

SHEEP IN SHEEPS CLOTHING



Delegates at the Labour Party conference in Manchester should be gentle with Gordon Brown. It will be his last as Labour leader and Prime Minister. Gordon is like a Damien Hirst sheep. Trapped in formaldehyde, he lacks the qualities needed for a bold leap that would free him from his own goo.

There will be no direct challenge to Brown. His demise will come from the drip, drip, drip of underwhelming support within the Parliamentary Labour Party. There is a degree of irony about this. Brown himself worked obsessively to ensure there was no leadership contest when he succeeded Tony Blair. It was a contest Brown would have won hands down, but he wanted a coronation not an election. More than that, he wanted to avoid the wide-ranging debate on policy that his potential challenger, John McDonnell MP, was already trying to open up.

Herein lies the dilemma for Brown's would be assassins. Once you get to the policy level, everything breaks into confusion. The demise of the (brief) Brown dynasty will be driven by the Right not the Left. The most active of plotters are to be found in the disgruntled remnants of 'true believers' in the New Labour project. They are the ones whose 'solutions' lie in the even greater privatisation of public services; in the final transformation from the welfare state to the workfare state; and in the presumption that modern government is no longer interventionist on a macro-economic scale. Government then moves from managing the economy to managing the people instead. It is the same deregulatory nonsense that has plunged us into today's economic crisis. But for true believers, the answer is that we need more of it.

Beyond the remnants of Tony's Taliban is the ever growing cluster of Labour MP's whose part in the kill or the coup comes from a different source. Many are ultra loyal to anything the Party comes up with. They will go through the Division lobbies, put out the standard press releases, and repeat the mantras prepared by the party machine for parliamentary debates. Loyalty has only one limit...that it preserves the security of their own parliamentary seat.

As New Labour's popularity plunges into a chasm, calls for a change become inseparable from cries for a lifeline. That's as close to policy as it gets. Only John McDonnell remains with a distinct, alternative policy framework, yet most of his colleagues would move heaven and earth to avoid giving it a platform.

At the core of Labour's identity and leadership crisis is the fact that none of our existing policies are up to the bigger crises that confront the world in general and the UK in particular. We cannot turn the clock back on the collapse of global banking and financial systems, but we can step in to lead the movement in favour of the radical re-regulation of markets. Today, even the Bush administration has been pushed into America's biggest banking nationalisation; bigger than anything nationalised by Hugo Chavez in Venezuela or Evo Morales in Bolivia. For Labour, it should mark the end of its love affair with neo-liberal economics.

The sheer level of toxic debt that casino economics has built up is bound to mean that other banks will hit the wall and die. Phase II of the crisis, however, is seeing speculators use the herd instinct to create panics about even the soundest of institutions. Tidal upheavals in share prices allow a small band of speculators to make huge gains out of insecurity itself.

In 1978, the economist James Tobin argued the case for a small tax (0.5%) on the speculative movement of capital. For long term investors this is utterly insignificant, but for those who move money (to make money) several times a day it throws a little sand in the wheels to slow the global roller coaster down.

Labour should re-state the case for a Tobin tax. Moreover, we should use it to fund today's international institutions. We could bring an end to nations fibbing about how much they will contribute to UN poverty programmes, or to the World Bank screwing the poorest nations into handing their economies over to global corporations in exchange for drips of development aid. Instead, let the World Bank fund itself (and the UN) out of administering the Tobin tax. It would also provide the basis for the democratic re-structuring of the UN, World Bank (and IMF).

Domestically, Labour must re-focus on policies that will deliver an end to fuel poverty, a shift into renewable energy and a return to food security. At a time of spiralling fuel bills, inflation, poverty and unemployment, the key starting point is probably energy policy.

The Energy Bill that comes back to the Commons in October gives the government a chance to backtrack on its catastrophic misjudgement in the original drafting of the Bill. At the behest of big energy companies New Labour turned its back on the introduction of preferential feed-in tariffs for renewable energy. This is the approach taken by Germany and about 50 other countries, whereby energy companies have to pay their customers up to 4 times the market price for 'green' energy generated from the home, farm, factory, school or wherever.

The key to this is that the price guarantees last for 20 years (falling at 5% a year). They are transforming Germany's adaptation to the future. In the last 4 years, this has produced 300,000 new jobs and industry with a €30 billion a year turnover and given Germany 15% of the world market in renewables.

Britain's hostility to this comes from the fact that the Energy industry prefers it when the government pays them subsidies rather than them having to pay customers. Not content with sitting on 40% price rises and £9 billion windfall profits, they want the tax subsidies to continue. New Labour, ever happy to oblige, whipped Labour MP's to defeat the feed-in tariff proposal when it came up in the Commons.

Now, the amendment is coming back. A cross party group in the Lords will re-table it and we are confident of a large majority vote. When it comes back to the Commons up to 50 Labour MP's are expected to back it, along with all the opposition parties. It will be a victory of parliament over government, but a tragic missed opportunity for Gordon.

Such is the popularity of this measure in Germany that no political party would dream of revoking it. It would be an act of political suicide. In the UK, instead of grasping the visionary, the popular and the transformational, New Labour still dances to the tune of the financial and corporate rich.

So too with the government's fuel poverty package. For all the public's longing to welcome it, the criticism already is about its complexity and fragmentation. If Gordon wanted to avoid a windfall tax he could have doubled the energy industry levy for fuel poverty contributions, or given the Regulator powers to limit price increases. In France, such powers have been used to set a 2% ceiling on electricity price rises and a 5% ceiling on gas.

In broader terms, the government's legal duty to eradicate fuel poverty by 2016 means we have to look at the 25 million homes that exist now, not the smaller fraction to be built tomorrow. We need a power (and a duty) to be given back to local authorities to deliver the fuel poverty targets. With it must come the power to borrow through local or national government bonds.

As private credit comes crashing to the ground, we have to ask why the Bank of England should throw almost £100 billion of public credit into bailing it out. The last time the world hit such a crisis was the 1930's. Roosevelt's New Deal response was to use public credit to drive public investment into infrastructure renewal. The debt repaid itself within a decade.

Today, the compelling case is for an ecological New Deal. Public investment must go into meeting Britain's need for decent housing, food security, sustainable energy, transport and water management. The compelling case is for having more of this in public ownership rather than less. If taxpayers have to fund the rescue and we do, then let us bail out ourselves, not the crooks who took us into this mess.

Sadly, Gordon lacks the courage to do this. It also guarantees he won't be around to see it happen.