

Myths, Politicians and Money

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Myths, Politicians and Money

The Truth behind the Free Market

by

Bryan Gould

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Preface

I was born in New Zealand just before the outbreak of the Second World War. New Zealand's contribution to the winning of that war meant that it played a role that was significantly greater than its then relative isolation might have suggested. Partly as a result, no doubt, I took a lively interest as I grew up in international affairs. The war, some of which – and especially whose end – I clearly recall, had left me in no doubt as to what was worth defending; and a sense that I was a privileged heir to a great and beneficent civilisation continued to inform my attitudes as the Cold War gathered force and eventually ran its course.

By the time I had won a Rhodes Scholarship to study law at Oxford in 1962 it seemed to me that the values that distinguished western liberal civilisation were likely to be adopted by an increasing proportion of the world's population – a belief that was underpinned by the rapid demise of colonialism and by the prospect of a hoped-for spread of democracy and self-government across the globe. I looked forward to playing my own small part in that development. I was proud of my New Zealand heritage; and the fact that my passport at that time described me not only as a New Zealand citizen but also as a British subject seemed to confirm my identity as a scion of a long-established civilisation of which Oxford was a leading ornament. As a self-appointed representative of western civilisation (of which English-speaking countries seemed to be the leading practitioners), and as a former schoolboy student of Latin, I was inclined to say to myself *civis britannicus sum!*

After a spell in the British Diplomatic Service (which gave me a bird's-eye view from Brussels of the early days of what has become the European Union) and some years as an Oxford law don, I was eventually elected to the House of Commons in 1974 as a Labour MP. I had first joined the Labour Party in 1964 when, after Harold Wilson's election victory, the foreign exchange markets had engineered an immediate run on sterling; I was outraged by what I saw as an attempt by the City of London to undo the outcome of a democratic election.

As a new MP, I rapidly reached the conclusion that, while there were many other matters of interest and importance right across the board, the central issue of politics was the question of who controlled

the economic process and in whose interests that was done. I became interested – and, I like to think, to some extent expert – in issues of macroeconomic policy. I developed positions on a number of the issues which I saw as both distorting economic policy against the interests of ordinary people and as inhibiting the ability of those same people to use the power of democracy to defend themselves against the unfair hand they were being dealt.

So, I was concerned at what I saw as the disproportionate influence wielded by the City of London over economic policy and at the priority given to financial interests. The corollary of this bias was the decline of manufacturing industry, on which so many British workers depended. The refusal to accept the importance of the exchange rate in determining the competitiveness of British industry and the adoption of monetarist doctrines in the late 1970s prompted me in 1981 to write, with two colleagues, *Monetarism Or Prosperity*, a critique of then current and developing policy, a critique which I believe stands up very well today.

I was also concerned at the risks inherent in what seemed to me to be anti-democratic efforts to create a European super-state – a vision nurtured by a small elite but not shared by most ordinary people – and at the growing power of international capital following the removal of exchange controls by the Thatcher government. I was dismayed, too, when in 1986, leading for the Opposition in the Committee stage of the Financial Services Bill, I saw at close quarters the emerging blueprint for hugely more powerful financial markets and institutions that would be subject to no effective regulation.

I had the misfortune, as I saw it, of spending much of my political career in opposition at a time when the Thatcherite assertion that ‘there is no alternative’ to what we would now call neo-liberalism was widely accepted. I, along with others, was compelled to observe and criticise from the sidelines, as the interests of working people were sacrificed to those of powerful national, European and international financial interests and institutions.

One of my principal concerns was the failure of the Labour Party in Britain, and of progressive and pragmatic politicians across the globe, to mount any proper defence of democracy or to argue for an economic policy that took account of the interests of everyone and not just of a privileged few. By the time I had unsuccessfully contested the leadership of the British Labour Party in 1992, it was clear to me that my chances of persuading my colleagues that we needed to do better had become very slight.

As New Labour began to take shape, I accepted an offer to return to my native New Zealand in 1994 to take up the vice-chancellorship of Waikato University. During my ten-year term of office at the university, I largely eschewed any direct political involvement, although I did not abandon my interest in political and economic issues. But since stepping down from the university in 2004, I have been free to express – in a series of books and articles in both New Zealand and the United Kingdom – my distress at the overwhelming power of international capital in the global economy and at the diminution of any hope that this could be restrained by governments claiming the legitimacy of having been democratically elected.

The global financial crisis in 2008 and the recession that followed represented what should have been, in my view, a conclusive and adverse judgement on the regime created by the new masters of the global economy. The failure, or perhaps refusal, on the part of those powerful people to learn the obvious lessons seems to illustrate and emphasise just how fundamental has been the transfer of power from democratic governments to a relatively small cabal of extremely rich and powerful people and institutions, a development that I believe now calls into question the fundamentals of what we used to regard as western civilisation. True to the values I have tried to uphold over a long period in public life, I have felt compelled to raise my small voice to warn about what we are in the course of losing before it is too late.

In making this attempt, I have often drawn on the lessons I have learnt by virtue of the time I have spent in both my native New Zealand and in the United Kingdom. I have also prayed in aid examples drawn from the experience of the United States, and to a lesser extent, Australia and Canada. It will not escape notice that these are English-speaking countries, exhibiting a particularly Anglo-American approach to the issues that the West as a whole now faces. I make no apology for this; while other western countries may have avoided the worst of the errors and excesses that have assumed their most virulent form in English-speaking countries, it is western civilisation as a whole that is paying the price.