the Jubilee Line extension in 1998.

## The growth of the super-rich

This elaborate network of nepotism and corruption is only the most naked example of Labour's services to the super-rich. It is an edifice built on policies that have facilitated the greatest negative transfer of wealth from the poor and transformed Britain into a playground for billionaires.

London is said to be home to 40 billionaires, including that most nakedly corrupt and criminal representative of the breed—the Russian oligarch.

Russians resident in London include Roman Abramovich, Boris Berezovsky and Leonard Blavatnik. In 1992 only one Russian was granted British citizenship, but by 2002 this had grown to 806. London has become known as Moscow on the Thames, such is the rush of Russians looking for somewhere to spend or stash their ill-gotten loot gained by

plundering the Russian economy.

In the UK, non-domiciled resident tax status exempts people who spend fewer than 90 days a year in the UK from paying tax on any earnings overseas or from investments in offshore havens. Up to 100,000 benefit from this largesse—accounting for tens of billions of pounds every year. A report in the *Observer* in March 2005 revealed that the world's richest individuals have placed \$11.5 trillion of assets in offshore havens—that is 10 times Britain's GDP.

The beneficiaries of Labour's policies are not all foreign oligarchs. A recent study on the changing composition of high income and wealthy/high net worth individuals in the UK defined three categories. The most visible of these are the FTSE's top 100 CEOs who are now earning about £1 million a year, and the self-made new rich (all either in financial services, retail or property). There is a third, nearly invisible group whose wealth and importance arises from the extended scale and scope of the finance sector—through large fees on mega transactions and/or ownership stakes in private equity and hedge funds.

Under Blair, the top 1 percent has increased its wealth by 152 percent, taking its share of national wealth from 20 to 23 percent and giving it the largest share of national income since the 1930s.

At the other pole of the social order, half the population of the UK owned just 5 percent of the wealth in 2001, down from 8 percent in 1976. In 2002-03, 17 percent of the population lived in households with incomes below 60 percent of median disposable income. Personal debt has surpassed one trillion pounds, with the UK accounting for two-thirds of total credit card debt in the EU. Individual bankruptcies are at all time high, increasing by 30 percent between 2003 and 2004.

While the capital is flooded with the super-rich, it has the highest incidence of child poverty after housing costs in the country—fully 53 percent in inner London—and one-third of adults are in poverty.

*To be continued*



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