

This is reason, not rancour

Alistair Darling's account of his chancellorship is not an attempt to discredit his old boss, but an insight into how his plans for careful debt reduction were thwarted and why Labour should still be listening

It is a sad reflection on the condition of British politics that Alistair Darling's gripping account of his three-year period as Chancellor has been characterised as an act of vengeance against his former friend and boss, Gordon Brown, and even as an endorsement of the Tory economic policies he eloquently condemns.

Darling's book is, in fact, the opposite. Its author is clearly an honourable, if rather wry, person, somewhat detached from the ruthlessly ambitious politicians and economic ideologues who play out the drama around him — a man who realises that the way to thwart last-minute bank lobbying against his bailout plans or further rewriting of his Budget by the Prime Minister is to go to bed and turn off his mobile phone.

Far from vindictiveness, Darling's main motivation seems to be a sincere desire to guide his former colleagues on how they could rehabilitate Labour's economic reputation and offer a credible alternative to the distorted Tory narrative of the crisis.

Darling explains with admirable clarity and succinctness what many commentators (myself included) have failed to convey in long books on the consequences of the financial crisis: why it was right for governments all over the world to borrow through the crisis and to keep borrowing today, albeit at a diminishing rate; why banks are different from other business and sometimes need to be bailed out with public money; how the Tories created a contrived panic about government debt to justify an-ideologically driven scorched earth policy towards the public sector; why the whole economic philosophy of free market capitalism inaugurated by Thatcher and Reagan will be permanently transformed by the crisis; and how the Labour Government could have used this transformation of modern capitalism as an opportunity to present a convincing programme of active government — and still could today.

Darling's main argument is that Labour should have acknowledged the necessity of gradual reductions in public borrowing, but matched this fiscal consolidation with a reaffirmation of the importance of active government. Darling and Brown were at one during the emergency phase of the crisis, but once the worst was over, the Chancellor wanted to supplement short-term stimulus with a long-term plan for deficit reduction, spelling out specific spending cuts and phasing in VAT increases so as to avoid crushing the economy and creating needless inflationary pressure.

Darling's measured approach to fiscal consolidation would have offered voters a credible alternative to the panic about public borrowing fomented by the Tories with the backing of the Bank of England. Brown vetoed this prudent Keynesian agenda in favour of the Manichean slogan of "Tory cuts versus Labour investment". He thereby discredited Labour's long-term economic achievements and allowed the Tories to deflect attention from the success of the government's anti-crisis measures.

Mr Brown, however, is not presented as the pantomime villain of selective media quotations. On the contrary, he comes out as a brilliant and dynamic economic leader in times of crisis, albeit a bully and a chaotic manager. Couldn't many celebrated leaders be similarly described?

Brown's fatal flaw was not his own personality, but that of his pathologically malicious "courtiers" and "attack dogs". Darling offers a novel explanation for this dysfunctional cabal. The endless Blair-Brown feud had "created a career path for the disaffected." In this Mafia-style career structure "an act of overt hostility to the 'other side' was seen as a badge of loyalty".

A less predictable villain is the "incredibly stubborn" Mervyn King, whose refusal to offer timely support to the banking system and the economy is aggravated towards the end by his unseemly collusion with the Tories in whipping up the "ludicrous exaggeration" that Britain faced a Greek-style default.

Similarly well-earned criticism is levelled at the Treasury itself. Darling is full of the praise for the dedication of civil servants, but his frustration with the Treasury's institutional dogmas breaks through. The Treasury's ideologues, implacably opposed to any ideas that might increase public spending are compared to the Taliban and Pol Pot. They block timely bank guarantees, thwart programmes to credit pump credit into small businesses. Sir Nick Macpherson, the Treasury's permanent secretary, would deliberately "needle Gordon" like this: "He would extract his Swiss army knife and languidly peel an apple while telling Gordon why the structural deficit had increased."

You can see why Brown became so exasperated with the "Treasury view". But if he had controlled his paranoia in dealing with the Chancellor, perhaps public faith in the government might have been revived.

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