

The Midsummer Coup of 2009 by William Shepherd

midsummercoup.doc

Michael Meacher has refused to take part in any of this week's shenanigans in the parliamentary *Labour Party*, saying the leaders [of the attempted and, hopefully failed, coup] were a "Blairite clique" and the resignations were about "posturing and calculated careerism". The two large blocks of left-wing MPs, the *Campaign Group*¹ and the *Compass Group*,² which together comprise 50 or 60 members, seem determined to keep Gordon Brown in power.

I am keeping my fingers crossed that the final outcome of the midsummer upheavals³ in the *Labour Party* will be a policy shift to *Campaign* and *Compass* policies. Tony Benn also spoke on the *BBC* to say that policy is what the *Labour Party* should be talking about.



I may have identified a motive for the attempted coup d'état...which might yet succeed...in two *Sunday Times* articles on 7 June 2009 entitled: *Darling Bucks EU on Banks*⁴ and *We Need an Early Warning Alert Against Protectionism*⁵. There is a big push...behind the smoke and mirrors of the political and financial crises...to consolidate global financial control of the central banking system in the hands of the *International Monetary Fund*. Gordon Brown, Alistair Darling (perhaps) and Ed Balls are refusing to play ball.

Supporting this speculation was the appearance of an article in the *Daily Mail*⁶ that 'the government is under increasing pressure to overhaul Britain's system of financial regulation and return important supervisory powers to the *Bank of England*'. The *Daily Mail* reporter claimed this call came from the *House of Lords Economic Affairs*. I have downloaded the 57-page report to see what it says and where the committee members are coming from.

Regarding what the *Labour Party* should do, I made the following comment to an article in today's *Sunday Times* entitled *Dairy Farmers face Ruin*⁷:

'Labour's Campaign and Compass groups should let Gordon Brown and Peter Mandelson know that a condition of their continuing support is for one of the Labour Party's nationalised banks to be instructed to buy the cooperative from the receiver, replace the HSBC loan and put DFOB on a viable footing.'

So welcome to *World Trade Week*, he says ironically. How I miss *Boudewijn Wegerif*.⁸

¹ http://en.wikipedia.org/wiki/Socialist_Campaign_Group

² <http://www.compassonline.org.uk/news/item.asp?n=4678>

³ The results of the European elections were as bad as they could be with the *Conservatives* beating *Labour* in Wales for the first time since 1918; the *Scottish Nationalists* beating them in Scotland; and a mere 8% of voters supporting *Labour* in the South-West and the South-East. In the local council elections *Labour* lost control of its last county council and had its district councillors ejected from power all over the country. I voted for the *Green Party*...one of just one in three who bothered to vote in the UK. In Sweden I would have voted for the *Pirate's Party* who gained 7% of the Swedish vote with the shortest manifesto on record: an internet file-sharing free-for-all, a ban on monitoring e-mails and the abolition of patents.

⁴ http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6445900.ece

⁵ http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6446038.ece

⁶ <http://www.dailymail.co.uk/money/article-1189916/Government-pressure-return-powers-BoE.html>

⁷ http://business.timesonline.co.uk/tol/business/industry_sectors/consumer_goods/article6445895.ece

⁸ <http://www.ratical.org/co-globalize/waterGrab.html>

Government under pressure to return powers to Bank of England

from *Daily Mail* at 9:21 PM on 31st May 2009

The government is under increasing pressure to overhaul Britain's system of financial regulation and return important supervisory powers to the *Bank of England*. The influential *House of Lords Economic Affairs Committee* is expected to call for the *Financial Services Authority* to be stripped of its role in monitoring system-wide risks to the banking system. These over-arching powers should be handed back to the *Bank*, the *Committee* will say in a long-awaited report on Wednesday. The study will mark yet another damning assessment of the Tripartite regulatory regime - where oversight of the City was spilt between the *Bank*, the *FSA* and the *Treasury*.

The current system has been widely blamed for failing to spot the huge build up in debt across the banking system, which left the UK uniquely vulnerable when the credit crisis erupted nearly two years ago. The collapse of *Northern Rock* was the most graphic illustration of the flaws in the system, which was introduced by then Chancellor Gordon Brown during Labour's first term in office. The *FSA*, the *Bank of England* and the *Treasury* are said to have identified the *Rock* as the weak link in the UK banking sector when they carried out 'war game' testing in 2004, yet failed to avert its demise.

Darling bucks EU on banks by David Smith

from *The Sunday Times* on June 7, 2009

Alistair Darling will this week tell fellow European finance ministers that the buck has to stop with national regulators when it comes to monitoring the activities of banks and other financial institutions. It will be the chancellor's first important meeting since last week's intense speculation that he was about to be moved out of the Treasury - which he successfully fought off. He will back steps to enhance coordination of financial regulation at European level. However, he will say that ultimate responsibility must continue to rest with national regulators, not least because the banking crisis has revealed that taxpayers in individual countries are left to pick up the bill after regulatory failures. "The fiscal aspect is very important in this," said a senior Treasury official.

Darling will also argue against proposals to give the *European Central Bank (ECB)* greater supervisory responsibility over banks throughout the *European Union*. It has been proposed that the *ECB* would be the appropriate body to ensure banks are putting away enough capital during the good times to see them through difficulties. He will also oppose giving the *EU* powers to overrule the decisions of national regulators.

The chancellor is expected to say that a body located in the *ECB* or attached to it would not be the right organisation to supervise banks that are operating within the *EU* but outside the eurozone. The finance ministers will be discussing proposals put together by an expert group led by Jacques de Larosière, former managing director of the *International Monetary Fund*.

There have been fears, particularly among hedge funds, that the *EU* authorities will use the banking crisis for an "overkill" clampdown on financial markets.

Early warning on protectionism needed by Lord Mandelson

from *The Sunday Times* on June 7, 2009

There is a certain irony to launching the UK's first *World Trade Week* at a time when activity is contracting faster than at any time since the global economy was shut down by the second world war. Even so, it makes the event all the more relevant because trade is not just an indicator of the health of the business world - it is a determinant of it.

So far, with some exceptions, the general guard against protectionism adopted by the G20 leaders seems to be working. I suspect that there are a number of reasons for this. The first is our supply chains, which are so integrated that protectionism simply isn't as easy as it used to be. The second is the fact that everyone is watching everyone else. There is a lot to be said for international peer pressure under these circumstances.

But most important is the *World Trade Organisation (WTO)* system itself, which has proved to be an extremely strong legal check on protectionism. At a time when we are focused on the flaws or failings of international governance, it is important to recognise that we have built a system in the *WTO* that works and must be protected.

However, this is no argument for complacency. Maintaining the integrity and openness of the *WTO* system means constant vigilance. To reflect this, the UK government is to co-finance an independent watchdog. *Global Trade Alert* will unite a worldwide network of think tanks to provide governments with independent analysis of trade-distorting policies. It will produce evidence of the damage protectionist policies are doing and advise on the least protectionist ways to provide support and stability to economies through the downturn. This will run alongside the monitoring that the *WTO* and other bodies are already doing on behalf of the *G20*.

This needs to be backed by further practical measures to keep trade flowing - both here in the UK and worldwide.

It is hard not to put the *Doha Round* at the top of this list. The *Doha Development Agenda* would be a huge stimulus package -perhaps producing €120 billion in gains to the global economy. It would benefit developing countries in particular, most of which cannot afford fiscal stimulus packages of their own. It would lock tariffs at around their current levels, providing insurance against future protectionism.

None of this will be possible unless we can rebuild a consensus on the value of free trade. Even before this crisis, popular support for globalisation, free trade and open markets was vulnerable - especially in the developed world. The rise of China and the massive scale of global financial flows created a sense that globalisation was eroding our control over our own lives, serving the interests of the global rich, sidelining those of the global poor.

There is no point in defenders of open trade pretending there is nothing at all to these arguments. There is. That is why we now recognise the need for global governance of financial markets and financial flows. It is why the *Doha Round* demanded far more of developed countries than developing ones. It is why open markets have to come with policies to help people live with the rapid economic change they bring.

But open trade didn't cause the credit crunch. It didn't cause the recession. Open trade remains the single most important way we know of expanding economic opportunity and lifting people and societies out of poverty. It will be the key to a sustained and global recovery from the recession.

It was Keynes who said the mistake free traders often make is to defend their case solely on the cheapness of traded goods. Of course people want cheap goods. But trade is also about open societies and about opportunity: the moment when a small business in Europe realises there is a market for what they make in China or Brazil, or vice versa. The case for open trade has to be built on the opportunities that come from trade and on the value of open societies over closed ones.

It is now 70 years since the first national *World Trade Week* was launched in the US during the Depression. Those 70 years have seen tumbling trade barriers for industrial goods and the creation of a rules-based global trading system.

That trading system faces a huge crisis of demand and credit but the real long-term risk to its health lies in protectionism taking on a new veneer of respectability in the current economic crisis. Open trade needs defenders now more than ever.

I believe preserving that openness is one of the key benchmarks by which we will judge political leadership in this crisis. In *World Trade Week* I think that's a benchmark well worth aiming for.

Lord Mandelson is first secretary of state and business, innovation and skills secretary...[and Deputy Prime Minister following yesterday's cabinet reshuffle]

Dairy Farmers Face Ruin as Coop Fails

From The Sunday Times on June 7, 2009

HUNDREDS of dairy farmers face financial hardship and may lose their properties after the collapse of the Dairy Farmers of Britain (DFOB) cooperative.

DFOB had 1,800 members when it went into receivership on Wednesday. The farmers supplied milk to the cooperative, which sold it on to supermarkets. The *DFOB* retained 0.5p on every litre for the running of the cooperative and paid the remainder to members in a monthly "milk cheque". Reserves retained by the cooperative were meant to be returned to farmers when they left the scheme. For many this was their sole savings, but the administration means they will receive nothing. On top of that they will not be paid for milk supplied last month.

Andy Guy, a dairy farmer from Southwell, Nottinghamshire, had built up £25,000 with the *DFOB* in the past seven years. This has been lost, along with last month's pay cheque of £7,000. "I've got bills to pay - rent for the land, feed, fertiliser and vet costs - but I have no cash flow. I'm trying not to panic," he said.

The 45-year-old, formerly a salesman for an engineering company, started farming 12 years ago. He described his work as a "passion" and his "lifelong ambition". This weekend he is weighing up whether he can afford to continue.

He had borrowed heavily against the £25,000 reserve in the *DFOB* to invest in new milking parlours and is now fearful that his bank could call in the loans. "I don't want to make any decisions in a hurry, but selling the farm has gone through my mind in the last few days," he said.

Mike Taylor, 59, has kept Holstein Freisian cows on 200 acres in Cumbria that have been in his family for three generations. Last week he lost £100,000 when the cooperative collapsed. "This was my pension pot. We could not get hold of it until we ceased milk production and we viewed it almost like a savings account, but now there's nothing left," he said.

The farming charity, the *Royal Agricultural Benevolent Institute (RABI)*, has already received 20 calls to its help-line from distressed farmers in need of financial assistance. Patricia Pickford of the *RABI* said: "This came out of the blue and farmers, especially the smaller ones in remote places, will struggle to find a new supplier. They haven't got any money from last month and it's very distressing."

Price Waterhouse Coopers (PWC), the receiver, is meeting representatives from the *Department for Environment, Food and Rural Affairs* and the *National Farmers' Union* this week to ensure that everything will be done to protect the most vulnerable farmers. *PWC* will continue to buy milk from the farmers on a monthly rolling contract until the cooperative's assets, including processing plants, a cheese business and a milk-supply division, are sold. Whatever is salvaged from the sales will be returned to *HSBC*, the lead creditor, which had provided loan financing worth up to £100m.

Compass Labour leadership crisis statement

from the website on Friday, June 05 2009

If these election results and the political events of the last week don't wake up the Labour leadership, nothing will. Both are truly shocking. Worse still, they are largely self-inflicted.

For five years Compass has been agitating for a change in Labour's direction. We could see the consequence of sticking to New Labour's chosen course: inequality would rise if we did nothing about taxing the very rich; support for the BNP would increase if we ignored our core vote; markets in key areas like housing would fail if social investment wasn't forthcoming. Millions of voters and thousands of party members have been lost since 2001. They will go on being lost unless the Party changes direction. For that it is never too late.

As the uber-Blairites call for the Prime Minister to go they have nothing to say about ideas or policy substance. They make no case for what change they want to see that will be any more popular. All of this is happening for factional reasons and is so far failing because of it. The Hazel Blears resignation was an attempt to bring down Brown with no thought for the consequences of the grassroots Party members she claims she is returning to. It was an act of treachery that will not easily be forgotten.

The Blairites should not be allowed to get away with it. But not because Brown deserves our backing. His leadership has been a severe disappointment precisely because he failed to make the promised break with Blairism, whose final failure we are now witnessing. That is why there can be no turning back. What does it say about the Prime Minister's political judgement when he is attacked by the old right of the party but continues to dismay the democratic left over issues like the privatisation of Royal Mail?

Labour changed the leader once before but the Party didn't change direction - and now it has fallen into this incredible mess. In response, it will be pointless jumping to someone else unless they hold out the real promise of a change of direction. Let Brown or anyone who wants his job come forward and tell us how they will turn round the fortunes of the country and the party. Only then will the arguments about leadership reflect the most fundamental issues.

Labour should now use its remaining time in office doing everything it feasibly can to do three things:

- First, it should protect the people who stand to suffer most if the Tories win. This would include ideas like index-linking the minimum wage and benefit payments to ensure George Osborne doesn't allow them to wither on the vine by not updating them. We also need to encourage a wider public debate about the need for dependable public services, to end child poverty and the fair taxes necessary to pay for both.
- Second, we have to radically reform our democracy. Democracy and socialism are two sides of the same coin. Key here is the call for a binding referendum on change to a more proportional voting system, which David Cameron is implacably opposed to. This represents a perfect dividing line, between Labour who trust the people to decide - and the Tories, who don't.
- Third, we have to rebuild the institutions in which social democracy can thrive in the future; the Party itself, the unions, local government and other elements of civil society in which the values of democracy, equality, and sustainability can take root. Places in which the public trumps the private, the citizens the lone consumer.

But this cannot just come from the top. The whole Party should be engaged as well as the wider progressive community. Brown once said he wanted to build a progressive consensus. Here is his final chance. The democratic and economic crises are without precedent. We are in uncharted waters. Compass calls on the party leadership to instigate a discussion among the membership, the unions, affiliated societies and the PLP to draft a short restatement of Labour values and policy intent up to the next election. This statement could be put online for everyone to comment on. It would be sent to every party member for their endorsement. Unless it signalled a change of direction it would garner little support. But Brown or any other leader must demonstrate their commitment to listen, engage and only then lead. This process would be concluded by the end of July and the Party conference used to establish a plan of implementation.

A transformed Labour Party remains a necessary but insufficient vehicle for our politics. Compass remains convinced that renewal will only come when Labour becomes once again a modern party of social democracy, one that recognises the needs of society and democracy must come before the insatiable demands of the free market. This is not a demand we should wait to be given to us; but make happen ourselves. We make the case for these things not only because they will be popular and raise Labour out of its current malaise but - above all - because they are right.

What is so frustrating is that this is a centre left moment. The politics of free markets, greed and individualism got us into this mess. David Cameron would make things so much worse. If he is elected, we will witness a grim re-run of some of the worst aspects of the Blair years: media manipulation initially conveying an impression of energy and optimism, but the people at the top quickly proving to be hopelessly inadequate in terms of addressing the immediate and long term needs of the country. But combined with a return to the Thatcher years of deregulation, small-statism and disregard for the human and environmental costs of putting the interests of big business and the wealthy first.

This is a bizarre moment. Never have the left felt so low - but inside and outside mainstream politics, a range of progressive voices are loudly making their presence felt. Politics is suddenly alive; at the school gate, in workplaces threatened by job losses and public services facing cuts. People hunger for change and something better. What happens next will be determined by those who demonstrate clarity and commitment of purpose.

Compass will continue to build the ideas and organisation for a good society. We will do this inside Labour and outside. Our How to Live in the 21st Century policy competition resulted in over 200 ideas being submitted from the grassroots and now being voted on by our 3500 members. On the 13th June over 1000 thinkers and activists from parties and organisations across the whole spectrum of the progressive left will meet to discuss how we can build that good society at our National Conference No Turning Back. We will continue to work with people in all parties and none who share our belief in a more equal, democratic and sustainable world.

Once in a generation we get the chance to change the political landscape. This crisis took a long time to arrive and will take a long time to play out. If we stick to our moral and political Compass there is no limit to what we can achieve.