Back from the brink
Alistair Darling
London: Atlantic Books, 2011, £20, h/b

Alistair Darling was a 'safe pair of hands' as a politician: he said almost nothing worth quoting in a period when being quotable was discouraged by the NuLab leadership trying to control the media's presentation of the party and its policies. His memoir is what you would expect. There are one or two passages where he says things about the way Gordon Brown's entourage bad-mouthed him (and others); but these have been run in the newspapers. There is an account of the events of the great crash of 2008/9 which gives us one or two snippets about the idiocy of bankers during the great crisis, but nothing significant. What is of interest are the glimpses into the mindset of NuLab politicians infatuated with the City of London.

Darling was shadow Chief Secretary to the Treasury, then the actual Chief Secretary to the Treasury, and finally Chancellor. Yet he appears to have no economic views. At any rate none are given here. By omission he appears as a true neo-con believer: the state's economic role was administration – and as little as possible, 'light touch'. The market is magic; just don't get in its way.

In the financial meltdown of 2008/9 the British state ended up bailing-out several banks by nationalising them (profit was private but loss became public). Of the RBS nationalisation, the first time that a British government had acquired a bank, Darling writes:

> 'When I went across to see Gordon in the flat that evening, I told him that nationalization [of RBS] was looking increasingly likely.....like me [he] could see the political watershed we faced. It would hark back to the wilderness years, when Labour appeared unelectable.' p. 65

Don't you love the political perspective? Facing economic armageddon, Darling and Brown are worried that the electorate might be reminded of Old Labour.

He says nationalising Lloyds/HBOS was 'the last thing I wanted.... bringing with it all the problems that it entailed.' (p. 174) There is no indication that he (or any of the Cabinet) ever thought: 'We control some banks. Now we can do some things that matter.'

The central benefit of embracing the neo-con economic model was that the City was not the enemy it had been to the Labour Party of the mid 1980s; nor was it even the force that had to be appeased of the 1990s. The City became the most successful sector of the UK economy and, Darling tells us, while giving no figures, the government benefited greatly from the taxes it paid. But after 2008 those revenues reduced.

> 'The problem was that it had been assumed that taxes coming from the financial sector would go on and on. After all, they had done so since the beginning of the decade. Far from being decried, huge bank profits and massive bonuses meant an increasingly large tax take. The problem was that the economy had become too dependent on one sector.' (p. 100)

Heaven forfend that a Labour government should 'decry' huge bank profits! In any case there was nothing NuLab could or should try to do about this, even if the 'the economy had become too dependent' on the financial sector.

> 'Government can't decree the extent to which our economy relies on the financial services industry as opposed to manufacturing.' (p. 314)

But government certainly can shape the economic environment of a country with its policies. Or does Darling think that Germany has acquired a successful manufacturing economy by accident?

We return yet again to the question of how significant was the financial sector? He tells us twice (pp. 274 and 316) that it employs over a million people. But total employment in the UK had reached 30 million by 2008 (albeit not all full-time jobs). He tells us it 'makes a huge contribution to our economic output' (p. 316) but gives no figures. He does state that in 2008, just before the crash, a quarter of corporate taxes came from the financial services sector. (p. 100) To be certain he did mean 'corporate taxes' and not corporation tax, I e-mailed him and he replied thus:

> 'The information comes from the answer to a parliamentary question earlier this year. Corporate taxes refers to all taxes and not just corporation tax. You should be able to get the details from the parliamentary website which contains answers to written parliamentary questions.'

After ten minutes of reformatting questions for the 'Search' box on that site and not finding the question, I gave up and turned to another source on this, the annual survey of tax paid by the financial services sector done by accountants PriceWaterhouseCooper for the City of London Corporation.[1] This estimated:

> '...that for 2010 the financial sector as a whole made a Total Tax Contribution of £53.4 billion, which is 11.2% of total government tax receipts, from all taxes, for that year.'

This is down from 12.1% in 2009, according to the same source.

Even if we assume that the figure is a reasonably accurate estimate (and it has been challenged[2]) about half of that is the domestic banking sector, so 'the City' as we think of it, the global hub, amounts to about 6% of total taxation; and the appropriate response to *that* figure would be *is that all*? The way that Darling, politicians in general and much of the media talk, we might conclude that the financial services were just about all this country had.

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1 <http://217.154.230.218/NR/rdonlyres/68F49A7E-8255-415B-99A8-1A8273D568D9/0/TotalTax3_FinalForWeb.pdf>

2 In 'City State against national settlement: UK economic policy and politics after the financial crisis', CRESC Working Paper Series, Working Paper No.101, 2011 at <www.cresc.ac.uk/>. The authors argue that the true figure is about half of this.