

Back From The Brink: 1,000 Days at Number 11

Alistair Darling

ATLANTIC BOOKS, 2011

Reviewed by Robert Saunders

Alistair Darling is the great survivor of British politics. From 1988 to 2010, he spent twenty-two years on the front bench, and he was one of just three men to serve in Cabinet through the entire New Labour era. It was an unlikely triumph for a man so deficient in animal magnetism. Twice voted 'Most Boring Politician of the Year', he was known chiefly before 2007, if not for his curious eyebrows, then for his soporific effect on troubled departments. Possessed of an invaluable capacity to drop quietly out of the headlines, he passed effortlessly and almost unnoticed through a series of graveyard portfolios. 'The epithet "a safe pair of hands"', he notes wryly, 'will no doubt feature in my obituary' (p. 4). Yet scarcely had he become Chancellor, in 2007, when a volcano went off under the global financial system. By the time he left office, three years later, the world economy had changed forever; and Darling had emerged as one of the central players in Labour politics.

The scale of the crash, even at this stage, is hard to comprehend. When Royal Bank of Scotland (RBS) collapsed, in 2008, its potential liabilities were estimated at £1.9 trillion; larger than the entire GDP of the United Kingdom. HBOS, the country's biggest mortgage lender, lost a third of its value in one day; while RBS lost 40 per cent of its share price in the time it took the chancellor to fly to Luxembourg. The crisis exposed for the first time the full scale of globalisation, at a time when Post Office savings were held by the Bank of Ireland; the holdings of charities and local councils were wrapped up in an Icelandic financial bubble; and Lehmans was thought to have moved \$6 billion out of London just before it ceased trading. The stakes of failure could hardly have been higher: 'cash machines would be switched off, cheques would not be honoured, people would not be paid'. 'If we got this wrong, the livelihoods of millions of people would be at stake' (pp. 154, 157).

Possessed of a mordant wit and a useful line in gallows humour, Darling proves an entertaining writer with an eye for the absurd. There was no shortage of material. In a deranged attempt at secrecy, studies of struggling banks were disguised as 'animal and plant reports': 'My private secretary would give me a note telling me how Jupiter was failing, or that Badger was in a bad way'. When the spokesman for Northern Rock left the meeting, the minutes dutifully recorded that 'Elvis left the room' (p. 116). Just before Christmas, the hapless Fred Goodwin turned up at Darling's doorstep clutching a gift-wrapped panettone – proof, if any were needed, 'that if 2007 had been bad, the new year would be worse' (p. 58). George Bush offers some typically scrambled thoughts, assuring finance ministers that 'Hank's got a handle on this. He's going to freeze that liquidity' (p. 192).

Gordon Brown has described the crash as 'the first crisis of globalisation' (Brown, 2010); but as Darling is honest enough to admit, the government's problems were not wholly exogenous. Contrary to Tory propaganda, Labour did not borrow extravagantly before 2007. Indeed, at 1.2 per cent of GDP, average borrowing was lower than the 3.4 per cent borrowed by the Conservatives between 1979 and 1997. But Labour did rely heavily upon taxes from

financial services, meaning that the imbalance in the economy was replicated in the tax system. When the golden goose stopped laying, the Exchequer found itself dangerously over-extended – just when the need for stimulus became most urgent.

At the same time, the regulatory system introduced after 1997 proved inadequate and sclerotic. As the author of the Financial Services Authority, Darling offers a vigorous defence of his creation. Yet as he acknowledges, the structure ‘depended on the chairman of the FSA, the Governor of the Bank and the Chancellor seeing things in exactly the same way’ (p. 21). When they did not, things fell between the cracks. The Treasury focused on the health of individual banks, but paid little attention to the relationship between them. The Governor ceased to build relationships with commercial bankers (‘I suspect’, Darling notes tellingly, he ‘considered it to be the job of the FSA’) (p. 62). The problem was exacerbated by the independence of the Bank of England, which increased the autonomy of the Governor without spelling out what should happen when he and the chancellor disagreed. In desperation, Darling took legal advice on whether he could compel the Bank to increase liquidity; only to conclude that it was politically impossible, even if the legal questions could be resolved.

On top of all this, the relationship between Chancellor and Prime Minister was approaching collapse. With open war between Numbers 10 and 11, New Labour history was repeating itself – this time as farce. While Darling was warning of ‘the worst downturn ... in sixty years’, Brown was briefing that the recession would be over in six months. During talks with the banks in 2009, Darling found that Number 10 had opened its own ‘separate channel to the banks with which we were negotiating’ (p. 201). Personal relations became increasingly rancorous, even at lower levels of government. Determined not to permit ‘a spy in the cab’ (p. 112), Darling barred Brown’s protégé, Shriti Vadera, from meetings in the Treasury, then had to interrupt a discussion at the G7 to deal with the ensuing row. In such an environment, the normal processes of government almost ceased to function. In 2009, ‘forty-eight hours before its presentation, we had no Budget’ (p. 231).

Darling offers a powerful defence of Labour’s economic record, first in stabilising the financial system and then in coaxing the economy out of recession. He is withering on the Conservatives’ economic positions, noting how often they opposed measures they would later come to support. But if Labour won the immediate economic battles, it would lose the political war; and Darling places the blame squarely on Number Ten. While Darling wanted a clear programme of deficit reduction, signalling specific areas for cuts, Brown chose to fight on the slogan of “investment” versus “cuts”. It was, Darling believes, an approach that ‘cost us dearly’ (p. 310).

Darling insists that this was ‘a political argument rather than an economic one’ (p. 217); a statement that may reveal more about Darling than about Brown. For all his technocratic exterior, the unassuming chancellor was a politician to his eyebrows. It was his capacity to see the politics of any given situation that enabled him so successfully to tranquillise previous departments; and time and again, he emphasises the politics of government decisions. Faced with the abolition of the 10p tax band, he looks first to ‘the political consequences’: ‘here was a Labour government taking money from the lowest paid, the very people we were supposed to be protecting’ (p. 90). Compelled, against his better instincts, to raise National Insurance contributions and the top rate of income tax, Darling worried about the ‘negative message we were sending out on aspiration’ (p. 230). ‘Never mind the economics ... the politics were wrong’ (p. 185). When Britain was put on ‘negative watch’ by Standard & Poor’s, he determined to defend Britain’s credit rating ‘come what may’. A downgrade would be ‘a *political* disaster’, branding the party responsible in the same way as the IMF crisis in 1976 or Britain’s expulsion from the ERM (p. 235, my emphasis).

RENEWAL Vol 20 No. 1

'Anchored in the centre-ground' and standing 'not just for ... fairness, but for aspiration,' Darling's politics are avowedly New Labour (p. 308). Like Brown, Darling was a son of the manse; but like Blair, his parents voted Conservative, and his Edinburgh constituency was wrested back from the Conservatives in 1987. This gave him a particular sensitivity to the concerns of swing voters, and his economic policy was constantly informed by that determination to occupy the centre-ground. Where Brown, apparently, 'did not want to be labelled "another Philip Snowden"', Darling was haunted by the 'tax and spend' socialism of the 1970s and 1980s (pp. 264, 38). Both were positively allergic to the idea of nationalising Northern Rock. Such an act, they feared, 'would hark back to the wilderness years, when Labour appeared unelectable,' and might even 'be seen as the death of New Labour' (pp. 65-6).

It is here that this becomes a book about the future as well as the recent past. Darling insists that Labour has a strong story to tell about its economic management, if it only frames it correctly. He is scathing about Coalition policy since the election, and provides a robust critique of its slash and burn approach to the public sector. As he puts it, you wouldn't throw 'your granny out on the street in order to make a quick saving on the food bill'; so why 'throw millions of people out of work to cut a deficit that could be managed down at a steady pace over time?' (p. 176)

But he insists that this message will only be heard when Labour has a credible strategy for deficit reduction, that stays true to the principles of aspiration and enterprise. 'New Labour's brand,' he concludes, 'may have been of its time, but ... its vision is as worthy today as it was in 1997' (p. 308). 'I am,' he confesses, 'never knowingly over-optimistic'; but if Labour 'can learn from what happened' and be confident in its vision, the Party may 'once again be elected to government' (p. 324).

Robert Saunders teaches history and politics at Oxford University. He is the author of *Democracy and the Vote in British Politics, 1848-67* (Ashgate, 2011) and co-editor of *Making Thatcher's Britain* (Cambridge University Press, 2012).

Reference

Brown, G. (2010) *Beyond the Crash: Overcoming the First Crisis of Globalisation*, London, Simon & Schuster.