

# Blair questioned in cash for peerages probe

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The interviewing of Prime Minister Tony Blair by two police officers in an ongoing criminal investigation into the alleged sale of honours is historically unprecedented.

Blair tried to conceal his embarrassment by scheduling his meeting to coincide with the release of the long-awaited report by Lord Stevens of the inquiry into the death of Princess Diana. Blair's advisors have stressed that he acted as a witness and not a suspect. And his apologists in the media have stressed that he was not under caution and that this proves that no prosecution is likely. But whatever damage limitation is attempted, nothing can conceal the stench of corruption and sleaze that surrounds the Labour government.

It is a smell just as rank as that which helped bring about the downfall of the Conservative government of John Major in 1997. And Blair, the man who boasted that his election—that of “a pretty straight kind of guy”—heralded a new era of clean government is tainted by more serious accusations of impropriety than Major ever was.

There is no time in modern British history, including the premiership of Margaret Thatcher, when so wide a section of the electorate has been so alienated from official politics to the point where the very legitimacy of a government has been called into question.

Thatcher was hated by millions of working people, but for a time was able to secure a base of support through such measures as the veritable fire sale of state assets that enriched not only big business, but a layer of the middle class and skilled workers. Indeed the “sleaze” scandals that beset her successor Major emerged in large part because the myth of “popular capitalism” that was cultivated in the 1980s had already begun to unravel against a background of ever-worsening social inequality that hit ever broader layers of the population.

In the same way, the accusations of government corruption that are now dogging Blair and New Labour are essentially a manifestation of the actual political role it has played since 1997: of deepening the social and economic offensive begun by the Tories against working people on behalf of big business.

The criminal investigation of the “cash for peerages” scandal headed by Assistant Commissioner John Yates, of Scotland Yard, centres on whether millions in secret loans from a number of wealthy businessmen were secured through actual promises of seats in the House of Lords—Britain's unelected second chamber comprising hereditary peers and life peers

nominated by the government and opposition parties. Though political appointees are accepted practice, the blatant sale of peerages would contravene 1925 laws prohibiting the sale of honours and carrying a possible two-year prison sentence.

In the run-up to the 2005 general election, Labour secured around £14 million from rich benefactors as commercial loans, bypassing (or so the party calculated) legislation brought in by the government in 2001. The law was partly drafted in response to the scandals that beset the Tories such as the “cash for questions” scandal that led to the resignation of four MPs, and forced political parties to declare publicly donations of more than £5,000, banned foreign donations and capped election spending.

The loans came to light after the committee responsible for vetting the nominees queried three of those recommended by Labour. Dr. Chai Patel, head of a chain of psychiatric clinics that has contracts with the state-run National Health Service, stockbroker Barry Townsley and Sir David Garrard, a property developer, who all subsequently requested their names be removed from the peers' list. At least two other wealthy businessmen, Andrew Rosenfeld and Gulam Noon, had also lent Labour money before being nominated for peerages. Labour's former general secretary, Matt Carter, wrote to the businessmen telling them their loans would not have to be declared. Lord Levy, Labour's chief fundraiser, is reported as having told the curry tycoon Noon that he need not disclose his loan on his nomination form for the House of Lords.

The investigation also affects the Conservatives, who borrowed £16 million from 13 wealthy backers, and the Liberal Democrats, who borrowed £850,000 from three backers. The inquiry, which goes back to 2001, is set to be completed next month and a report submitted to the Crown Prosecution Service, which decides whether to bring criminal charges.

The government's defence against allegations of criminality is based on the argument that rewarding political patronage with ermine and silk is a time-honoured practice and that loans paying a rate of interest above the base lending rate are real and thus exempt from legislation on donations.

Blair's spokesman declared, “The prime minister explained why he nominated each of the individuals and he did so as party leader in respect of the peerages reserved for party supporters as other party leaders do. The honours were not, therefore, for public service but expressly party peerages given

for party service. In these circumstances that fact that they had supported the party financially could not conceivably be a barrier to their nomination.”

Former Labour minister Frank Field told the media, “A relationship between the giving of honours and the financing of political parties has been established over the centuries in this country and it would be surprising if it had stopped under this government.”

But whether or not the law was broken, the investigation has already done incalculable damage to public standing of the Labour Party.

So far, about 90 people have been interviewed by the police. Virtually all members of the Cabinet at around the time of the 2005 general election have been interviewed or contacted—including Chancellor Gordon Brown, Deputy Prime Minister John Prescott, Jack Straw, John Reid, David Miliband, Alan Johnson, Peter Hain, Ruth Kelly, Patricia Hewitt and former party chair Ian McCartney.

The Treasury has also been implicated in its own honours for favours scandal. Sir Ronald Cohen, a close friend of the chancellor, received a title for “services to the venture capital industry” in 2000. According to Channel 4 News, a “senior Whitehall insider” said officials did not want him to be knighted but given a lesser award. In the same year he received his knighthood, he was appointed by Brown to head the Social Investment Task Force.

So far, three people have been arrested in connection with the cash for peerages scandal, though none were charged. They are:

- \* Des Smith, a head teacher involved in the government’s city academics project. Smith boasted to an undercover *Sunday Times* reporter that peerages could be obtained by donating to city academies. Funding “one or two” schools might secure an “OBE, a CBE or a knighthood.” Funding five or more meant you might go to the Lords. Smith claims to have been drunk.

- \* Lord Levy, Labour’s chief fundraiser, who has been arrested and questioned twice.

- \* Biotech entrepreneur and venture capitalist Sir Christopher Evans, who loaned Labour £1 million. Blair is said to have been specifically questioned about papers seized by the police from Evans—notes of conversations with Lord Levy that allegedly include references to honours.

It should be recalled that the demand for an inquiry only came from the small Scottish National Party. For their part, the Tories have been muted in their reaction to Labour’s difficulties because they too are implicated. Police have questioned four Conservative donors. According to the *Times*, these include Bob Edmiston, the car importer whose nomination for a peerage was blocked and who the newspaper reported was questioned under caution. Former Conservative leader Michael Howard was also questioned, again not under caution.

Under such circumstances, it is impossible to judge whether or not anyone will eventually face charges over the scandal.

The scale of the inquiry mounted by police can only be understood as an expression of the dissatisfaction with the government within broad layers of the ruling elite. But using this as a means of getting rid of Blair would be highly problematic, given that the Tories could also be damaged. In any event, no one knows what evidence the police have. As the *Financial Times* pointed out, “It is still possible that the authorities might formally prosecute a senior Labour figure early next year. Alternatively, the entire investigation might come to naught.”

However, the *Financial Times* is wrong when it asserts that “In broad political terms, the impact of this police investigation remains limited.”

Neither Blair nor his government may face immediate consequences as a result of the “cash for peerages” scandal. But it is one more nail in the political coffin of the Labour Party as far as the millions of working people who once supported it are concerned.

The gang of multimillionaires on whom Labour now relies for its funding epitomise its transformation into a political representative of a financial oligarchy, dedicated to the ongoing dismantling of essential welfare provisions, shifting the tax burden away from the corporations and onto the backs of the working class, and the seizing of oil and other strategic resources through military conquest.

Labour cannot get its former supporters to vote for such policies, let alone pay for its electoral campaigns. The party relies on its corporate backers, and on the assistance of the trade union barons, to give it the semblance of life by insulating it from the natural impact of rising popular discontent—organisational breakdown and electoral oblivion. Still, Labour has tens of millions of pounds in debts and its membership has collapsed. And in the end, such measures only deepen the alienation of the masses from both Labour and a parliamentary set-up from which they have been completely excluded.



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