Britain: Brown's National Economic Council consolidates government by the super-rich

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Prime Minister Gordon Brown announced last week the creation of a National Economic Council.

The NEC is being portrayed as a kind of "economic war cabinet," tasked with taking urgent measures to guide Britain through troubled waters in the world's financial markets. It will meet in Cabinet Office Briefing Room A, codenamed Cobra, which is usually used to coordinate emergency action in the face of a threat to national security.

The council comprises 17 ministers, including eight cabinet members plus Brown, Chancellor Alistair Darling and Foreign Secretary David Miliband. It includes several businessmen drafted into government in Brown's reshuffle last week. It will also take advice from a group of specially designated "business ambassadors," consisting of the heads of major financial and industrial institutions. According to reports, "It is hoped their expertise will give the group better insight into the workings of the City."

These measures have attracted little substantive commentary in the media. The decision to establish a new body, separate from the Treasury, has either been accepted uncritically as one of a number of special measures adopted by the government to try to contain the crisis, or as mere political window dressing for a government that is on the ropes.

The presence of a number of unelected and newly appointed ministers, drawn from big business circles, belies such complacent descriptions. The NEC includes the minister for economic competitiveness and small business, Baroness Vadera, the minister for the City, Paul Myners, Science Minister Lord Drayson and Communications Minister Stephen Carter.

According to reports, Vadera and Myners played a key role in drawing up the British government's unprecedented "recapitalisation package," in which some £500 billion of public finance is to be made available to shore up Britain's largest banks, such as Barclays, HBOS and the Royal Bank of Scotland.

Both were involved in discussions over an Indian meal late Tuesday night, October 7, with Darling, Treasury ministers and bank bosses Sir Fred Goodwin (Royal Bank of Scotland), John Varley (Barclays), Eric Daniels (Lloyds TSB), Andy Hornby (HBOS) and Sir Mervyn Davies (Standard Chartered).

The package is equal to nearly 40 percent of Britain's GDP and almost the total amount spent in one year on health, education and other public services.

Yet, despite this massive injection of public funds to the super-rich and the stock markets, working people will have no control over its use, much less the financial institutions which are to be the beneficiaries of the government's largesse. On the contrary, the price of this bailout will be paid by working people and their families through the destruction of living standards and the vital social infrastructure on which they depend.

It is precisely because the measures are so antithetical to any notion of democratic accountability and societal interests that there was no public consultation on the government's plan, which was drawn up behind closed doors and then unveiled at 7 a.m. last Wednesday morning-without any discussion in Parliament-in time for the opening of the stock market.

Brown has made clear that such methods are to be the norm. Just as the "war on terror" was used to abrogate basic democratic rights, so the financial crisis is being used to consolidate the de facto dictatorship of the banks and the City of London over all aspects of economic life.

Brown told a press conference, "Quite simply, the new era that we have entered requires new ways of governing. We don't just need to change policies to deal with the new financial difficulties but the way we take decisions, the way we govern, has got to change as well.... This is a new way of governing that is based on the uniqueness of the circumstances."

The selection of the personnel involved in the NEC substantiates this point.

Shriti Vadera, described as a key Brown ally, was formerly employed at the investment bank UBS, where she reportedly worked in the banking, project finance, sovereign advisory and privatisation teams. She has advised the Labour government on its public-private partnership schemes through which public services have been hived off to private industry.

Vadera's participation in the late night talks with Darling underscores the central role played by Switzerland's largest bank in the recapitalisation scheme and in the Labour government more generally.

According to the *Deal Journal*, UBS high-flyers Robin Budenberg and David Soanes were part of the team headed by David Mayhew, chief executive of JPMorgan Cazenove (formed from JPMorgan Chase of the US and the UK investment bank Cazenove Group), which advised on the plan.

Budenberg has reportedly "managed UBS' relationship with the UK Treasury for several years," while Soanes is head of global capital markets for Europe.

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Earlier this year, UBS announced some 5,000 job cuts and in August it posted a $42 billion write-down due to the sub-prime crisis, at that point the largest of any European bank.

In August, the *International Herald Tribune* reported that UBS's financial position was not helped by the fact that it "is facing a major US government investigation into allegations that it helped wealthy clients evade US taxes. And last week the bank agreed with the attorney general's office of New York to buy back $18.6 billion of auction-rate securities from individuals and pay a $150 million fine to settle accusations that it had misrepresented the securities as being as safe as cash when selling themto investors."

On Tuesday, New York Attorney General Andrew Cuomo announced that a $6.5 million settlement had been reached with UBS top executive David Aufhauser regarding insider trading of auction rate securities.

JPMorgan Cazenove is one of the UK's leading providers of debt for its capital markets and acts as corporate broker to 35 FTSE 100 listed companies and 81 of the FTSE 250 index of midrange firms.

JPMorgan in the US has already made large write-downs. According to the *International Business Times* it is expected to announce "a few billion dollars" more when it posts its third-quarter results next week.

Less than a week after settling with UBS, the New York Attorney General's Office announced it had struck a $7 billion deal with JPMorgan (and Morgan Stanley) to settle allegations that they had "marketed and sold auction rate securities as safe, cash-equivalent products, when in fact they faced increasing liquidity risk."

According to the *Times*, Cazenove Chairman Mayhew is "one of the best-connected City figures of his generation." However, the newspaper continues, "he will always be known for his unfortunate involvement in the Guinness scandal of the late 1980s"-a reference to the Guinness share-trading fraud involving massive manipulation of the stock market to aid the company's takeover of Distillers. Cazenove advised Guinness during the takeover, but charges against Mayhew were dropped.

What of the others drafted onto the NEC?

Myners is a longstanding Labour supporter and donated £12,700 to Brown's leadership campaign in 2007. Charged with repairing relations between the government and the City, he was formerly at investment bank Rothschild and fund manager group Gartmore. He is currently on the board of the hedge fund GLG Partners, one of the largest in the world.

The *Telegraph* explained that GLG partners "made huge profits by ‘short selling' shares in Bradford & Bingley, a practice which has now been banned by the Financial Services Authority.... The collapse in its share price forced the government to nationalise it last month."

Drayson, a biotech entrepreneur, is perhaps best known because of the so-called "PowderJect" scandal, in which his company won a £32 million government contract for the smallpox vaccine without competition shortly after he had donated £50,000 to Labour funds. A parliamentary enquiry found no evidence of wrongdoing.

In 2005, the *Sunday Times* revealed that Drayson, who by then had a dual role as a defence minister and in the Department for Business, Enterprise and Regulatory Reform, had stashed part of his personal fortune from a reported £80 million payout for PowderJect in an offshore tax haven, avoiding some £3 million in tax.

Then there is the new minister for communications, technology and broadcasting, Stephen Carter, formerly head of Ofcom, the cable operator NTL and Brunswick PR agency. Carter was initially brought in to government in April 2008 in an effort to rescue Brown's sinking public ratings. Reviewing his biography at the time, the *Independent* noted that Carter's move to NTL in October 2000 had been a "risky move, because NTL was in imminent danger of sinking under the weight of debts accumulated by buying every cable business and regional franchise it could get its hands on."

As share prices fell, Carter emerged "as the smooth-talking public face of NTL, which blamed ‘excessive pessimism' for NTL's troubles on the stock market. The share price recovered."

But the pessimism proved "grimly accurate" when, in April 2002, NTL filed for Chapter 11 bankruptcy protection, with debts of about £8 billion. "The previous year, Carter's pay had come to more than £330,000, including a £130,000 bonus. He left late in 2002, with a pay-off of £1.7m," the *Independent* noted.

The newspaper cited a lawsuit by aggrieved investors that accused Carter of "having ‘issued false statements' to hype up NTL's share price. One allegation in the documents they filed was that during a telephone conference in 2001, Carter had been asked by NTL customer marketing director how he could persuade investors that ‘NTL is going to be OK, when you know it isn't.' Carter's reported response was: ‘What I tell them is nine-tenths bullshit and one-tenth selected facts.'

"Whether he really said it or not, it is a quote that will stick with Carter now for as long as he is at Mr. Brown's side," the newspaper wrote.

Yet little has been said subsequently about Carter's elevation to a strategic economic body, or about any of the NEC's other members.

While the millions of workers who are bankrolling this latest subvention for the super-rich are excluded from any say in Brown's "new way of governing," the NEC is open to "advice" from 17 "business ambassadors"-including the chairmen of Barclays, Lloyds TSB, Standard Chartered, the London Stock Exchange, BAe Systems, Rio Tinto and Vodafone.

Writing in the *Times*, Alice Miles said more than she perhaps intended in describing the NEC. "In less-restrained times we could go the whole hog and call this a ‘government'," she wrote.

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