

“We need to talk about Jeremy”: The City of London discusses its attitude to a Labour government

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12 December 2017

So precarious is Prime Minister Theresa May’s position that the ruling class is seriously considering its response to a collapse of the Conservative government and the possibility of a snap election.

Attention centres on whether a Labour government led by Jeremy Corbyn offers a route out of the potentially catastrophic impact of Britain’s exit from the European Union.

The still unfolding debacle of Britain’s negotiations with the EU makes clear that the deep divisions within the Tory party over Brexit cannot be sustained indefinitely. The hardline Brexit wing is manoeuvring over who will replace May—David Davis, Boris Johnson, Michael Gove or Jacob Rees-Mogg—while 20 Remain MPs have written to May attacking them for being “highly irresponsible.”

What holds the party together is primarily fear that a general election will follow May’s downfall and the Tories could lose, with reports of an 8 percent swing to Labour since June’s general election.

In these circumstances, Corbyn’s leadership team has spent months persuading ruling circles that Labour can be trusted to take the reins of state—centred on Shadow Chancellor John McDonnell’s “tea offensive” meetings with business leaders, bankers and hedge fund managers in the City of London.

McDonnell has stressed that the anti-austerity rhetoric that won Corbyn popular support denotes only minimal reforms that are more than made up for by plans to encourage investment and aid business.

Ultimately, Labour’s acceptability as an alternative government hangs on whether it offers a means of either reversing Brexit, or at least guaranteeing a “soft Brexit” with continued access to the Single European Market and Customs Union. This month, after meeting with Portuguese Prime Minister Antonio Costa, Corbyn

suggested for the first time that Labour might support holding a second referendum on Brexit if a satisfactory agreement with the EU is not reached. “We’ve not made any decision on a second referendum... What we’ve said is that we would respect the result of the first referendum,” he said.

However, opinion in financial and business circles remains deeply divided over whether Labour can be trusted to replace the Tories.

Corbyn’s anti-austerity rhetoric is anathema to the financial oligarchy—not primarily because of the policies formally advanced, but because Labour can only come to power through a political shift to the left among workers and young people. Having done so, will Labour be able to play the same role as Syriza did in Greece—promising austerity only then to impose it, or will the expectations raised among millions breach the political firewall of a Corbyn government?

A report by Morgan Stanley on the European Economic Outlook warns that it is now “likely” Britain will have a general election in 2018, but a Corbyn government is a greater threat to the UK economy than a “hard Brexit”.

“From a UK investor perspective, we believe that the domestic political situation is at least as significant as Brexit, given the fragile state of the current government and the perceived risks of an incoming Labour administration that could potentially embark on a radical change in policy direction”, the report declared.

The CME Group’s “What to Expect from a Prime Minister Corbyn” says that a Labour government could lead to a “nightmare scenario” for the pound.

Writing in the *Spectator*, financial analyst Merryn Somerset Webb warns, “It is, I’m afraid, time to prepare your personal finances for a Corbyn government. The collapse of May’s well-meaning but inept government

and replacement by a neo-socialist Labour government is now a high enough risk that not to prepare for it would be reckless.”

This means “the rich” taking steps to avoid rising income tax and “getting rid of your buy-to-let investments” because “socialism has a long history of loathing landlords,” etc.

The *Financial Times* asks, “Can business learn to live with a ‘hard-left’ Labour?” It cites warnings from the Confederation of British Industry (CBI) that plans to nationalise the rail, energy and water industries and the Royal Mail would “send investors running for the hills”.

Another FT article, “Money managers nervous over prospect of PM Corbyn,” quotes Bobby Vedral, a banker partner at Goldman Sachs, declaring that a Corbyn win would make the UK like “Cuba without the sunshine,” and Edi Truell, a private equity investor, “who has already taken his entire £250m family fortune out of the UK and moved it to Switzerland.”

Corbyn’s response to such attacks was to issue a video via Twitter in which he said, “Bankers like Morgan Stanley should not run our country but they think they do... So when they say we’re a threat, they’re right: We’re a threat to a damaging and failed system that is rigged for the few.”

Corbyn’s Twitter video elicited another slew of hostile coverage, but other commentators have cautioned against an overreaction, insisting that he and McDonnell will reveal their true pro-business colours when in office. What is needed, they say, is engagement with Labour so that it can be carefully politically engineered to better meet the demands of business.

To this end James Moore, chief business commentator for the *Independent*, stresses that Corbyn’s “beat down” of Morgan should be taken with a large pinch of salt: “Lines of communication need to be opened... It would be helpful for the country, not just Labour...”

There are those within business circles who already accept the need for such an approach. On November 29, the *Evening Standard* wrote of Labour’s “rapid progress within the corporate world,” citing Ibrahim Dogus, Labour’s 2017 candidate for the Cities of London and Westminster constituency, who explained, “The business community is making preparations for a Labour government. They are sensible so want to be part of the conversation when Labour drafts policy.”

The previously cited FT articles acknowledge that “with both backing a softer Brexit, there may be room for rapprochement” quoting Ann Pettifor, an economics

advisor to McDonnell, who adds, “You just have to look at past Labour governments. The party is prepared to work with business and the City of London.”

Dean Turner, of UBS Wealth Management, states his belief that investors have exaggerated the threat posed by Corbyn, saying a government led by the Labour leader would not turn Britain into “Venezuela overnight”. His colleague, Karan Sejal, adds of Corbyn, “His rhetoric has softened as he has become more probable as a prime minister.”

The nature of the debate being played out in Britain’s media points both to the real character and political function of a Corbyn Labour government, should it come to power.

From the standpoint of a defence of the social and economic interests of the working class and the young people whose hopes they have aroused, Corbyn and McDonnell’s gaseous leftism counts for nothing.

McDonnell claims that he has carried out “war-gaming” over what to do if the financial speculators provoke a run on the pound in the event Labour forms a government. At the same time, however, Corbyn’s preaching of a “new politics”—supposedly combining progressive social reform with an orientation to the City—disarms the working class at a time when it must prepare to wage actual political warfare against a ruthless capitalist class and for socialism.

Labour in office would function as the conscious and willing defender of the interests of British imperialism. It will betray its promises to working people of social and economic change, just as surely as its historical and international counterparts and pave the way for yet more savage attacks on living standards, democratic rights and a steeper descent into militarism and war.



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