

UK minister resigns in another funding scandal

Ann Talbot
29 January 2008

Secretary of State for Work and Pensions Peter Hain, who was also secretary of state for Wales, has been forced to resign as a minister after police began an investigation into the funding of his campaign for the deputy leadership of the Labour Party.

This latest affair means that there have now been three police inquiries into funding since Labour came to power. This is the second under Gordon Brown. In March 2006, an inquiry began into the sale of peerages in return for donations to the Labour Party. This scandal played a part in the fall of Tony Blair, who became the first British prime minister ever to be questioned under caution by the police.

When Gordon Brown came to office last year, he promised a sleaze-free administration. He was, he said, guided by his moral compass. But almost immediately, he found himself engulfed by the David Abrahams affair concerning illegal proxy donations. That investigation is still ongoing, and now Brown faces yet another police inquiry.

Hain's resignation has hit Brown hard. Just seven months into office, he has been forced to carry out a major cabinet reshuffle following the resignation of a senior minister.

It may not be the last time he has to do so. Brown's efforts to restore the image of his government are in ruins. The *Financial Times* commented that Hain's resignation was "a dark day for the prime minister" and speculated that there could be more to come.

The inquiry into donations made by property developer David Abrahams may yet bring other senior Labour figures down. Harriet Harman, who won the deputy leadership contest, admits that she received £5,000 from one of Abrahams's intermediaries. She says that she was unaware that this was a proxy donation, which is illegal under legislation brought in by the Labour government.

An aide informed Harman of Hain's resignation as she was answering questions in the House of Commons in her capacity as Leader of the House. She was clearly watching the case with close interest.

Even Brown himself may be drawn into the Abrahams affair. Harman was steered in the direction of Janet Kidd, who was acting for Abrahams, by Gordon Brown's campaign coordinator, Chris Leslie. Leslie claims to have been unaware that Kidd was connected to Abrahams.

But other leading Labourites clearly did know that Abrahams was using third-party donors as a front. Hilary Benn and Baroness Jay both knew that this was the case. Brown's chief fundraiser, Jon Mendelsohn, also admits that he knew about Abrahams's

proxy donations, but claims that he failed to tell Brown. According to Abrahams, at least 10 leading Labour politicians knew that he was concealing his donations in this way.

Meanwhile, in Scotland, leader of the Labour Party Wendy Alexander has admitted to receiving a donation from an ineligible donor. Paul Green, a Jersey-based businessman, who is not registered to vote in the UK, gave her £950. The sum is just under the £1,000 that would have meant the donation had to be registered.

The Hain affair centres on donations of £103,000 that he failed to declare within the 60-day time limit. The sum is comparatively small, especially when it is compared to sums spent in US politics. This is a point that Labour politicians have made repeatedly in recent days. But the two situations are not comparable. The deputy leadership campaign involves a comparatively small electorate of Labour Party members, trade unions and MPs. It is nothing like an American primary election campaign.

But Hain managed to spend almost £200,000—twice the sum that the other candidates, even Harman, spent. The scale of his spending is proportionate to the scale of his ambition. He clearly hoped that the deputy leadership would give him an independent position in the party that would enable him to challenge Brown at some future date.

He raised the money from wealthy businessmen friends such as Isaac Kaye, chairman of Norton Healthcare, a pharmaceutical company, Michael Cuddy, who owns a demolition company, and the diamond broker Willie Nagel. Other donors include Bill Bottriell, who made his fortune from an online recruitment company, and Patrick Head, who is associated with the Williams Formula One team.

Many of these donations were paid to a think tank called the Progressive Policy Forum (PPF). The PPF has no staff and no web site and has carried out no research. It was set up in December 2006 after the election campaign had begun. Its founder and spokesman is John Underwood, who was also treasurer of Hain's campaign.

It is registered at the same address as the lobby group run by Hain's campaign manager, Steve Morgan. Morgan has since gone on to work for Hillary Clinton's campaign.

The *Sunday Times* reported that think tank donors said they had been approached by members of Hain's staff, and that weeks later, they were asked if the money could be transferred to the Hain campaign fund. The paper cites the case of former chairman of

British Shipbuilders Christopher Campbell who gave £1,990 to PPF in June and in early July was asked by Morgan if the funds could be paid to Hain. A sum of £50,000 was diverted from PPF to pay outstanding bills at the end of the campaign.

When Morgan was brought in to run Hain's campaign in April last year, his special advisor, Phil Taylor, who had been running the campaign until then, resigned. He sent Hain an e-mail warning him that he could not see how the kind of campaign envisaged by Morgan could be financed.

The police inquiry will focus on the donations that were made through the PPF. It will be led by Acting Commander Nigel Mawer, head of the Economic and Specialist Crime Unit. His team specialises in sophisticated fraud cases. Mawer will investigate whether there was a conspiracy to conceal donations from the electoral commission.

Hain was born in Kenya and brought up in South Africa, where his parents were opponents of the regime. He moved to Britain as a teenager and became a leading figure in the anti-Apartheid Movement, organising protests against South African sporting tours. He became the target of the South African intelligence service BOSS. In 1972, he received a letter bomb, and in 1975, he was accused of a bank robbery.

He joined the Labour Party in 1977, having previously been leader of the Young Liberals. He played a role in Neil Kinnock's campaign to move the party to the right and expel left-wingers associated with the Militant Group, whom he regarded as "a poison in the party with their Stalinist methods."

He was elected MP for Neath in South Wales in 1991. He has been in the cabinet since 2002, when he became secretary of state for Wales.

Despite his record, he has always attempted to maintain something of left-wing image. He was a founding member of the Anti-Nazi League with members of the Socialist Workers Party. In 1999, he criticised the Labour leadership for ignoring its traditional supporters and has been regarded as a licensed critic of government policy since Brown came to office.

In the deputy leadership campaign, he identified himself as the candidate of a "red-green" alliance and proclaimed the need to "rebuild trust." He called for higher taxes on the super-rich and criticised the Bush administration.

Hain's left-wing pretensions have been thoroughly discredited by the present scandal. Any politician who could think that the claim to have forgotten more than £100,000—four times the average British salary—was a reasonable excuse is completely out of touch with the people he claims to represent.

The revelation that a series of wealthy businessmen were behind his campaign only serves to confirm the impression created by his brief tenure as secretary of work and pensions. His last act was to announce measures that will force thousands of sick and disabled people off welfare benefits and into low-paid work.

Hain first admitted that he had failed to declare donations in November, when he acknowledged an undeclared donation of £5,000. The news broke in the midst of the David Abrahams affair and was effectively swamped by it. A week later, he admitted to further omissions. But the full total was not revealed until January of this year and then was largely forced out of Hain by newspaper

revelations. In all, there were 17 undeclared donations.

In his resignation letter, Hain said, "I severely and seriously regret the mistake in declaring donations late." He professed his intention of clearing his name and claimed, "I made a mistake, but it was an innocent mistake."

Hain was supported by his fellow Welsh MP, Paul Flynn of Newport, who said, "This is the result of a nasty, vindictive witch-hunt against a decent, honest politician."

"We are destroying ourselves in exaggerating minor errors by politicians and making them into major scandals. It's dragging down the reputation of British politics."

Gordon Brown assured Hain that he believed he would return to public office in the future. But others at Westminster are openly comparing the Brown administration to that of John Major, whose premiership was dogged by financial scandals and allegations of financial irregularity.

Liberal Democrat work and pensions spokesman Danny Alexander said, "The transition from Blair to Brown feels increasingly like the transition from Thatcher to Major."

"We all remember John Major clinging on to ministerial colleagues only to lose them in the end and now Gordon Brown is doing the same."

The possibility of a series of ministerial resignations began to take shape almost as soon as Hain quit his job. Health Secretary Alan Johnson found himself confronted by the charge that he had received a donation through an intermediary.

The comparison with Major has a certain significance in that the crisis afflicting the Tory Party then and the Labour Party now is of a systemic character. Both parties have lost their traditional social base and have come to rely on the same narrow plutocratic layer that has benefited from the expansion of finance capital. This social group is now exposed to the instabilities of financial markets hit by a credit crunch, falling share prices, currency instability and the shift in economic influence to Asia as sovereign wealth funds emerge to play a key role in the world economy.

Tory leader David Cameron is attempting to present himself as the natural heir to Blair as Tony Blair presented himself as Thatcher's successor, but the world has become a far more unstable place since then. The disintegration of the Brown administration may prove to be more traumatic than that of Major's.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact