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Barbara Castle

Barbara Castle recounts from her experience how much 'old Labour' achieved in its periods of office. She warns New Labour against the accommodations to financial orthodoxy which wrecked previous Labour governments, and declares that unemployment is the blight that most needs to be challenged.

I think it is common knowledge that I am 'Old Labour'. At 84 some people would describe that as 'Very Old'.

As a schoolgirl in Bradford in the 1920s I rubbed shoulders with party veterans-like Fred Jowett who was to become a Cabinet Minister in the first ever Labour Government in 1924- He had been brought up in the infamous back-to-back slum terraces whose sanitation consisted of a row of 'privy middens' - a chain of earth closets between the terraced houses, serving all of them. No water flushing, of course. Just the nightly clearance of the accumulated excrement by mysterious 'night soil' men. Fresh air never blew through the back-to-backs and bathrooms were unknown.

So am I just an old sentimentalist living in the past? I only wish this degradation of so many of our fellow citizens *was* past history. Of course, we all have water closets today - if we have a home. At least Fred Jowett had a roof over his head which is more than we can say of everyone in our 'prosperous'

society 70 years on from my Bradford days.

In fact, the technological revolution has left as many human scars as the industrial one did. The privy middens may have gone, thanks to the tireless war waged on them by men and women like Fred Jowett and Margaret Macmillan, pioneer of the nursery school; between them, they literally cleansed the conditions under which thousands of Bradford people lived. But we have only got to look round so many of our inner cities with their down-at-heel housing estates, littered with discarded condoms and syringes, to realise that we have hardly begun to build the new Jerusalem.

The point I am trying to make is that there is a continuity in the Labour Party's history ever since Keir Hardie encouraged working men and women at the beginning of this century to break with the Liberals and form an Independent Labour Party of their own. It was not a narrow sectional movement. Middle-class reformers, writers and intellectuals flocked to it: Fabians like George Bernard Shaw and the Webbs; scientific visionaries like H.G. Wells; fighters for sex equality like Richard and Emmeline Pankhurst. They were attracted by the ILP's challenge to an economic system which treated human beings as units of production rather than as sentient individuals with a right to fulfil themselves.

'We have hardly begun to build the new Jerusalem'

I am not pretending for a moment that these ILP pioneers were an angelic host. I have lived too close to politics ever since I joined the ILP Guild of Youth at the age of 16 not to know how often we fell short of our ideals. But the important thing was that we always followed our guiding star, however often we stumbled on the way. As a result, the achievements have been prodigious. Most of them were very down-to-earth, such as the abolition of the slums, the end of sweated labour conditions, the opening-up of educational opportunities. The achievements of the first majority Labour Government of 1945 are now legendary: not only its great reforming programme, but also the way it changed the whole moral and intellectual climate of the country.

In fact we swung millions of people from a cowed acceptance of the social evils of *laissez-faire* into the belief that they could mould a better society. In his seminal Report Sir William Beveridge hammered on them that the five giant evils - ignorance, squalor, disease, idleness and want - were man-made, not acts of God.

We could cure them by organising our national resources more effectively. By the 1945 election it was already clear that Churchill, whose wartime coalition Government had commissioned the Report, was planning to jettison it. One of the first acts of the victorious Labour Government was to implement his concept of the welfare state in full. It was to survive unchallenged for 30 years.

The National Health Service which Aneurin Bevan as Minister of Health forced through the 1945 Parliament against Conservative opposition has proved an enduring monument. It is based on pure socialist principles: you pay through your taxes according to your ability when you are fit and working and when you fall ill you are entitled to draw free at the point of use on the best medical resources the country can provide.

Yet the vast majority of people of all parties jump to its defence when it is under threat. Even Margaret Thatcher dared not attack this piece of socialist legislation frontally and was forced to try to undermine it surreptitiously.

Ah, critics say, those were the halcyon days: circumstances have changed and so have Labour governments. The first fine idealism is dead and selfishness is king.

We certainly live in a different world. Thanks to technological advance austerity has given way to relative affluence. This has made Labour's reforming task more difficult, particularly since Margaret Thatcher set out ruthlessly to reverse that unifying philosophy which Labour launched in 1945 and substituted the doctrine that it is everyone for him- or herself- the devil and drugs take *the* hindmost. It has been an uphill task to fight the materialist values which increasingly dominate our lives. But it would be dangerous folly to dismiss the post-1945 Labour governments as proof that socialist principles have been discredited.

That is, of course, nonsense - as I know from firsthand experience as an MP for 34 years and as a member of Harold Wilson's four Cabinets between 1964 and 1976. Of course I had plenty of criticisms to make of those governments, but looking back I am struck by the continuity of purpose if not always of practice. I approved of the direction, though not of the deviations on the way.

Some of them were forced on us. It was always our lot to be elected when the Tories had got the economy into a mess. In 1964 for example Reginald

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Maudling's ill-planned 'dash for growth' had left us to face a record balance of payments deficit. Nevertheless, Jim Callaghan's first budget fulfilled a number of our commitments, notably to the pensioners, and covered the cost by a sixpence increase on income tax; so it was not inflationary.

This did not satisfy the speculators. The City was outraged, not that we were being spendthrift, but re-distributive. Unfortunately the inner triumvirate of the Cabinet - Harold Wilson, Jim Callaghan and George Brown - had fallen victim to the City shibboleth that defence of the currency must always have overriding priority. Devaluation being ruled out, deflation became the only alternative. The cut-backs began.

But the general direction of our social policy towards a more equal society remained unchanged. Legal aid, which Labour had introduced in 1949, was strengthened and a tax-free redundancy payments scheme was introduced.

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Overseas aid was marginally increased despite a chorus of 'charity begins at home' in the tabloid press. Comprehensive education was launched too. And, as Minister of Transport, Harold en-

couraged me to draw up an integrated transport policy giving public transport a central role. I was even allowed to put the first ever all-embracing Equal Pay Act on the statute book. Harold himself doggedly pursued his two favourite aims: to promote women to jobs no woman had held before (such as Transport), and to open the doors of educational opportunity through his brainchild, the Open University.

By 1970, we had balanced the nation's books, but at a political price which cost us the election and let in Edward Heath. Ironically, one of his first acts was to float the pound - for which some of us had been pressing since 1964. But he threw away the benefits in his disastrous struggle to put the unions in a legal straitjacket so complex that it was unworkable; he was forced to dump his Industrial Relations Bill. Even Margaret Thatcher did not attempt to resurrect it, preferring more subtle means of weakening the trade unions.

So Labour was back in office in 1974- It was the same grim inheritance. In his fight with the miners Ted Heath had left British industry throttled by a three-day working week. Prices were rising and so was the trade deficit. Once again, we had to put the economy to rights and, once again, the Treasury moved in with

its only recipe for a strong economy - cut public expenditure.

So the battle over the cuts began again: it was long and bitter precisely because every member of the Cabinet was determined to safeguard his or her department's contribution to a better society. I was lucky because as Secretary of State in charge of the DHSS, I was the custodian of sweeping social reforms to bring the welfare state up-to-date. In this capacity I was able to introduce the most exciting advances in social policy since 1945: the State Earnings Related Pensions Scheme which gave manual workers and women a new security and dignity in retirement; child benefit which gave mothers their own wage for the first time; a charter for the disabled; new status for nurses and para-medics through the Halsbury Reports; and curbs on the encroachment of private medicine in the NHS. It was all part of the Social Contract which we had entered into with the trade unions, guaranteeing a 'social wage' in return for their sharing the responsibility of making the national economy work by voluntarily moderating their wage demands.

'Wilson had been exhausted by the strain of keeping left and right together'

The policy was beginning to tell when a weary Harold Wilson resigned in 1976. As he had hinted to me more than once, he had been exhausted by the strain of keeping the left and right in the government together with cunning compromises and by the resulting denunciation of him in a hostile press as 'unprincipled'. In fact his eel-like qualities were employed in the service of his guiding principle - his duty to preserve party unity at whatever cost to his own reputation. A left-winger at heart he had to manoeuvre to get his way as much as possible without splitting the Cabinet.

His successor, Jim Callaghan, was of a different mould. He was more orthodox and less flexible. He sacrificed the party to another orthodox economic priority, to get inflation down at any social cost. In fact inflation had been falling steadily from its high peak of 1975, thanks to the co-operation of the trade unions which the social contract had won for us. But it was still running at 10 per cent when in 1978 Callaghan demanded his colleagues' support for a ruthless new 'norm' for wage increases. I was no longer in the Cabinet, Jim having sacked me when he took over in 1976, but Denis Healey describes the scene in his autobiography, *The Time of My Life*. 'Jim had preferred a zero norm and actually proposed 3 per cent at one meeting... Cabinet finally settled for a norm of 5 per cent.' Even this

would have amounted to a cut in wages against which prospect the unions finally rebelled, plunging the country into the strikes of the winter of discontent which brought down the government.

Harold Wilson would never have been guilty of such rigidity. 'You know me', he used to say to me, 'I hate to be painted into a corner.' He would have manoeuvred himself out of this one. By asking less from the unions he would in fact have got smaller wage increases than Jim Callaghan's confrontational formula actually achieved - and he would have averted the disastrous wave of strikes. I believe that if Harold Wilson had not resigned Labour would not have lost the 1979 election.

In other words, Margaret Thatcher would never have had her opportunity to launch her counter-revolution, reversing all Labour's policies in a free-for-all in which government washed its hands of all responsibility for unemployment and poverty. The market was to decide everything. It was socialism, she claimed, which had brought us low and must be destroyed.

So what are the lessons of Labour's long struggles? The first is that we must regain our pride in our accomplishments and confidence in our analysis of what is wrong. For one thing Margaret Thatcher's counter-revolution has not worked economically. In the past 16 years the economy has been put through a disastrous

'It is absurd at this moment to boast of a break with our past'

cycle of boom and bust, plunging us into a recession of which any Labour government in which I have served would have been ashamed. As Will Hutton, economics editor of *The Guardian*, points out in his penetrating book *The State We're In*, her deliberate policy of widening the gap between rich and poor has been responsible for the low economic performance from which we are still suffering today. Poverty and inequality can never make for economic stability. No entrepreneur is going to invest in an economy which deliberately shrinks demand. As 'Old Labour' I used to tell my audience that the only way to expand wealth is to share it more equally. That is still relevant today, globally as well as nationally.

The second lesson is that it is absurd at this very moment to boast of a break with our past. Of course, we made mistakes, and we need to be quite clear what they were. But there was nothing wrong with our aims: I was fighting for new Labour's 'core values' before Tony Blair was born. Or perhaps they *are* being changed: 'Diversity and excellence' is a worrying title for an education policy,

smacking of a return to selectivity rather than a genuine equality of opportunity and of esteem.

But what about wholesale nationalisation? Old Labour - apart from a few Stalinists and loony left - has believed in a mixed economy for years. There is nothing new in the idea of partnership between the public and private sectors. The SERPS which I introduced was a perfect example of the need for co-operation between the state scheme and private occupational pension schemes as the best way of bringing Beveridge up-to-date. SERPS also costs the taxpayer less than the Tories' fraudulent attempt to snare people into private personal pensions schemes which will reduce millions of people, particularly women, to abject poverty in old age. In a few years time the country will be faced with a mounting bill for income support just to keep them alive in penury. Yet our leaders have not yet committed themselves to restoring SERPS.

'There is nothing new in the idea of partnership between the public and private sectors'

What about Labour's relations with the trade unions? New Labour tells us that old Labour (by inference the left) was too much in the pocket of the trade unions and that the modernisers will assert the party's independence. This version of history is the complete opposite of my experience. It was the old left which always asserted the rights of the individual members of the constituency parties against the trade unions' dominance of the party conference. There was no objection to the block vote by the 'modernisers' of the time, led by Hugh Gaitskell, so long as the unions were safely in the hands of right-wing bosses like Will Lawther of the miners who supported them.

It was only when left-wing leaders like Frank Cousins took over the Transport and General Workers Union that the mood changed, though Frank as a good democrat was always ready to submit himself to the decisions of his union conference.

It was the same story when I became Secretary of State for Employment in 1968. I spent two turbulent years telling my trade union friends that the industrial anarchy caused by wild-cat strikes was no way to secure the fundamental political reforms their members were looking for. All it did was to strengthen our political enemies. The unions, I urged, must learn to accommodate their sectional demands to the wider economic aims of their Labour government as the only way to safeguard their members' long-term

interests.

But when I embodied this thesis in my now notorious White Paper, 'In Place of Strife', it was 'moderates' like Jim Callaghan who led the attack on me and stirred up the trade union storm, arguing that we must not interfere with union rights. Even Social Democrats like Roy Jenkins, who secretly agreed with me, lost their nerve and let me down. I like Roy Jenkins personally and admired many of the 'permissive' reforms he carried through as Home Secretary, but the idea that the wooing of former SDP quitters back into the party will stiffen the party's backbone is spurious. I welcome them back, but I think they should show some humility.

It was "moderates" like Jim Callaghan who led the attack on "In Place of Strife"

I also welcome Tony Blair's determination to reduce the role of the block vote and to give a greater say to the individual membership. But I reject with alarm the suggestion now coming from certain quarters, including Roy Hattersley, that the next step should be to end the party's constitutional links with the trade unions. This is like saying that the Tory party should break all ideological and financial links with the powerful forces which dominate industry, and we are a long way from that.

The need for employees to have a strong organisation to protect them from exploitation has never been clearer than it is today. With the Major government constantly shedding its duties to protect the health and safety of workers from the risks of a profit driven society, the rate of accidents in agriculture and other industries is rising ominously. Strong trade unions must fill the gap. We should be proud of our links with them as part of our pluralist democracy.

Again, this should be the last moment for us to apologise for our record when widespread disillusionment with Thatcherite and Majorite policies is setting in. Even the Chancellor Kenneth Clark, in a remarkable recent interview in *The Guardian*, admitted that he was a 'One Nation' pre-Thatcherite Tory who was sickened by the public spending cuts which have robbed so many of the essentials for life in a civilised society.

It has been amusing, too, to watch Tory MPs from rural areas panic at the idea of privatising the Post Office. They realise what we have always known: that the only way to guarantee a universal system serving all parts of the country equally is through public ownership. Having failed in his attempt to break the Post

Office up into private lots, Michael Heseltine has been forced to give it the commercial freedom it has always been denied. The result has been a spectacular development of its activities, as we see from its television advertising. New Labour must demand that other publicly-owned services like the railways be given the same freedom so that they can remain in public ownership.

There are indeed lessons we can learn from our past mistakes. One of the most important is that previous Labour governments only failed to the extent that they were hypnotised by the monetarist dictums of the City and the Treasury. Examples abound, starting with Philip Snowden's destruction of the 1929 Labour government by his insistence *that* Britain must remain on the gold standard at all costs. Keynes' opposition was brushed aside. The savage spending cuts needed to sustain this policy only deepened the depression and brought in the National Government. When its first step was to take Britain off the gold standard Sidney Webb remarked wistfully, 'Nobody told us we could do that.'

'Labour governments failed to the extent that they were hypnotised by the monetarist dictums of the City and the Treasury'

Forty years later nobody told Denis Healey, then Chancellor, that the Treasury figures designed to prove that public spending and borrowing had gone through the roof were wrong. He was induced to negotiate a loan from the IMF on tough deflationary terms only to find that the Treasury estimates had been twice as gloomy as the facts warranted. He writes bitterly in his autobiography, 'If I had been given accurate forecasts in 1976 I would never have needed to go to the IMF at all.' But the political damage had been done.

Under Margaret Thatcher these mistakes were compounded by establishing monetary criteria as the sole arbiters of economic and social policy. Her two famous dictums - 'you can't buck the market' and 'there is no such thing as society' - were complementary. If the market is king no-one can object to its social consequences, whatever the ensuing loss of jobs and the resulting poverty.

The climax of the monetarist approach came with her government's decision to put sterling into the Exchange Rate Mechanism (ERM) at a value our economy could not sustain. In her autobiography Margaret Thatcher claims that on this and on other blunders she had not been told what was happening. In fact she had been a consistent party to the view that financial criteria should dominate economic policy. It has never worked. British industry, which had

begun by welcoming the currency stability which membership of the ERM seemed to offer, was soon up in arms against the flood of bankruptcies, loss of export markets and rising unemployment which followed the attempt to put our economy in a financial straitjacket. It was not until the Tory government was forced by this outcry to withdraw sterling from the ERM that there was any chance of pulling us out of the recession which was swamping us.

How, then, does New Labour intend to learn these economic lessons from our history? Old Labour has always been broadly Keynesian in the sense that it believed - and still believes - that government must take responsibility for

'Some of us are worried by the priority given to the supply side by New Labour'

securing a high level of employment by demand management. Some of us are worried by the priority given to the supply side in New Labour's economic policy. It is not enough to stress the need for better training and education, important though both are. Their value soon vanishes if

well-trained people find there is no demand for their services. I have too many highly-trained friends whose self-confidence is punctured by the endless rejection of their job applications and who are trying to live on £47.00 a week.

Nor is it any good calling on industry to invest in long-term development unless it can see a market for its products. Demand must always lead supply. Margaret Thatcher's pet nostrum, zero inflation, would stultify demand and put an end to growth. We must remaster the art of demand management and revive the social contract as its focal point.

Our democracy cannot withstand the Tory policy of competitive deflation which tries to force our people to accept wage levels and working conditions which will enable them to undercut, among others, the Koreans. If the Western world does not work out policies to protect our own people's right to work on the basis of civilised standards, dictatorship, whether communist or fascist, will win the day.

With his usual competence Gordon Brown has produced two documents setting out New Labour's economic strategy. It includes some important institutional reforms, but it has one serious omission. We must, he argues, have a target for growth as well as inflation, but he does not mention jobs. Yet, as we all know, investment in new technology can actually put people out of work. It is only the public sector that can provide the labour-intensive services.

The battle for fuller employment will not be an easy one, but unless we win it we will never get rid of the dependent society and give our people dignity and hope.

The first step must be to compel economists of the Western world to accept this goal as the centre piece of economic policy. We must set ourselves a jobs target as one of the indices of economic health and the test of any government's claim to economic recovery.

In other words we must change the mental climate of this country once again as we did in 1945. If Tony Blair will emblazon this goal on his election banner, he will romp home.

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