

The Captive Local State

Peter Latham

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THE CAPTIVE LOCAL STATE
Local Democracy under Siege

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for
Socialist Renewal

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The Labour Campaign for Open Local Government was established in May 1999 by a handful of London backbench councillors to campaign for the retention of a modernised committee system where this was the wish of the local community. LCOLG now has 350 supporters, mainly Labour councillors, in over 100 different councils. It is funded by trade unions and individual supporters. Further details can be obtained from the Secretary whose address is: Flat 8, 'Scoresdale', 13 Beulah Hill, London SE19 3LH (phone/fax: 020 8653 0248; e-mail: DrPALatham@aol.com).

The Captive Local State

*Local Democracy under Siege*¹

by Peter Latham

Introduction

All 386 councils in England except the smallest – as required by the Local Government Act 2000 – have just completed consultation with their electorates on which of three new management structures should replace the committee system, the retention of which is not an option. These are: a directly elected mayor with a small cabinet of councillors; or a council with a cabinet; or a mayor and council manager. Many councils have engaged researchers to find out what people think. MORI, for example, has worked in 50 councils and their research shows that typically only half of the population have even heard of these proposals, and a further third know nothing or not very much about them. This lack of knowledge is not surprising because residents are far more interested in the quality of services rather than internal structures. They know little about how councils make decisions – with four out of five knowing nothing or very little about current structures² – because centralisation and reduction in local state powers has de-motivated many electors who cannot see what difference their vote will make.

‘Until the seventies’, as Ralph Miliband noted in 1982, ‘local government in Britain’ was ‘predominantly treated in terms of a series of problems which required solution by the application of greater knowledge, more efficient methods of organisation, goodwill or whatever’. ‘How far the question of class pressures and the will to contain pressure from below might affect these issues’, he continued, ‘was seldom considered, or even perceived. Nor has this ceased to be the case... radical and Marxist-oriented work’ since the 1970s ‘has posed a genuine challenge to traditional modes of thought; but it is a challenge that has often been ignored, and prevailing orthodoxies have remained well entrenched’.³

Hence this pamphlet argues that the actual practice of today’s New

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Labour Party based on the Blair Project confirms the validity of Miliband's and other previous analyses showing the relationship between class, power, and the local state. In particular, it seeks to update the latter by applying the general argument of Michael Barratt Brown in *The Captive Party*⁴ that New Labour now articulates the predominant interests of the owners of capital in the most advanced industrial countries which have shifted from manufacturing goods to the provision of services – to the specific case of the local state. The pamphlet concludes by outlining a socialist strategy for combating the *Captive Local State*.

The Local Government Act 2000 in historical context

Historically, as Colin Leys notes, local government has been 'a good deal more democratic than the central state' because of 'its potential for generating more radical, extra-parliamentary forms of action'.⁵ For example, in 1921 the Mayor and 29 Labour councillors of the East London Borough of Poplar went to prison to force the government to redistribute the cost of unemployment relief; and in 1972, Clay Cross Council refused to increase council house rents. Lewis Baston, moreover, has recently reminded us that in 1900 'there was a flourishing system of largely independent local authorities, administering an extensive public sector, but very few Labour councillors'. Conversely, in the 1990s 'the Labour Party had unprecedented success in local elections, although local government had little autonomy and had lost most of its powers'.⁶ For between 1973 and 1988 local government was reorganised into larger units with the equivalent of a cabinet (the Policy Committee) under the control of the leader and the virtual elimination of financial independence. The Labour Campaign for Open Local Government (LCOLG), therefore, regards New Labour's Local Government Act 2000, which imposes the cabinet/mayor/manager models of local state governance, as the latest step in the roll back of local democracy.

The Labour Campaign for Open Local Government was established in May 1999 by a handful of London backbench councillors to campaign for the retention of a modernised committee system where this was the wish of the local community. We now have 350 supporters – mainly Labour councillors who copy our mailings to members of

their groups in over 100 different councils. The number is growing each week. The Campaign is also still firmly in the municipal socialist tradition and emphasises the building of broad alliances with other political parties, trade unions, related pressure groups and other sections of the Left. Howard Knight (Head of the Labour Party's Local Government Unit) has called us 'mischievous' and 'misinformed'. Yet our mailings are always analytical, as those who have seen them tell us, and reflect the concerns of the mainstream backbench councillors who make up the bulk of our supporters.

Throughout our existence, moreover, we have consistently argued for evidence-based policy making instead of central prescription based on no real evidence. Yet no pilot studies were conducted, as Professors of Local Government George Jones and John Stewart noted, to 'test' the 'options proposed for internal political management' and compare 'how executive forms work in other countries'. Thus the Act is 'a classic example' of 'a piece of bad legislation'.⁷ The legislation was made on the hoof, which is illustrated by the fact that the Government moved nearly a thousand amendments in the Lords and the Commons during its passage, and has had to issue endless pages of guidance and regulations since its enactment.

Why the Local Government Act 2000 undermines local democracy

Despite the Government's acceptance of the Liberal Democrats' amendment allowing smaller district councils with less than 85,000 residents to keep committees and the subsequent decision to allow this for all Welsh councils, the threats to local democracy highlighted by the Labour Campaign for Open Local Government and others throughout the campaign against the Bill remain now it is an Act. The five key threats are as follows:

1. The 'behind-closed-doors' secrecy still implicit in the legislation

A Government amendment was passed which requires decision-making meetings of the executive to be held in public, other than for exempt business. The previous position was that the executive would be able to decide whether to have meetings open or closed to the press

and public. However, although the draft regulations and guidance published in July 2000⁸ were an improvement, they still did not go far enough because executives would still have been able to meet in secret to discuss key decisions; exercise significant discretion to determine what constitutes a 'key decision'; take decisions deemed not to be key decisions in private with reports not having to be publicly available in advance; and delegate decisions to individuals which would require no advance disclosure/meetings. That is, instead of simply opening all cabinet meetings to the press and public, the draft regulations and guidance were complex, confusing and bureaucratic.

The final regulations and guidance, published in October 2000 by the Department of the Environment, Transport and the Regions (DETR), were even worse.⁹ For, as the *Local Government Chronicle* pointed out: '...one theme stands out – the way councils are being cajoled into the mayoral option....The Government has in fact skewed the guidance to push councils towards holding a binding referendum even when consultation only reveals low levels of support for a mayor'; and suggests that 'even if a petition falls short of the [5%] requirement the council should consider going ahead anyway'.¹⁰ The legislation also gives the Secretary of State 'reserve powers to force referendums' on directly elected mayors.

Moreover, under the regulations on *Access to Information* in *Statutory Instrument 2000 No. 3272* published on 19 December 2000, local authority cabinets and mayors will only take 'key decisions' – i.e. spending or cutting 'significant' amounts of money, or decisions that affect two or more wards – in public. Paragraph 7.21 of the statutory guidance, however, suggests councils should treat as 'key' any decision likely to have a significant effect on only one ward! So how can the two definitions be reconciled? The answer to this question, according to the *Local Government Chronicle*, is that 'in the first case, the decision is key. In the second it is not, but should be treated as if it is'.¹¹ The Department of the Environment, Transport and the Regions is also now trying to clarify the financial threshold defining 'key decisions' taken by cabinets by consulting on what spending is significant, what information to keep confidential, and on increasing the minimum time for which agendas and reports must be available. Previously the press and public had the right to attend council meetings and see

council papers three days in advance. The latter right, however, now only applies to 'key decisions'.

2. The concentration of power in too few hands with a cabinet or executive system and in particular with a directly elected mayor

Council-led campaigns for referendums on directly elected mayors include Birmingham (referendum planned for September); Brighton and Hove (referendum delayed); Hartlepool (referendum planned for the Autumn); Lewisham (referendum planned for October); Watford (referendum to be held on 28 June). Locally-led campaigns include Bath and North East Somerset (petition underway); Bedford (petition underway); Berwick-upon-Tweed (referendum planned for June); Bradford (petition underway); Cambridge (petition underway); Gateshead (petition underway); Liverpool (petition underway); North East Lincs (petition underway); Oxford (petition underway); Plymouth (petition underway); Surrey Heath (underway).¹² However, according to Local Government Association(LGA) research, only one per cent of councils want a mayor. Meanwhile the New Local Government Network¹³, which is funded by the private contractors with vested interests in local government, has launched a national 'Your Choice Your Mayor' campaign to 'provide support to people who want to make this change happen in their local area'. The Network informs those logging on to its web site that they can 'apply for funds to run a petition or referendum campaign'.¹⁴

The arguments against directly elected mayors, which have scarcely yet been heard, are as follows:

- *Directly elected mayors with power in the hands of one person will lead to patronage and corruption.* For example, on October 11, 2000, a court in Spain banned the mayor of Marbella from occupying mayoral office for 28 years because he mixed up the town's accounts with those of his football club.¹⁵ The following day Jean Tiberi – then mayor of Paris – was expelled from the Gaullist RPR party because he and some sixty others are under formal investigation for accepting kickbacks from building firms seeking council contracts in the capital when President Chirac was mayor of Paris from 1977 to 1995.¹⁶ Is this why *What a Difference a Mayor Makes* (2000), published

by the Network, omits any reference to France?¹⁷ The current legislation is modelled on the USA and the Network includes the directly elected mayors of New York, Baltimore and New Orleans as examples of what it considers is 'a powerful case for mayors in this country'. Yet the Network also omits to point out that corruption is a serious problem among US mayors – where over 50 former mayors are currently in prison for this offence – and jail is the commonest occupation for ex-mayors. A recent example is that of Milton Milan, the Mayor of Camden, New Jersey, who was convicted on December 21, 2000 of taking mob payoffs, laundering drug money and stealing campaign funds to become the third of the past five mayors in this city to be found guilty of corruption. Federal prosecutors relied on the testimony of Ralph Natale, according to Associated Press writer Brendan Schurr, 'one of the highest-ranking American Mafia figures ever to turn government witness', who funnelled \$50,000 to Milan to steer city contracts to mob-backed businesses. Natale paid for Milan's celebration dinner the night he was sworn in as mayor, and in 1998 for his and his girlfriend's vacation in Florida. A drug dealer gave Milan \$65,000. Milan, who also accepted cars and home improvements from other city vendors and businesses seeking contracts or favours, now faces nine to eleven years in prison.¹⁸

- *Directly elected mayors will effectively remove working people from this layer of democracy and replace them with a brigade of career politicians.* The Local Government Association's written evidence submitted to the House of Commons Environment Sub-committee inquiry on 'Local Governance' warned that the greater workload for cabinet members than under the traditional committee system would lead to full-time executive, i.e. cabinet member, councillors.¹⁹ At present the upper limit for full-time council leaders' allowances is in the lower £30,000s. However, as Declan Hall and Colin Copus point out, 'it will not be long before the £58,000...proposed for the leader of Cardiff...will not draw any press or Government attention, particularly when the Mayor of London is entitled to a salary of £84,000'. The authors then rule out full-time non-executive, i.e. backbench member, councillors on the grounds that 'there is clearly no perceived demand for full-time councillors at this level, even in

large authorities, the GLA being the exception where members...receive a £34,000 salary'.²⁰

- *Directly elected mayors will put the 'vested' back into interests.* For as Capita – one of main private contractors funding the Network – stated in their evidence to the Joint Select Committee on the Local Government Bill: 'It helps if the leader is able to commit the council and to have control over his/her group'. That is, private contractors want to do business with one person only without internal discussion by democratically elected councillors.
- *Directly elected mayors will create an arena that focuses on personalities not politics.* Directly elected mayors will be career politicians, professionals at best, or celebrities with little experience of anything except 'stardom'. It is interesting to note, therefore, that Liverpool, once keen on a directly elected mayor, is now less keen when it became known that Cilla Black, Derek Hatton or Phil Redmond might join the mayoral race. In Britain the politics of personality, at least at local level, have never had a place.
- *Directly elected mayors are also unlikely to increase turnout, as supporters claim.* This is because the centralisation and the reduction in the powers of local authorities alluded to above has de-motivated many electors who cannot see what difference their vote will make. It is salutary, moreover, to consider the meagre 34.8% turnout that a highly publicised and recent direct election, that of the mayor of London, achieved. By contrast, where committees still exist, as in Scandinavia, turnout in local elections is regularly 70% - 80%.
- *Directly elected mayors cannot 'be removed by impeachment or a vote of no confidence, however incompetent'.* They can only be removed, as Brighton and Hove Cllr Francis Tonks also notes, if there is 'evidence of corruption or other law breaking'.²¹ Most mayoral systems in other countries, however, provide for removal either by a vote of the legislature or council – a kind of impeachment – or through a popular vote following a citizens' petition. But the New Labour Government decided no such provisions were necessary. 'In a delightfully Yes Minister form of argument it claimed', as Chris Game points out, 'a recall mechanism would make mayors "unique among those in the UK directly elected to office in that they could be replaced, despite their democratic mandate, by actions of either their electorate or

others”’. This ‘is the whole point of accountability through recall’. Yet, in Jim Hacker and Sir Humphrey style, the Government argued that: ‘Really unpopular mayors...especially if pressured by party or public opinion “may choose to resign”’. Just like unpopular or incompetent ministers do, presumably. Little wonder then that one of the most emphatic findings of the wide-ranging enquiry published by Birmingham’s democracy commission last year was that, while many electors were attracted to the principle of electing a mayor, they became sceptical on learning that there would be no way of removing one who was incompetent and/or undemocratic. Thus, as Chris Game concludes: ‘If ministers really want to break their own party’s 17-year hold’ on Birmingham’s local government, ‘their refusal to consider a mayoral recall mechanism might just achieve it’.²²

3. The discarding of all other councillors from the decision-making process

A recently published survey by the Improvement and Development Agency covering the 466 councillors who left local government in May 2000 shows that just over half stood down voluntarily, and that more than one third did so because of restructuring. For, as Local Government Association Conservative group leader Gordon Keymer, commenting on the latter findings, said: ‘There’s always been a concern that you’ll have the cabinet running the place and the scrutiny people (i.e. backbench non-executive councillors PL) regarded as second-class citizens’.²³

Yet Tony Blair told the Third Annual Convention of the National Association of Black, Asian and Ethnic Minority Councillors (NABAEMC) in July 1999 that the Government’s plans to modernise local government would address the problem of the ‘under-representation of women, ethnic minorities and young people in our council chambers...’. ‘In America’, Tony Blair further asserted, ‘experience shows just how the kind of local governance structures we are introducing – particularly directly elected mayors – can be more effective in putting black, Asian and ethnic minority politicians into positions of authority. Directly elected mayors, such as Kurt Schmoke of Baltimore, Wellington Webb of Denver, and Bill Campbell of Atlanta show just how much difference a directly elected mayoral system can make in ensuring a higher profile for black, Asian and ethnic minority politicians’.

National Association national executive committee member Councillor Nirmal Roy, in a letter to members dated 8 June 2000, noted that he was the only black councillor on Camden Council which is a borough where ethnic minorities constitute 21 per cent of the population. Three per cent of councillors are from ethnic minorities who comprise six per cent of the UK population. He also pointed out that 'Even when elected, many of us find ourselves marginalised in our political groups and excluded from the decision-making power base in our councils'. Contrary to Tony Blair, however, Councillor Roy concluded that without 'improved, open and democratic committees', the position of ethnic minority councillors 'will be even more marginalised in the future' because 'after the modernisation, be that of elected mayor, leader and cabinet or leader and council manager, power will be concentrated in fewer hands'. Indeed, where 'new structures have already been implemented, councillors of ethnic minority origin have found themselves more excluded than before'. Councillor Roy also argued that Tony Blair's suggestion that directly-elected mayors will 'offer us new opportunities has not been universally proven elsewhere' since his listing of three directly elected US ethnic minority mayors 'is hardly a convincing argument, when 21 per cent of the USA population is black', and 'some directly elected mayors of ethnic minority origin in the USA' have been 'impeached and prosecuted for corruption and financial mismanagement'.

Councillor Buchan Bhalla, Secretary of the National Association of Black, Asian and Ethnic Minority Councillors, writing in the Local Government Association's weekly magazine, makes similar points to Councillor Roy. He also considers that 'modernisation will make things even worse and could even reverse the limited progress' ethnic minority councillors 'have made'. Instead of imposing 'one' of the three modernisation options, he concludes government should allow 'an updated and improved committee system' if 'local opinion' considers this 'most suited to local needs'.²⁴

4. The fact that so-called 'scrutiny' does not work

This is shown by both research and experience where cabinets have already been introduced. Even Paul Corrigan – partner of Hilary Armstrong (Minister for Local Government), Executive Director of the

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Public Management Foundation and Network luminary – now concedes this point when he states: ‘For some, this failure of scrutiny is no surprise since they never believed there was anything in the new system’.²⁵

A recent survey by Bristol City Council found that 86 per cent of the 22 councillors who responded said scrutiny was less effective. No one thought it was more effective. 21 councillors thought the structure had failed to strengthen local democracy and 20 felt scrutiny committees had not brought increased accountability. Just four thought services had improved since the changes. One councillor commented: ‘Scrutiny has so far failed to achieve anything significant.’ Another said: ‘Bring back the committee system. It worked and all members were involved in the decision-making process.’ Barbara Janke (Lib Dem), leader of the opposition, said the scrutiny experiment had been a failure: ‘It was clear from the start there were major problems with the scrutiny commissions – not least the fact that they have no power. How can such toothless bodies be expected to call the powerful decision-makers to account?’ she asked.

Professor Steve Leach, on the basis of in-depth research studies of 12 different local authorities, concluded that ‘overview and scrutiny’ of cabinets by backbench councillors ‘has struggled to establish an effective role in the transitional arrangements introduced by an increasing number of authorities, and is likely to continue to do so, when executive systems under the terms of the Local Government Act 2000 are introduced. In the main it has not, as a function, engaged the hearts and minds of those participating in it nor has it proved particularly effective in ‘adding value’ in terms of modifying decisions or policies, or holding the executive to account’.²⁶ All the feedback from supporters of the Labour Committee for Open Local Government is also consistent with Professor’s Leach’s findings.

5. The evidence that New Labour’s ultimate aim is to eliminate representative democracy in local government and replace it by local administration

The Society of Local Authority Chief Executives (SOLACE) in 1999 told the Joint Select Committee on the Local Government Bill that ‘the number of councillors should be reduced as we move to a new model of executive and scrutiny’. Similar policies are advocated in the Society’s submission to the current House of Commons Environment

Sub-committee inquiry on 'Local Governance'.²⁷ Moreover, Dave Sullivan, the Labour Mayor of Lewisham Borough Council and its current Leader, is campaigning to halve the number of London boroughs. He is also a leading supporter of the Network which in the financial year 1999/2000 received £279,542 from 'corporate partners'²⁸; whereas the Labour Committee for Open Local Government has only received £5,500 from trade unions and individual supporters since its inception.

The Network and the Institute for Public Policy Research, on the 19 October 2000, launched *Towards a New Localism: A discussion paper*. Written by Geoffrey Filkin, Gerry Stoker, Greg Wilkinson and John Williams it is aimed at influencing party manifestos on the future of local government in the run up to the general election. The paper 'rejects the dominant view of local councils as primarily producers of services'; and proposes asset management partnerships to take ownership of local authority and public sector assets and lease them back to local authorities at economic rents. Concepts from the private sector are uncritically used and the paper is full of language like 'front and back line services', the 'virtual local authority', 'world class procurement', and 'supply markets'. Conversely, words like 'probity', 'public sector ethos', 'ethical', 'equity' and 'equal opportunities' never appear in the paper. The paper is also elitist since council leaders/mayors only would get pay, pensions and support similar to Members of Parliament. Moreover, despite the reference to 'localism', the paper states 'that over a ten-year period the number of councillors in all principal authorities should be reduced significantly' and replaced by 'talented people from business or the voluntary sectors to take office within a cabinet on the invitation of the leader or the mayor'. The mayor would also have the power to appoint quangos.

These proposals, if implemented, would mean the end of representative democracy in local government and its replacement by local administration. Moreover, the most worrying aspect of these recommendations – apart from the fact that they are supported by both the *Local Government Chronicle* and the *Municipal Journal* – is that many of them are close to fruition. For, as Dennis Reed, Director of the Local Government Information Unit, notes, the proposals 'come from an organisation whose self-appointed executive is stuffed with

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local government minister Hilary Armstrong's closest advisers and those actively campaigning against the return of the business rates to local level and for the imposition of elected mayors'.²⁹

'A unique aspect of the way in which the New Local Government Network is organised', according to its web site, 'is its engagement with the private sector through its Corporate Partners': i.e. a 'number of private sector organisations covering a range of local government

The New Local Government Network was established in 1996 by Lord Bassam (Parliamentary Under-Secretary of State, Home Office), Len Duvall (Labour member of the London Assembly and former Chair of the Improvement and Development Agency which trains councillors for modernisation), Gerry Stoker (Professor of Politics at the University of Strathclyde who, in 1997, became a member of the Academic Advisory Group to the DETR which drafted the statutory guidance on the Local Government Act 2000) and Rita Stringfellow (Leader of North Tyneside Council). Their web site membership database lists over 1700 individual members across the country. The Steering Group meets every six months in October and March when the AGM elects the Executive Committee. Clearly the one member one vote principle does not apply: since the 'primary function' of the Steering Group 'is to elect the Executive Committee and review its performance'.

The 15 current Executive Committee members are: Gerry Stoker (Chair), Liz Allen (Educational Policy Analyst), Douglas Eyre (Leader of the Liberal Democrats, Bournemouth Borough Council), Lord Geoffrey Filkin CBE, Kris Hibbert (Single Status Review Officer, Lewisham Housing), Cllr R. Hills (Leader of York Council), Amanda McIntyre (Policy Officer, CBI), Nick Sharman (Executive Director at the London Borough of Islington), Ben Lucas (Director, LLM Communications), Neil Sherlock (Director of Corporate Affairs, KPMG and previously advisor to Paddy Ashdown when he was Leader of the Liberal Democrats), Steve Bullock (Head of the Labour Office, Local Government Association), Len Duvall, John Foster (Chief Executive, Middlesborough Council), Helen Randall (Senior Solicitor in Nabarro Nathanson Public Sector Department who '**advises local authorities and their private sector partners on PFI, PPPs, joint ventures and outsourcings**' – emphasis added) and Munira Thobani

interests support NLGN and actively participate in the debate about modern local government'. They then state that: 'Corporate partners are sought who support NLGN's aims and want to participate actively in its work through their expertise and ideas as well as providing financial backing. It is hoped that sponsors will become involved in the exchange of ideas and initiate issues and approaches for NLGN to pursue'. The 'benefits' of being a Corporate Partner include

(Head of Democratic Services, London Borough of Lambeth).

The 47 current members of the Steering Committee are: Liz Allen, Cathy Ashley (Ashley Consultancy), David Ball (Capita), Di Bligh (Independent Consultant), Steve Bullock, Ivor Caplin MP (Hove), Sue Charteris (Consultant and Associate Fellow, Warwick Business School), Paul Corrigan (see 4 above), Cllr Bill Cantello (West Sussex County Council), David Clark (former Leader, East Hampshire District Council), Dr Roy Darke (Oxford Brookes University), Steve Davis (Assistant Chief Executive, Epsom and Ewell Borough Council), Douglas Eyre, Lord Filkin, John Foster, Cllr Gideon Ben-Tovim (Labour Group Leader, Liverpool City Council), Sue Goss (Director, Office of Public Management), Cllr Brian Flood (North Tyneside Council), Professor Robin Hambleton (University of the West of England), Kris Hibbert, Cllr Bob Hoyle (Oxford City Council), Ben Lucas, Amanda McIntyre, Cllr Frank Mckenna (Lancashire County Council), Cllr Abigail Melville (Lambeth Council), Ben Page (Director, MORI), Cllr Sally Powell (Deputy, London Borough of Hammersmith and Fulham), Helen Randall, Mike Reardon (Deputy Chief Executive, Trafford Metropolitan Borough Council), John Roberts (Local Government Consultant), Ian Roxburgh (Chief Executive, Coventry City Council), Kai Ruddat (Office for Public Management), Justin Russell (Special Advisor, Home Office), Rory Scanlan (Beaumarke), Nick Sharman, Valerie Shawcross (Labour member of the London Assembly), Neil Sherlock, Cllr Andrew Slaughter (Executive Mayor, London Borough of Hammersmith and Fulham), Cllr Neil Spurgeon (Essex County Council), Cllr Mike Storey (Leader, Liverpool City Council), Cllr John Taylor (Nottingham City Council), Munira Thobani, Matthew Walsh (Committee Secretary, Epping Forest DC), Alan Whitehead MP (Southampton Test), Cllr Keith Whitmore (Leader of the Opposition, Manchester City Council) and Cllr David Wilson (London Borough of Lewisham).

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attending 'several Corporate Partner briefings a year'; and 'a private briefing session for the company by national experts'.

The Network's appeal for 'financial backing' from private contractors in the service sector – who already profit from all the current variants of New Labour's privatisation policies and will profit even more if their common agenda is fully implemented – has been very successful. This is shown by the Network's most recent set of audited accounts for the financial year ended 31 March 2000 which show that they received £279,542 in 'sponsorship income' compared to only £154,834 in the previous financial year ended 31 March 1999. Readers will also be interested to know that Lord Filkin – in addition to his House of Lords attendance allowances – also received £71,179 for 'services supplied during the year' 1999/2000 which dwarfed the amounts paid to the Network's other three trustees – Professor Stoker (£6,932), Liz Allen (£4,168) and Lord Bassam (£520).

In September 2000 the Network had 30 corporate partners. Sponsorship income has increased since September because the Network now has 35 corporate partners: Accord, Amey, Amec, Accenture, ArthurAnderson, Babbie, Brophy, BT, Business Services Association, Capita, Carrillon, Cambridge Education Associates, Confederation of British Industry, Chartwells, Corporation of London, Deutsche Bank, Edwards Project Management Limited, Finace, ICL, IPF, Initial, Jarvis, Kendric Ash, KPMG, Libre, MORI, NabarroNathanson, Nord Anglia Education PLC, Onyx, JSSPinnacle Integrated Housing Services, Prospects Careers Services, Sodexo Catering and Support Services, Serco, Serviceteam (recently acquired by Cleanaway Europe, the £800m specialist and waste management company), Unisys and Xerox.

The Network's impact and significance for the local state

Michael Barratt Brown and Ken Coates, in 1996, wrote a book entitled *The Blair Revelation* which emphasised that the aim of the Blair project was to make labour acceptable to capital. *The Captive Party*, Barratt Brown's new booklet, demonstrates not only that the last five years have confirmed their worst expectations: but that the actual practice of New Labour has been far worse than they predicted.³⁰

Barratt Brown shows that a new social formation of Business and New Labour has been created through the appointment of leading business people to government office (e.g. Lords Sainsbury, Simon and MacDonald) and some 2500 leading men and a few women from business to 350 Task Forces, Panels, Action Groups and special units attached to the Treasury and other government departments. These are not expert advisers but people with decision-making power. Their power is exercised through the Private Finance Initiative (PFI).

New Labour, according to Barratt Brown, **now articulates the predominant interests of the owners of capital in the most advanced industrial countries: which has shifted from manufacturing goods to the provision of services. They are extending the role of private finance into fields which have been traditional areas of public provision.** The goods can be made in East Asia and other regions where labour is cheap. Hence inequalities increase both at home and abroad. Yet under PFI, efficiency is not guaranteed with budgets overshot, standards reduced and the repayments to be made over many years mortgaging the interests of our children, as Labour ministers warned before they took office.

Tony Blair's recent article entitled the 'Third way, phase two' lists a series of challenges he considers we face in the 21st century: these include 'modernising and overhauling government itself and public service provision' and 'the development of an entrepreneurial, high status public sector...', 'renewing democracy and overcoming the alienation and disconnection from politics', and 'the challenge of international engagement'.³¹ In an interview with *Forbes Magazine* also published in March, however, Tony Blair is much more explicit about what he actually means by the terms 'entrepreneurial' and 'international connection'. For he tells us in this interview that in the future corporation tax will fall; the flexible labour market will be retained; and liberalisation in Europe and internationally through the World Trade Organisation (WTO) will increase. He is also euphoric about the fact that the electricity and gas in his constituency are now 'both owned by French companies'. 'I want to see us develop a far greater entrepreneurial culture' he continues, because we 'have only just gone beneath the surface of this so far'.³² So we cannot now say we did not know what was planned for New Labour's second term.

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The General Agreement on Trade in Services (GATS), since it removes the right of democracies to vote for stronger regulation and more public sector involvement in the economy, reinforces the case for Barratt Brown's *Captive Party* thesis, and further illustrates how Tony Blair's Third Way article obfuscates the neo-liberal agenda embraced in his *Forbes Magazine* interview. GATS was signed in 1994 as part of the agreements that set up the World Trade Organisation. Negotiations to further liberalise 160 service sectors, including public services, failed in Seattle in November 1999 but eventually got underway in February 2000. In Britain, moreover, GATS is pushing at an open door. For example, last November, Health Secretary Alan Milburn signed a concordat with private health care providers aimed at allowing them a greater role in the National Health Service. Milburn has also extended the private finance initiative to enable private consortiums to build 18 hospitals, which will be leased back to the NHS at an estimated cost of £18 billion.³³ In March negotiations began on extending the General Agreement on Trade in Services.

Meanwhile 253 MPs have now signed the following early day motion calling for the impact of GATS on the public sector to be examined:

That this House welcomes the statement in the Government's recent Globalisation White Paper that recognises the role of government in ensuring that basic services are provided to all; notes that negotiations to expand the reach of the WTO's General Agreement on Trade in Services are underway; further notes that the GATS applies to all tradable services, including public services, if they are provided commercially or in competition with other suppliers; further notes that the GATS applies to all levels of government, including local authorities; is concerned over the lack of parliamentary and public debate on this agreement given its far-reaching implications; and calls on the Government to ensure that there is an independent and thorough assessment of the likely impact of the extension of the GATS on the provision of key services both in the UK and internationally, particularly on the poor in developing countries.³⁴

And Parliament's International Committee has demanded a special commission. Hence the fight back – despite any sign that the

Government has yet understood the concerns of its critics³⁵ – has begun.

The implications of this discussion are as follows:

- We still need to view the local state ‘in the context of the real economic situation of the period in which we live’ and not just as ‘a key part of the state in capitalist society’(Cockburn 1977)³⁶ but also situate it in relation to its international context
- The predominant interest of the owners of capital in the most advanced industrial countries has shifted from manufacturing of goods to the provision of services
- This shift is reflected in the planned extension of GATS to apply to all levels of the state, including the local state, which could lead to the marketisation and privatisation of virtually all national and local state services
- The aim of the original Blair Project was to make labour acceptable to capital (Barratt Brown and Coates (1996))
- Tony Blair’s Third Way rhetoric obfuscates the above neo-liberal agenda he supports
- Barratt Brown’s *Captive Party* demonstrates at national state level how this shift in the interests of capital has led to the creation of a new social formation of Business and New Labour
- This pamphlet uses the concept of the ‘captive local state’ to denote and map the consequences of the above processes in relation to local government where a similar new social formation – the New Local Government Network – has developed
- The Network – established in 1996 by a small group of senior Blairite figures in local government – is funded by the major private companies whose profits are boosted by the privatisation of local state services
- The Network’s executive includes the local government minister’s closest advisers and the Local Act Government Act 2000 implements its original agenda
- On the basis of the present balance of economic and political forces, therefore, the Network’s ultimate aim – to replace direct provision of local state services by privatised services locally administered by mayors/cabinets without backbench councillors – is deliverable

Local elections and the general election

There are local authority elections on Thursday 7 June 2001 in England for all the County Councils and some unitary authorities: but none, other than by-elections, in Scotland, Wales, London and Metropolitan Districts in England. In County Councils and the Isle of Wight Unitary Authority every seat is up for election. Only one-third of the seats, however, will be contested in all the other unitary authorities.

These elections were postponed from 3 May following emergency legislation due to Foot and Mouth disease. And, if the general election had not coincided with the local elections, as Collin Rallings and Michael Thrasher of the University of Plymouth Elections Centre show, Labour stood to lose almost half of the 850 council seats it is defending this year³⁷. For, despite Labour's increasing lead in the national opinion polls, and the general expectation that it cannot fail to win a second term, the party continues to lag behind the Conservatives at local elections. For example, in last May's council contests, Labour lost a net total of 16 councils and was eight percentage points behind the Tories in terms of the national vote. Local by-elections since May, moreover, continue to show a similar trend, with the Tories about 5% in the lead.

The New Labour leadership argues that the reason for this seeming paradox is that Labour voters abstain because they are 'content' with what the Government is doing. Whereas the Left takes the view that Labour's core vote is disappointed with 'their' government and makes the point by abstaining. That turnout is falling, especially among former Labour supporters, is indisputable. Hence, without the safety net of a 7 June general election, as Rallings and Thrasher also indicate, Labour was likely to lose Lancashire, Northamptonshire, Nottinghamshire and Staffordshire County Councils to the Tories. Bristol City Council, Cumbria, Derbyshire and Northumberland County Councils, moreover, would be 'hung'. Only Durham County Council would remain under Labour control. That is, Labour would no longer be responsible for providing services to over four million electors. And Labour's share of seats on Local Government Association committees would be reduced to about 40% – similar to the Tories.

Hence the Rallings and Thrasher analysis suggests that the decision to also hold the general election on 7 June will reduce Labour's seat losses to 150; and enable it to retain control of Bristol City Council, Derbyshire, Nottinghamshire and Staffordshire County Councils plus the Local Government Association. This will be because of a higher turnout – albeit lower than in previous general elections – than if local elections alone had taken place on 7 June.

The most recent analysis carried out by Rallings and Thrasher for *The Sunday Times*, which includes the final by-elections before the June 7 elections, shows that more than 40,000 votes have been cast this year in wards where comparisons can be made with earlier voting patterns. The Tories are ahead at 35% in terms of national equivalent vote shares, followed by Labour on 32% and the Liberal Democrats on 28%. If repeated at a general election, this pattern would result in a hung parliament. The Rallings-Thrasher by-election model, which gave an accurate prediction of the 1997 general election – putting Labour's vote at exactly the 44% it achieved – is clearly at odds with the opinion polls, which show Labour's lead averaging 20 points. The difference is mainly because Labour supporters in opinion polls are less prepared to turn out and vote. Their analysis also shows that during the current parliament, voter turnout in council seats held by Labour has averaged only 23% in by-elections. Labour's 'retained vote', the proportion of its supporters prepared to turn out again to vote for it at local level, has fallen to 49% compared with 67% for the Tories and 60% for the Liberal Democrats. In 1997, 71.8% of eligible voters turned out to vote. Rallings and Thrasher now predict turnout in the general election will fall below 70%, costing Labour parliamentary seats.³⁸

Labour's web site says: 'Those people who say that local government doesn't matter should look at the improvement brought about by the hundreds of effective Labour councils up and down the country...because of the tough choices we took in our first two years of office...'. Yet, even if sticking to the Conservative spending plans from 1997 to 1999 were not a cause of voter disaffection with New Labour, the problem is more fundamental. For as Demos's recent publication, *Basildon: the mood of the nation*, concludes, people are disengaging from the political process. Basildon Council Labour leader John Potter

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believes Demos's research is borne out by the erosion in the importance of local government over the past few decades: 'Local government is far, far less relevant to people's lives than it was in the 1970s and far more centrally controlled'. Councillors who are paying themselves more under the new cabinet system also 'send out a terrible message' to the people turning away from politics. He also says town halls, denuded of power, are becoming agents of local administration.³⁹

What is to be done? A socialist strategy for combating the Captive Local State

- 1) Monitor implementation of the Local Government Act 2000
- 2) Champion the interests of backbench councillors
- 3) Continue the fight against directly elected mayors
- 4) Make new links with trades unions and others campaigning against the extension of GATS forcing governments to privatise national and local state services in advanced capitalist countries and the Third World
- 5) Raise awareness in the labour movement and beyond concerning New Labour's ultimate aim to eliminate representative democracy in local government and replace it by local administration
- 6) Promote the Labour Campaign for Open Local Government's progressive agenda on public participation (including increasing the number of councillors, which would bring us into line with similar countries⁴⁰), openness, accountability, transparency and directly provided improved services
- 7) Campaign against all variants of further privatisation (private finance initiative, public-private partnership, etc.) and for public ownership — unlike the old models of nationalised industries and the pre-market managed NHS — which ensures that the interests both of the workers and of consumers are formally represented
- 8) Replace Task Forces with strengthened House of Commons committees
- 9) Harmonisation with Europe where most countries enjoy public services and pay/working conditions that are far superior to those in the United Kingdom⁴¹

- 10) Increased direct taxation and radical reform of local government finance⁴² (including the introduction of local income tax to replace the regressive council tax) to both increase expenditure on services and reduce the proportion raised centrally

These are the essential preconditions for retaining directly provided services and preventing the end of representative democracy in local government and its replacement by local administration. Likewise, the precondition for the achievement of this socialist alternative agenda for the local state is the restoration of representative democracy in the Labour Party itself. Otherwise those such as the contractor-funded New Local Government Network will successfully pursue their agenda of fewer councils and councillors with no directly provided services. We are entering a pre-election phase in which pressure is being exerted on the Labour Campaign for Open Local Government, as a Labour Party pressure group, not to rock the boat or be controversial. Hence, while acknowledging the latter pressure, as 'candid friends', we also wish to warn against the threat to Labour Party morale due in particular to the ill-thought-out directly elected mayor policy, which poses a real danger to our movement and local democracy generally. We have seen the disastrous results of privatisation in the case of the railways. We do not want a similar situation in local government where directly provided socially beneficial services are out-sourced to private contractors administered by cabinets and leaders/mayors.

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- 14 www.nlgn.org.uk/yourmayor/campaign
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- 16 *The Times* 13 October 2000.
- 17 ‘France was plunged into constitutional confusion’ on April 26 2001 when Judge Eric Halpern – in ‘a formal memorandum to the justice ministry’ – said he was shelving his inquiry into the President’s alleged part in the scam because he has immunity from prosecution as long as he remains in office. The judge’s memorandum stated that – although “there now exists evidence making it probable that Jacques Chirac could have participated, as author or accomplice, in offences under the law” – only the high court of justice could now examine the accusations. Paris city hall creamed £60m off public building contracts, most of it being used to fund the

- President's RPR party when he was mayor. The judge's main evidence comes from the testimony of former RPR fundraiser Jean-Claude Méry – who died in 1999 – in a video taped in 1996 in which he said the covert fundraising system was run “exclusively on Mr Chirac's orders” when mayor: and that he had been present when a contractor handed over £500,000 to another RPR official. The other key witness is François Ciolina – a former senior official in the city's public housing department – who said that several building contractors had told him that “to win contracts, you had to deposit cash in the mayor's office”. Henley, J. ‘Judge has to drop “convincing” case against Chirac’, *The Guardian* 27 April 2001
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