

# Britain: Alistair Darling and the implosion of the Labour government

## The party's over

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The August 30 *Guardian* interview with Britain's Chancellor Alistair Darling was extraordinary in many respects. In the first place there can be few occasions that so dramatically reveal the sense of profound crisis within ruling circles in Britain.

Darling admitted to Decca Aitkenhead that the economic times we are facing "are arguably the worst they've been in 60 years... And I think it's going to be more profound and long-lasting than people thought."

Within 24 hours, he was accused of undermining confidence in Britain's economy to such an extent that the pound hit a record low against the euro and a two-year low against the dollar. The FTSE 100 shares index also fell sharply.

Darling had committed the cardinal sin of stating openly, if still guardedly, that economically things are really bad and likely to get worse. His choice of 60 years was somewhat arbitrary. He could not mention the 1970s as many have done without raising the spectre of mass movements of workers bringing down governments. And references to the hungry thirties were similarly beyond the pale. But even such a partial acknowledgement as his was considered a serious blunder, even though only last week the Bank of England's deputy governor, Charles Bean, had warned that the economy is facing a period "at least as challenging" as the 1970s.

Ian Stannard, a senior currency strategist at BNP Paribas, told the press, "Most people believed that things were probably deteriorating faster in the UK than the government was admitting, but the fact that we've seen the chancellor come out and admit that things are far worse have put sterling under pressure."

The reaction was swift from both the government and the media. Prime Minister Gordon Brown instructed Darling to make a humiliating explanation of how he had been misinterpreted and was in fact focusing on the "unique problems" facing the "global economy." Brown's own speech to the Confederation of British Industry delivered Thursday was leaked in advance, in which he again emphasised that the problems facing Britain are international in origin, centering in the credit crunch, and that Britain was in fact well-placed to weather any downturn.

One senior Labour figure declared baldly to the *Guardian*, "Alistair must be insane. There is no rhyme, nor reason why he would want to talk like that." The *Financial Times* declared scathingly that his "prognosis" on the economy "is too bleak," whereas his fretting about the state of the Labour government "is nowhere near bleak enough."

The ferocity of the reaction to Darling's comments itself belies such efforts to belittle his estimation of the gravity of the economic crisis. Even as they were being made, reports were published that the British economy was at a standstill in the second quarter of the year, after a revision of figures wiped out the 0.2 percent growth reported earlier. The number of permanent jobs available had also plunged to its lowest level since 2001,

with unemployment rising by about 70,000 this year and predicted to hit two million by Christmas. The manufacturing sector shrank for the fourth month in a row.

Mortgage approvals fell to 33,000 in July, the lowest since data was first collected in 1993, with the number of new mortgages issued down 71 percent in a year. House prices fell in August for the eleventh consecutive month and are now falling at an annual rate of over 10.5 percent.

Even as Darling was being decried for his candor by the *Telegraph*, the newspaper published an estimate by one of Britain's foremost economists and former Bank of England policymaker, Charles Goodhart that "Britain is now facing a severe recession which will last for a year or longer and a worse housing crash than in the early 1990s". Two days later, the Organisation for Economic Cooperation and Development (OECD) predicted recession for Britain, even while the other G7 countries will see either modest growth or a standstill.

If all that Darling's interview confirmed was the dire state of the economy it would be interesting enough. But the chancellor's comments provided a revealing glimpse into the deep sense of crisis gripping a Labour government that is on the verge of implosion. His interview reads like a cry of despair by someone who does not want to carry the can for Labour's failure, but apart from this sees no way out.

### Labour's worship of the market

The government's mantra, echoed here by Darling, that it is merely the victim of an unfavourable international situation should be opposed on many fronts. New Labour earned its place in power by breaking with reformism and embracing Thatcherite economic nostrums. It was the political vehicle through which big business set out to impose a discredited economic and political agenda on a hostile population.

With the Conservatives hated and unelectable after 18 years in power, it was Labour under Tony Blair and Gordon Brown that came in to continue where Margaret Thatcher and John Major had left off. Labour insisted that capitalism was not only triumphant, but that there was also no alternative to it. It was the best of all possible worlds, provided only that government abandon all attempts at national regulation and recognise the economic and political imperatives of globalised capitalist production and the need to be internationally competitive.

To this end old-style reformism must give way to government in partnership with corporate management, wholesale privatization of state assets and public services and unbridled speculation by the City of London presided over by a Bank of England set free from governmental

control. Above all workers should heed the message from the government and their allies in the trade union leadership—that the class struggle was a thing of the past and participation in creating a globally efficient economy would raise all boats.

For ten years, this provided the ideological justification for Labour facilitating by every possible means a historically unprecedented transfer of societal wealth to the super-rich. With the actual wages and purchasing power of working people in constant decline, and vital social services being gutted, Labour became ever more alienated from its former working class supporters. But it was able to maintain power to the extent that a speculative boom in house prices and a flood of credit allowed people to live well beyond their actual means.

Once this speculative boom burst internationally, it was inevitable that it would hit the British economy hardest of all and would signal the end of the Labour government.

The biographical material on Darling contained in Aitkenhead's interview is sketchy, but revealing in painting a portrait of someone who was an ideal New Labour apparatchik.

She notes that while “A blaze of glitzier New Labour stars have since fallen... Darling survived, accumulating five ministerial posts on a stainless ascent to the exchequer last year. His career had been distinguished by an almost freakish absence of failure. He has never lost an election, he joined the front bench after just 12 months in parliament, and 20 years later he has never left. Only two other members of that first cabinet, Gordon Brown and Jack Straw, are still in government with Darling today.”

This rise to prominence is incredible because Darling's own statements make clear that he is a political zero—someone with no connection to the Labour Party, old-style reformist socialism or the working class. Both his grandfathers were Liberals, his great-uncle a Tory MP in Edinburgh, and his father, a civil engineer, voted Conservative. He was educated at a private boarding school before studying law at Aberdeen where he stood for election in the student union, “but not for a party.”

He only joined the Labour Party 1977. This was a year during which Labour was in coalition with the Liberals and imposing IMF-dictated austerity measures that met with fierce resistance from the working class and ended with the 1979 “Winter of Discontent” and the election of the Conservatives. Darling's response? “The Labour government in 1977 was in a terrible mess, and I was getting fed up looking at all these things on the television, and thinking, God, surely we can do better than that. I wanted to do things. But I was never really interested in the theory of achieving things, just the practicality of doing things.”

Later he tells Aitkenhead, “He doesn't call himself a socialist—‘There's nothing wrong with the term, it's just not one I use’—and feels uncomfortable with political labels. Class envy is a mystery to him; he sees no point in raising taxes for the super rich, because, he says, it wouldn't raise much revenue. ‘I'm not offended if someone earns large sums of money. Is it fair or not? It's just a fact of life.’ Asked to define his politics, he offers, ‘Pragmatic’.”

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Like his colleagues, it was precisely Darling's “pragmatism,” his hostility to socialism, absence of “class envy” and relaxed approach to fabulous private wealth that made him so successful for so long. He was ideal material for government as far as the Labour Party and its backers were concerned because was ready to do whatever he was told, unencumbered by any extraneous ideological baggage.

He was in effect a true and unalloyed believer in capitalism.

That is why, as he states, “For 10 years as a minister, by and large I had a charmed life.”

And that is also why all this changed by the time of that fateful day in June last year when he was appointed chancellor by Brown, as Labour was attempting to distance itself from the Iraq war and the sordid record of Blair's premiership. Instead, as his wife states, his life has been “a crisis a week.”

In an extraordinary passage, he states that although “we knew the economy was going to slow down”: “he hadn't the faintest inkling of the financial crisis about to unfold before him. ‘No, no one did. No one had any idea’.”

“He can clearly recall the day last summer when alarm bells first began to sound. The chancellor was on holiday with his wife and their two teenage children in Majorca. ‘I remember I picked up the *FT* in the supermarket, as you do, and it had the European central bank starting to put money into the economy. I phoned the office to ask why they were doing quite so much. It didn't surprise me that money was going in—there was concern going around—but it was the sheer scale of it. I said, what about our institutions? This was when Northern Rock started to figure.”

“Even then,” Aitkenhead continues, “the gravity of the credit crunch was still not fully clear. ‘No one knew how serious it was yet’,” she quotes Darling saying.

What then is the future for a party that was so enamoured of capitalism that the man it appointed as chancellor was apparently so blissfully unaware of an unfolding financial disaster sweeping the world economy?

Aitkenhead states that today, “the mood is so febrile, it's even possible he won't be chancellor by the time this interview appears.”

As for Darling, he doesn't want a cabinet reshuffle that may see him replaced—“Frankly, if you had a reshuffle just now, I think the public would say, Who are they anyway? You name me a reshuffle that ever made a difference to a government, actually.” Nor does he want a leadership challenge against Brown, even though he makes clear he has little hope of winning the next election.

“This coming 12 months,” he declares, “will be the most difficult 12 months the Labour party has had in a generation, quite frankly. Both the general economic situation, and in terms of the politics. In the space of 10 months we've gone from a position where people generally felt we were doing OK to where we're certainly not doing OK. We've got to rediscover that zeal which won three elections, and that is a huge problem for us at the moment. People are pissed off with us.”

Whatever Darling might wish for, there is little chance that Brown will survive the next months unscathed, less chance still that Labour will win an election under any leader whatsoever, and a distinct possibility of the party imploding. As if to underline such political realities, even as the government was attempting to recover from the damage inflicted by Darling the former home secretary Charles Clarke was busy telling the BBC that Labour is facing “utter destruction” at the polls and insisting that Brown must either improve the standing of Labour within a few months or resign as prime minister.



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