

Election Fiasco 'Kicks' Blair, New Labour

by Mark and Mary Burdman

British Prime Minister Tony Blair suffered his worst humiliation, in June 10 local elections and European Parliament contests across England and Wales, since he was elected in May 1997. The result of Blair's Labour Party's miserable showing in both, is that the Prime Minister is now, at best, a lame duck, ripe to be removed from power at some early date in the coming months.

These results were not a consequence of local or European issues, but rather a referendum on Blair's dragging Britain into the Iraq fiasco, and, more generally, Blair's stubborn alignment with the Dick Cheney-led neo-conservatives in Washington. His obsession with standing "shoulder to shoulder" with the neo-cons is becoming such a liability, that even core "New Labour" figures are publicly begging Blair to "put some light" between himself and the Cheney crowd. Thus, June 10 has transatlantic consequences, and could well speed up the "super-Watergate" hitting the Bush-Cheney Administration in Washington. But the election results are only one of the flanks now opening against Blair's rule. *EIR*'s sources had forecast that a bad showing on June 10 would be a "signal" for renewed intelligence warfare and scandals against Blair, over the Iraq "weapons of mass destruction" farce (which played so crucial a role for the Cheneyites' "pre-emptive strike" doctrine). These scandals are already resuming.

Then, there is the economy. The Bank of England (BoE) chose June 10 to announce it was raising interest rates by a quarter-point for the second time in two months. This was even a greater blow for Blair. BoE Governor Mervyn King followed up, four days later, with a blunt speech warning about the fragility of Britain's huge housing bubble. House price inflation is now over 20% a year in Britain. With credit card and other debt added on to mortgage obligations, British households are *£1 trillion (\$1.835 trillion) in debt*—a bubble just as bad, per capita, as that in America. One trillion pounds debt equals Britain's annual output, the *Financial Times* noted sourly on June 2.

Blair is certainly nervous. Usually, he loves strutting about on the world scene, but the election results were announced while he was in the United States for the G-8 summit and the funeral of Ronald Reagan. "Of course, it's a difficult time," he had to admit, adding, "It's a question of holding our nerve." He acknowledged that there was "anger" over his Iraq policies, but claimed that the situation in Iraq would improve,

and that Britons would concentrate on his record on the economy. He will regret both statements.

Back in London on June 15, Blair showed the strain in his monthly press conference; he was rambling, losing track of his thoughts in mid-sentence, and issuing contradictory political assertions. British press the next day noted that the best indication that Blair is losing it, was that he broke down amidst the subject he loves best: praising himself and the great domestic "successes" of his New Labour regime. Some press wondered about Blair's health—noting that he had had a heart problem last year. As one British insider noted on June 16, "Ruining the health is one favorite means, here in Britain, of forcing a leader from power."

'Get Rid of Blair'

In the local council elections, Labour scored the worst results in living memory for the party, losing 476 seats from the 2,737 they had before the election. In national percentage, they came in third, with only 26%, as the opposition Conservatives (Tories) scored 38%, and the Liberal Democrats poll soared, from their previous distant third, to 30%. The Tories gained 279 council seats, and the Liberal Dems, who had always opposed the Iraq war, 132. Never in British election history has an incumbent party collapsed into third place in local elections. Labour city strongholds of decades, such as Newcastle and Leeds, were lost to the opposition, along with two main city councils in Wales, Cardiff and Swansea. Especially humiliating to Blair, is that the Labourites lost in the northern England region, which is his own political base and that of his "New Labour" policy guru, Peter Mandelson, and others of the Blair inner circle.

A candid assessment of the results was given on June 11 by a leading British Atlanticist, who is also a Labour Party activist: "The results for Labour were atrocious, but more than local issues are involved. I was canvassing votes for Labour yesterday, going house to house, and what I was told in every second house, was, 'Get rid of Blair, and I'll vote for Labour.' In many houses, I was met with attacks on Bush, as well. So, this election yesterday amounted to a referendum on the Blair-Bush-Cheney relationship."

Former Labour Cabinet minister Clare Short, who resigned after the Iraq war, was among those who called for Blair to step down. On June 11, she declared: "I think that the electorate is sending a message to Tony Blair. . . . What we did in Iraq has brought disgrace and dishonor to Britain around the world. As Tony Blair won't change the policy to make a correction, it is for him to step aside from the leadership." This sentiment was echoed by serving Labour Parliamentarians.

As for the Euro-Parliament elections, the results for which were announced on June 13, Labour scored below the Tories, 27% to 23%, with the maverick UK Independence Party, which wants Britain out of the European Union, at 16%. In respect to European politics, the Euro-Parliament result, said one seasoned observer, "turns Blair's policy of being a bridge

between the United States and Europe upside-down." A second observer asserted that, in respect to Europe, "Blair is a busted flush"—a favorite, uncomplimentary British expression derived from poker.

The June 14 mass-circulation tabloid, the *Daily Mail*, characterized the Euro-election results as "a humiliating rebuff for Tony Blair." The *Daily Telegraph* commented that Blair was now entering "the most dangerous phase of his premiership."

'The Dossier Was a Mistake'

A dagger has been aimed in Blair's direction by the former head of Britain's MI5 intelligence agency, Dame Stella Rimington, who took the unusual step of publicly attacking the notorious Sept. 24, 2002 "Blair dossier" on an alleged—actually non-existent—"Iraqi weapons of mass destruction" threat. That dossier, with such claims as that Iraq could activate weapons systems "within 45 minutes" to threaten British interests, was instrumental in winning over reluctant Parliamentarians to the war, and thus "legitimizing" the Cheney "preventive war" strategy which had been codified one week earlier, in the September 2002 U.S. National Security Strategy (NSS2002) document.

"I feel the dossier was a mistake," Dame Stella told the *Daily Telegraph* June 11. "Formally putting intelligence into the public domain was not, in my view, a sensible thing to do. The whole point about intelligence is that it changes. What you think is the case today, may be different tomorrow, because of new information. The trouble is, if you put something out as a dossier, it is frozen in time. . . . The whole episode has probably damaged the reputation of the intelligence service." Asked if she would have resisted Blair's demand for a public dossier, Dame Stella said: "I can't say, as I don't know the circumstances, . . . but I expect I would have thought no good will come of this."

This blast was damaging to Blair and to his newly-appointed head of MI6 foreign intelligence, Sir John Scarlett, who, as head of the Joint Intelligence Committee (JIC), had authored the Blair-approved dossier. Experts note that Rimington's statements came soon after the resignation of American CIA chief George Tenet, who is known to be unhappy about the intelligence fiascos that set the Iraq war into motion. On June 4, former Labour Defence Minister Peter Kilfoyle said that Scarlett's position would be weakened by Tenet's resignation. "The search for scapegoats is on on the American side of the Atlantic, and I do wonder when someone will take responsibility on this side," Kilfoyle said.

Just after the council elections, Deputy Prime Minister John Prescott had to admit Labour had suffered a "kicking," and the nasty Home Secretary, David Blunkett, said he was "mortified," and admitted to BBC Radio 4 that the Iraq war had "split" the Labour party and public opinion in Britain. An unnamed Cabinet minister told *The Independent* June 15 that, despite many Labour MPs' demands, Blair cannot apologize

for the Iraq war, because that "would bring the whole thing tumbling down on him."

Despite his position, Prescott's loyalties to Blair are not so firm as they might be. In mid-May, he gave a much-publicized interview to *The Times*: Asked if the Cabinet is discussing life after Blair, he said, "Yes, people do talk about it and you get that discussion. . . . every British prime minister goes eventually." A week later, Prescott wondered aloud about Blair and the surprise resignation of Prime Minister Harold Wilson in March 1976.

'Unsustainable' House Prices

New Labour got another kicking June 14, when BoE governor King told the Confederation of British Industry (CBI) in Glasgow that "it is clear that the chances of falls in house prices are greater than they were." He also announced future interest rate rises (there have been four since November): "How far interest rates will need to rise in order to keep inflation on track . . . is impossible to say with any degree of confidence."

The ratio of house prices to average earnings, "is now at levels which are well above what most people would regard as sustainable in the longer term," King said. "There are some early signs, from surveys, of a slowdown in the housing market. After the hectic pace of price rises over the past year, it is clear that the chances of falls in house prices are greater than they were. So anyone entering or moving within the housing market should consider carefully the possible future paths of both house prices and interest rates." A just-released report by the Royal Institution of Chartered Surveyors says that real estate "optimism is at its lowest level since July last year," and that the frantic pace of price increases has slowed for the first time in six months. The number of house-seekers has also fallen, in the biggest decline since April 2003. At end-May, the U.K. Council of Mortgage Lenders, responsible for 98% of lending, called for interest rates to go up to 5.25% by year end, as the only way to cut the 20% house price inflation at least in half.

House prices in southern England are at the outrageous level of 7.5 times local earnings. Nationwide, the multiple is 5.6. Since 2001, house prices have risen by one-third in greater London, but almost two-thirds in the rest of Britain. Halifax Bank, Britain's biggest mortgage lender, reported that the average British property now costs nearly £158,000.

British householders are borrowing heavily on this bubble. In April, they took out a record £6.4 billion against the value of their houses, pushing net mortgage borrowing up 27% over April 2003; 60% over April 2002; and a breathtaking 131% over April 2001! Household debt is at a record 120% of disposal income, up from 100% during the pre-crash 1980s. In France, by comparison, household debt is 58.7% of disposable income.

Which will burst first, this debt bubble, or Tony Blair's political career?