

ONE

Trust

The high stakes and unpredictable outcome of the five days after the 2010 election campaign were so familiar for Brown that the sequence was almost a repeat, like the latest episode of long-running US television series where the plot and characters remain the same. Only the context had changed. Brief opportunities were seized and misjudgements made. Expedient hunger for power mingled with a vision of a new progressive consensus. In the final episode Brown failed to deliver, but he took his bow in a dignified manner and left behind a party that held enough seats to mount a serious challenge in the future.

He was more successful in the earlier phase of the long-running drama. The first episode in the series began during the summer of 1992, when Brown was made shadow chancellor. All the classic character failings were in place, along with the underestimated strengths of guile and conviction, a rare combination. Most politicians who possess intense conviction tend to display innocence when it comes to the street-fighting arts. Those who glory in their deviousness often lack conviction, coming to regard the scheming as an end in itself.

Politics moves so quickly that the day before yesterday is easily forgotten. I was constantly surprised how even some Labour MPs had only scant recollection of Brown's role as shadow chancellor, but it was his performance in this far-off period that made me realize that some of the allegations made against him when he became Prime Minister – in effect that he was useless and short-sighted – made little sense. His role in the early years was immense, more important in policy terms than Blair's.

Between 1992 and 1994 Brown began to rewrite left-of-centre economic policy making while navigating his way around the complex politics of Britain's humiliating withdrawal from the Exchange Rate Mechanism. In both cases he moved Labour to a position of heightened popularity but made himself deeply unpopular. Every day the political temperature was high for him, yet he was more than a decade away from the unbearable heat of becoming Prime Minister.

The decline in popularity over these two years was a steep fall. In the summer of 1992 Brown was on one of his highs, having been a star performer during the previous parliament when he regularly topped the annual shadow cabinet poll, an election in which only his fellow Labour MPs had the vote. The poll was seen as highly significant and those that came top were inevitably regarded as potential future leaders. I recall seeing Robin Cook emerge from a meeting that had announced the shadow cabinet results in 1987. He was pale and had aged around twenty-five years in the space of half an hour. I asked him what was the matter. He could not speak. Shortly afterwards I found that he had been voted off the shadow cabinet, the equivalent of being sent to Siberia.

On the whole the media too rated Brown highly in 1992. Politicians and journalists had witnessed the quick-witted oratory in the Commons and the command of a brief. Every newspaper had assumed he would secure the most senior post in the shadow cabinet and saw his elevation when it came as a signal of serious intent for Labour. He was forty-one when he became shadow chancellor, his girlfriend Sheena Macdonald was a glamorous TV interviewer and presenter. There was little talk then of his introverted eccentricities, although those who knew him well were aware of them. The orthodoxy at the time from across the political spectrum was that Brown was a formidable and charismatic politician. That changed from the summer of 1992.

One of the reasons why Brown's reputation fell dramatically between the summer of 1992 and the spring of 1994 is easy to discover: he became shadow chancellor. It is the fate of shadow chancellors to

be unpopular. Most ambitious politicians yearn for the post in the doldrums of opposition. Their hunger is irrational. The post destroys reputations.

By virtue of the job shadow chancellors must appear economically credible, serious figures capable of making tough choices. They are also part of a team seeking to win an election and therefore cannot say anything that risks alienating too many voters. The few who are successful combine the appeal of a reassuring accountant and the skills of a political artist. Ultimately they must frame an economic policy that is able to withstand intense scrutiny from the media and political opponents. As a further complication shadow chancellors must devise policies in ways that are consistent with their party's principles even though their party will have recently lost an election espousing policies on which those principles were based.

A popular shadow chancellor is a contradiction in terms. There is a long list of shadow chancellors who held the job for a relatively short period. A much smaller number move up to become a chancellor of the Exchequer.

In Brown's case he was embarking on an exercise that required the stamina of the marathon runner, though he did not know at the beginning that he would be a shadow chancellor for five years and Chancellor for more than ten. Such a time span, fifteen years of being responsible for Labour's economic policy, is the equivalent of running several marathons in the desert. Many a talented politician would have fallen by the wayside long before.

The unusual demands of the job are highlighted by the fate of Brown's highly gifted predecessors and Tory successors who failed to meet the tough criteria. After Labour's 1983 landslide defeat the newly elected deputy leader, Roy Hattersley, became shadow chancellor but opted with relief for the relative safety of Home Affairs four years later after the party lost again. Hattersley admitted later that even by the 1987 election campaign there were some questions in television interviews about the party's 'tax and spend' policies he could not answer without contradicting his leader, Neil Kinnock: 'Instead I took the only course available to me ... I attacked the interviewer.' Hattersley

was a more experienced politician in 1983 than Brown was in 1992. Four years were more than enough for him.

John Smith took over from Hattersley in 1987. He was respected and popular with the wider electorate but also failed to come up with policies that had a broad appeal.

The pattern of failure continued on the other side. After their 1997 defeat Conservative shadow chancellors also struggled to make their mark. They came and went more often than Conservative leaders, which was saying something during this period of identity crisis for the party. Francis Maude, Michael Portillo, Michael Howard and Oliver Letwin performed the role without coming up with popular, credible policies as the Conservatives lost three elections in a row. None of them enjoyed the experience particularly or emerged with his reputation enhanced. In some cases perceptions of their political expertise diminished considerably. Even the nimble-footed and astute George Osborne was the subject of intense internal and external criticism. For much of the 2010 election campaign he was hidden away, regarded as a liability.

Osborne discovered as other shadow chancellors had done before him that jealous rivals expressed a lofty disdain. But it did not fall on rivals to square the circle. They could pop in and out of the debate on economic policy, proposing a tax cut here or a spending rise there. They were under no obligation to paint a wider picture, one in which all the inconvenient sums added up. If they had done all the sums they would have been unpopular too.

The critics have an easy role as members of a loud disgruntled chorus. After the summer of 1992 the chorus around Brown soon became loud and large. It never went away. None of them realized, or were willing to acknowledge, the scale of the task that he faced. The context was unremittingly bleak. Soon after losing the 1992 election Neil Kinnock read a biography chronicling his arduous nine-year leadership. He sent a note to the author that concluded with a single exuberant and yet despairing sentence: 'What a bloody way to spend my forties!' There was no election win to compensate for the bloody, stressful battles that Kinnock had fought courageously for nearly a

decade. By 1992 Labour's commitment to unilateral nuclear disarmament had been dropped – a cause to which Kinnock was once passionately committed. Labour no longer advocated withdrawal from Europe. Kinnock had sought to be business-friendly. The party had seen off the once potentially fatal threat of the SDP and had purged the left-wing Militant Tendency from its ranks. It had been neurotically careful not to propose sweeping tax rises, ones so punitive that they might reduce the pay packets of relatively low earners. It had agonized over spending plans and made only limited pledges. In some ways it was the slicker party in the field of presentation. Still Labour lost, miles behind the Conservatives in terms of votes.

A fortnight after the 1992 election Labour's National Executive Committee met for the post-mortem at the party's headquarters in Walworth Road, a mile or so away from Westminster. The internal pollsters reported that the party had lost above all for a single reason: it was not trusted to run the economy. In spite of all Kinnock's reforms, voters still assumed that Labour would tax and spend recklessly. There had been no enthusiasm for the Conservatives, but a much greater fear of Labour's economic policies. This would be Brown's challenge as shadow chancellor.

As he embarked on his thorny ascent Brown operated as a solo player and all of the traits that would come out later were evident, albeit in a lower key. One of his early advisers was Neal Lawson, who joined Brown in the summer of 1992. Lawson was beginning his own distinct journey leftwards. Later he was the founder of Compass, a group that challenged the pragmatic expediency of both Blair and Brown:

Gordon didn't operate with a group of people who knew his mind. There were individual conversations, like hands of a clock he would have a talk with someone for an hour and then move on to the next. There was no collective conversation. Each of us was aware of bits of his thinking, but he held all the cards himself. It was frustrating as the only person who knew the whole strategy was Gordon. It was in his head, but never discussed with all of us in a group.

Brown never changed his approach. A wary insecurity meant that he was not at ease in large group discussions, even when he was Prime Minister in Number Ten. He was a hopeless people manager, unable to notice if there was a sense of divisive paranoia in his court. His idea of teamwork was a one-to-one session with his closest colleague, Ed Balls. Soon a lot of the team would turn against him on this basis alone. But in 1992 Brown had a clearer idea of what was required to win trust for an economic policy than anyone else in the Labour party.

At the broadest level, the outlines on an otherwise dauntingly blank canvas, he had a plan that went along these lines: make a public argument with the widest possible appeal while preparing policies more discreetly that were still rooted on the left of centre. He became so persistent as a public narrator that few noticed what was happening below. In embryonic form, this was his version of New Labour.

Although Brown wrote more books and articles than any other senior political figure of recent times, his key beliefs were rarely spelled out. He chose to be deliberately evasive because in his view a wide coalition of support could only be built around vague concepts such as 'courage' or 'Britishness', more of those apolitical themes that defined the public face of New Labour. He did not believe that a country that had voted for a Conservative government in four successive elections was ready for candid arguments about higher public spending, tax rises to pay for it and redistribution. He still did not believe it was ready for candour after Labour had won three elections. There is plenty of evidence to suggest that he was correct. In 1992 the assumption was even less contentious.

Brown never used the term 'left-of-centre', preferring the less threatening and vague 'progressive' to describe his politics. Some of his motives and objectives were almost entirely hidden in a haystack of words aimed at reassuring potential doubters about what he was doing. One of those who worked closely with him in opposition and in government says:

TRUST

Gordon believed that quite often he could accomplish radical acts, but sometimes he felt able to make the case for them only once the acts had been implemented. Sometimes he did not want to say too much in advance. To take one example he redistributed quite extensively without making the case overtly for redistribution, because he felt that voters would regard such a term with fear, associating it with Labour in the 1980s. But once the controversial policies, such as tax credits and discreet increases in public spending, had been implemented and middle England or the media was not raging, he would make the case for them.

The sequence does not seem particularly significant now, but it was revolutionary at the time. What had happened previously was that Labour shadow chancellors would make a general argument for tax rises, only to be slaughtered for it in much of the media and in opinion polls. By the time they came up with the detailed policies they had lost the argument.

An informative early guide to Brown's values and approach is his biography of John Maxton, the left-wing Scottish Labour MP who helped to light up Westminster in the 1920s and 1930s. The book is revealing for the distant authorial voice that makes the case for expediency over impotent idealism.

Brown joked in the introduction that the book was 'twenty years in the making'. He studied Maxton as a student at Edinburgh University in 1967, then wrote a PhD thesis about Scottish politics in the 1920s, and finally published the biography in the mid-1980s when he was an ambitious Labour MP. By the time of publication he was already calculating how closely he wished to be associated with the book's subject, a Labour MP who never ruled. Even the publication of a book became an act of pragmatic idealism.

Brown described the scenes, evoked the personalities and told the story. But as an author he kept himself out of it, conveying neither enthusiastic approval nor the opposite. By the time the book was published in 1985 he was already developing his ambiguous public voice.

Quite often in the years to come, when he wanted to convey his own views he would do so under the protective clothing of somebody else, so that no one was quite sure where precisely Brown stood on highly charged matters. Many people, from the banker Sir Derek Wanless to President Obama, were to play the role of a shield for Brown as he implemented controversial policies. He never dared to rely on his voice alone, one that would be exposed to the howls of a thousand reactionary voices in response. His first shield was Maxton.

Brown noted that Maxton had suffered the ‘condescension of posterity’, but did not make entirely clear whether he believed the verdict was undeserved: ‘The Independent Labour Party which he dominated for twenty years dwindled eventually to nothing, even as his audiences grew larger. But at the height of his powers, in the 1920s, he threatened to change the whole course of politics by offering British socialism a third way between Labour gradualism and communism.’ He went on to acknowledge that the failure to implement Maxton’s ideas ‘foreshadowed the failure of a whole generation of British politicians to solve the problems of unemployment and poverty’.

This is the nearest Brown gets to intervening personally, with the implication that the task of left-of-centre politicians was to find a way of addressing unemployment and poverty, his two lifelong obsessions, by getting to a position where they could make a practical difference.

Towards the end of the book he also dared to offer an interpretation of Maxton’s beliefs that was close to his own:

Cold bureaucratic state socialism held no attractions for him. For Maxton, the only test of socialist progress was in the improvement of the individual and thus the community. Greater educational opportunities would not only free exceptional people to realize their exceptional talents but allow common people to make the most of their common humanity, and ordinary people to realize their extraordinary potentials.

In the years to come, especially when he was Prime Minister, the essence of his philosophy remained firmly in place. Like Maxton he was in politics above all to help people to fulfil their potential, and he associated education, training and work as the way in which this would be brought about.

He developed this theme most openly in a lecture he delivered to Charter 88 just before the 1992 election, when he was free more or less to express what he felt. Later he often cited the talk as evidence of a sustained commitment to constitutional reform, but the words are more interesting as a clear evocation of his long-standing views about the relationship between governments, markets and individuals, the contentious theme that was to dominate both his own political career and Tony Blair's. He stated clearly in the lecture that: 'The 1979 settlement abandoned responsibilities for individual well-being that government had discharged on behalf of the community because it was now assumed that these could be left to the individual and the marketplace.'

Brown put forward an alternative interpretation: 'Individual well-being is best advanced by a strong community backed up by active and accountable government.'

He was still a sceptic about markets. He always had his doubts, but soon he would hold markets less critically because they would fill his Treasury's coffers with much-needed cash. But even then, before the 1992 defeat, in case there was any nervousness about an assertion of active government he made clear: 'Community need not be a threat to individual liberty but can assist the fulfilment of it ... So the growing demand of individuals is that they should be in a position to realize their potential, to bridge the gap between what they are and what they have it in them to become.'

After Labour's defeat in 1992 the chances of his ever getting the opportunity to achieve his overriding objectives seemed about as slim as they were for Maxton in the 1920s and 1930s. Not surprisingly therefore, the outcome of the 1992 election reinforced Brown's caution and pragmatism.

For the five years preceding 1992, Brown had been part of Labour's agonized gyrations over its 'tax and spend' policies, an area they all of

them entered like walkers with a fear of heights approaching the edge of a cliff.

When he was a youthful shadow chief secretary to the Treasury Brown had vetoed any proposed increases in public spending, knowing that explaining how they would be paid for was an almost impossible and vote-losing task. He was not alone. His successor in that role, Margaret Beckett, was at least as vigilant. ‘If any of my colleagues propose a spending increase I will just say “no”’, Beckett told journalists as the 1992 election came into view. Beckett was still widely seen as an irresponsible left-winger at the time.

Meanwhile at the top of the party Kinnock and Smith limited precise spending commitments to increases in pensions and child benefit. In his famous shadow budget launched amidst a ceremonial pomp that inadvertently exposed deep insecurity about the party’s standing, Smith had outlined in detail how the commitments would be paid, for, spelling out why most voters would pay less tax. Voters were far from thrilled and the Conservatives had a ball projecting Smith’s shadow budget as the equivalent of the Communist Manifesto.

After the 1992 election Brown concluded that Labour could not enter another election where its plans for taxing and spending were the central issue, or any issue. The conclusion seemed fairly obvious in the light of a fourth election defeat, although it was by no means universally shared within the Labour party.

More important, it was not clear where such a conclusion would lead, and addressing the implications can be a nightmare. David Cameron and George Osborne discovered the problems in opposition when they sought to do the same in reverse and pledged to stick with Labour’s spending levels. They made the grand announcement and could not follow it through. Within eighteen months they had dropped the commitment.

In Brown’s case the dilemma was clear. What would be the purpose of a supposedly centre-left government if it could not put the case for higher spending and redistribution? What would members of the shadow cabinet promise if they could not offer increased investment in Britain’s declining public services? There was an obvious danger in

being stuck mouthing a perverse political message: 'This Conservative government is not investing enough and we will not invest enough either. Vote Labour. Thank you and good night.'

There were no obvious answers to the questions, and yet Brown had to find them or risk entering another election in which Labour would be slaughtered over 'tax and spend'. He had to find a way of taxing and spending without taxing and spending.

As they gathered in his chaotically untidy office in One Parliament Street after he had been made shadow chancellor, Brown told his small team of advisers: 'We've got to work from first principles towards policies.' At this early stage Brown possessed a central insight, one that he clung to like a lifeline as he sought to address his 'tax and spend' conundrum. The insight was defensively pragmatic and highly significant. He resolved to make the main dividing line with the Conservatives more emphatically one between competence and incompetence, a divide without an ideological dimension, neither a left or right issue, another New Labour attempt to depoliticize the public debate.

Such ambition appears desperately narrow and puny, not least when Brown faced a Conservative government in the early to mid-1990s that was to display confused incompetence on a spectacular scale, as if John Major and his unruly MPs had volunteered to dance to his tunes. But determined expediency was a drastic break with Labour's immediate past. It was the starting point of a cautious revolution, one that was to prove at least as demanding as more romantic crusades.

Not only does an opposition have to prove that the government is a poor manager of the economy, it must convince voters it would be a more effective administrator. This seemed almost impossible in the summer of 1992 after Major had won an election partly by conveying a sense of reassuring steadiness and Labour had lost on the grounds that it offered the rockiest of rides.

The strategic decision also demanded a steely self-discipline from Brown. It is more fun and easier going to play the romantic politician in opposition. Wielding no power leaves speeches, declarations

and positioning as the only means of definition. For Labour politicians, clear and attractive definition had tended to come from intoxicating images of better-funded public services and promises of redistribution from rich to poor. Brown resolved to project competence alone.

As part of his pragmatic insight Brown recognized that Labour's reputation in relation to economic policy was so low that a single word out of place risked another election defeat. If a member of the shadow cabinet uttered a word that implied a rise in public spending the newspapers would leap and Labour's reputation as a reckless party would be further reinforced. Therefore he made clear from the beginning to his shadow cabinet colleagues that no such word should be uttered.

Brown's forbidding approach to any public utterance was a source of many of his problems for the rest of his career in two key areas, relations with colleagues and the projection of his own image in the media, further examples of how the seeds of his undoing were sown at the very beginning.

With a determined possessiveness, he claimed the economics terrain as his alone and voluntarily tied himself up in chains as a public figure, comfortable from now on only with carefully rehearsed, formulaic answers and statements. In later years Brown was criticized widely for his stilted public performances, the contorted sentences and the humourless, repetitive relentlessness of his messages. They are partly explained by the fact that he carried the burden of presenting Labour's economic policy from 1992, justifiably worried about saying anything that would lose the party another election. In opposition parties have only words for ammunition. Brown was always terrified of a verbal explosion that would blow apart the fragile edifice. He was neurotically fearful, and could have displayed more deftness in interviews, but the pressure was immense and on a scale not faced by his carping colleagues.

Although he took this approach to extremes, both in his standing guard on the terrain and in his own over-rehearsed speak-your-weight-machine presentational style, there was a mountain of

evidence to back up his judgement that ruthless self-discipline was required.

To take one example of many from Labour's immediate past, in the build-up to the 1992 election there had been a calamitous spat between Kinnock and Smith over taxation policy, exposing differences between the two of them and conveying, accurately, that Labour's taxation policy had not been fully thought through. This was after years in which both had resolved to get it right, assiduously determined to demonstrate that Labour's sums did add up and in ways that should not alarm most voters.

Kinnock and Smith had not cleared the ground first. What was tax for? What was a politically acceptable level of tax? Were there other ways of raising money other than those that led to electoral dead ends? In the absence of a clear and common purpose, leading figures went off-message, incurring a media onslaught. By contrast Brown sought at first an underlying clarity and was determined that only he would do the clarifying.

A powerful lesson emerges from the experience of Labour's long exile in opposition, and from the Conservatives' confused approach to tax and spend when they were out of power. Leaders must decide what messages they want to convey before embarking on the task of policy making. Brown understood what was required, but such an unbending approach to the public presentation of economic policy alienated other shadow cabinet colleagues almost immediately.

At the very least they yearned to roam a little into economic policy – terrain that took them to the heart of politics. If they tried, Brown would slap them down. In the end they gave up trying. In effect this meant Brown had a near-monopoly over Labour's economic policy from 1992, and certainly by 1994 when Blair became leader. Gradually his colleagues ceased to even think, let alone to speak, about the central area of policy making for any political party. While Brown's iron will meant that Labour's 'gaffes' in relation to the economy no longer dominated media coverage, there was also a deadly negative consequence. The atrophy of thought across large sections of the Labour party started when Brown became shadow chancellor. By

2007 as the party sought out potential leadership candidates other than Brown it discovered that there were none, partly because most of the obvious alternative choices had no experience of economic policy, not even of debating it in the privacy of cabinet meetings. From 1992 Labour produced only half-formed politicians, none of them giving much thought to the policy area that defined what was possible in every other field.

There was though a positive consequence: a single message was conveyed ruthlessly for years in an era when the media was on the lookout for contradictions and inconsistencies. This was the period when political journalists bemoaned the politics of the straitjacket and leapt when anyone loosened the knots.

From the summer of 1992 the shadow cabinet were silenced as Brown took his case to the media. Brown could see a headline a mile off, good and bad. He was fascinated by the running orders of television news bulletins. When he bumped into a BBC Political Correspondent in the mid-morning at Westminster his first question would be: 'What are you leading on at one o'clock?' If the exchange took place in the afternoon he would ask the same question of the forthcoming six o'clock news. When I saw him for a coffee on one occasion when he was Chancellor we passed a TV screen reporting the main leader's speech from Charles Kennedy at the Liberal Democrats' conference. It was twenty past one. Brown said without pausing: 'That's quite low down the bulletin. He'll be disappointed he's not higher up. The Liberal Democrats are still not seen as a serious force in the media, are they?' He was days away from a big IMF conference in the US, but was interested in where the Liberal Democrats managed to be in the running order of a news bulletin.

Brown had a fascination beyond professional interest in the way the media worked, one that he passed on to Blair after they became colleagues in 1983. It was not just the TV bulletins and the newspapers. In opposition Brown was up listening to *News Briefing* on the BBC, a programme that went out earlier than the *Today* programme, even earlier indeed than *Farming Today*. He had read the newspapers before most of his colleagues had woken up. More

than any politician I have met, including David Cameron and George Osborne, who were accused of being obsessed with public relations, Brown followed the media the way a music critic listens to a concert.

In the early phase of his period as shadow chancellor he was a ubiquitous figure, appearing especially on television news bulletins with an absurd regularity, showing his naivety by assuming that ubiquity is the same as quality. Brown thought nothing of scrapping his plans to attend a football or rugby match in Scotland on a Saturday afternoon if there was a chance of going to a studio in Edinburgh or Glasgow to deliver a fifteen-second sound bite for the news bulletins. Brown was aware of the ratings for all the bulletins, which ones mattered and which did not. If one of his colleagues, say Robin Cook or David Blunkett, appeared on the Saturday teatime bulletins he was furious as he knew it got the highest audience of the week. Even when he was Prime Minister he wanted to be on TV more, complaining to his staff when he was not featured on the bulletins. Sometimes he would contrive an entire event in order to appear on TV as Prime Minister. Like so much else, a habit of neurotic self-projection began in 1992.

He knew also of the power of the Sunday newspapers in setting the agenda for the rest of the week. Brown was the recipient of many leaks from the Treasury and political editors of Sunday newspapers were offered documents that appeared to place the Conservative government in a bad light on an almost weekly basis. Quite often they were of limited significance, but Brown pushed them hard, working around the clock to expose any weaknesses in the government, especially in relation to spending plans or the higher taxes that it was being forced to implement.

His pell-mell hyperactivity did his party some good, as he managed to generate a range of superficially damning stories about the Conservative government. But his persistence led some political editors to doubt his judgement and sense of proportion. In addition to being so careful about his every public utterance, Brown quickly lost a significant dimension of his public personality. He became so

controlled that his other slightly more ebullient side disappeared from public view and from the view of his colleagues. Before becoming shadow chancellor he had been a vivacious and witty speech-maker in the House of Commons and on platforms. Controlled ubiquity was his new theme. It was his answer to the anarchic chaos of the 1980s, and no one had a better one.

Before Brown had a chance to develop his public narrative in the media he was tested by a historic event. The unusual summer political calm in 1992 obscured a growing economic crisis. The leader of the Liberal Democrats, Paddy Ashdown, described the situation with a prophetic insight in an article for the *Guardian* written in the month that Brown became shadow chancellor:

There is a curious feeling of slack water in British politics, almost of stagnant water. You know the tide is going to start moving sometime and some people say they have never known a period like it ... all of us are sitting with our fingers in the water saying which way is it going to move?

The tide was propelled by Britain's membership of the Exchange Rate Mechanism. Over the summer Britain's membership became the subject of even greater controversy than it had been before, with many economists from across the political spectrum arguing that it was strangling any hopes of recovery. Some Labour MPs and left-of-centre columnists in particular saw a striking political opportunity: call for withdrawal and blame the Tory government for joining in the first place, a double whammy to counter all the double whammies that the Tories had deployed against Labour.

There was a problem with this approach. Labour had enthusiastically supported Britain's membership of the ERM. Indeed the support had defined its more 'modern' approach to Europe and economic policy making. As a result Brown faced his first big awkward decision as shadow chancellor. Should he make the case for Britain to leave the ERM or at least to realign sterling within the ERM? In theory at least

this would have placed Labour in a strong position if Major was forced to withdraw.

Still young and relatively fresh, Brown was more capable of thinking several moves ahead on a political chessboard than later in his career. By the autumn of 2007 it became fashionable to argue that he was a clumsy, short-sighted strategist. That was not the case early on in his career, and only became so when he faced an avalanche of events and opponents towards the end. His approach to the ERM issue is an early example of Brown taking the lead and landing his party in a fruitful place at the end of the sequence.

Brown sensed and feared that calling for realignment or withdrawal from the ERM would lead to taunts that Labour was still the same unreformed and reckless supporter of devaluation. So he did not call for such a move. This was not an easy decision to reach. John Smith's closest allies and a substantial number of Labour MPs, including a section of the shadow cabinet, wanted him to make the call.

Instead he chose precisely the opposite course, seeking to make a virtue out of consistency and through being an 'opponent' of devaluation. Repeatedly he declared on those teatime TV bulletins: 'Devaluation was not our policy at the last election, is not our policy now and will not be our policy at the next election.'

As ever, Brown's calculations were multi-layered and were to come up repeatedly in the coming years in different circumstances. Indeed the ERM controversy serves almost as a template of contorted and yet in the end highly effective Brownite tactical thinking.

First, he was determined to signal a break with Labour's past. Previous Labour governments had been almost fatally derailed by enforced devaluations. He was not going to be a shadow chancellor calling for another humiliating devaluation. Second, he was worried about being on the wrong side of the argument with the Conservative government. He thought wrongly that John Major would prevail and that sterling would stay in the ERM. He feared the claim that while the Conservatives had patriotically defended the currency the same old Labour party was talking down the pound. Third, he wanted to show

that Labour was robust enough to meet the disciplines of being a member of the ERM.

The issues changed, but those three factors recurred again and again in Brown's career as he went about taking pivotal decisions: a fear of Labour's past, an exaggerated alarm that the Conservatives, not Labour, would end up on the patriotic side of the argument, and a hunger to show that Labour was now the ruthlessly disciplined party. When some Labour MPs accused him of being the Iron Shadow Chancellor, with its echoes of Thatcher's Iron Lady, Brown was delighted. Even if it alienated some in his party, such a label ticked the boxes as far as he was concerned. In 1992 he was pleased to be compared with Thatcher. In 2007 as Prime Minister he invited Thatcher to tea, another echo. Like the bankers, Thatcher formed another protective layer. His politics could not have been more different from hers, but he hoped to appeal to voters and newspapers that revered Thatcher.

Even the Lady was used as a false trail.

In the late summer of 1992 Euro-sceptic members of the shadow cabinet fumed over what they were witnessing. Here was a Conservative government heading for a terrible crash pursuing a policy that was being fully supported by Labour's shadow chancellor.

Superficially their view appeared to be vindicated on 16 September, one of the most highly charged days in modern British politics, when the government was forced to pull out of the ERM after several attempts to prop up the pound by putting up interest rates to comically frightening levels. With mixed emotions Brown watched from his office in Westminster as a drained but privately relieved Norman Lamont made a statement as Chancellor to confirm the new government policy. Some of Brown's allies at the time did not know why the shadow chancellor was not more damaged by what had happened. 'I don't know how Gordon got away with it. He supported the policy that had led to the government's humiliation.'

On one level Brown did not get away with it as the anger of some shadow cabinet colleagues grew. But Brown's cautiously defensive

approach was vindicated almost at once. After the ERM debacle opinion polls showed that support for Major's government had slumped. The Conservatives were never ahead in the polls again up until the 1997 election and well beyond. Labour had gained politically without taking the risk of being attacked as the party that talked down the currency, an onslaught that would have left Brown especially exposed if the enforced devaluation had not taken place and if, as was possible, Britain had stayed in the ERM.

Brown's expedient doggedness in the late summer and early autumn was not especially dignified and carried its own risks. His stance was the first example of another Brownite phenomenon, bold caution. Brown had been bold because he had taken the risk of alienating a significant section of his party that wanted a realignment of the pound or withdrawal from the ERM on opportunistic or ideological grounds.

One of the persistent allegations against Brown was that he was pathetically afraid of taking on his party, an odd claim, seeing that there was nearly always some section of his party raging against him. Influential members of the shadow cabinet fumed in private and some trade union leaders did so publicly. Smith was not thrilled either at Brown's unyielding stance. Brown also lost the chance of having an easy hit against the suddenly fragile Conservative government. He stuck to his course.

It was during this period, the late summer of 1992, that significant internal criticism against Brown became part of the permanent background noise in politics. Shadow cabinet members in particular, already far from thrilled at being told that they could not say anything that implied a spending proposal, found catharsis in private conversations with journalists and each other. After the Labour conference in 1992 one of the party's rising stars, Mo Mowlam, said to a group of journalists: 'Sell shares in Gordon. He's blown it.' That was three months after Brown had been made shadow chancellor. Mowlam was far from being the most hostile of his colleagues.

But while his willingness to challenge his colleagues' more superficial calculations showed signs of political courage, Brown had been

cautious as well. He had adopted the stance for reasons of fear rather than conviction, a terror of being associated with devaluation. On this occasion his bold caution proved to be highly fruitful. Very quickly Brown was able to exploit the Conservatives' discomfiture as he developed his overriding pragmatic idea, that Labour must make the public battle one of competence rather than ideology.

This is when his embryonic public narrative merged with the immediate political crisis. In an emergency debate in the Commons shortly after the ERM debacle, Brown began his campaign to reverse the normal battle lines over which party could be trusted, the familiar divide that had destroyed Labour in the recent general election:

The Conservatives ran a general election campaign on the slogan 'You Can't Trust Labour' and has now shown its complacently unworthy of trust. The party that has already been for years the party of unemployment and of poverty is now the party of devaluation ... Ministers who continued to hold responsibilities now cannot command respect. They may hold office for five years, but after five months have lost the authority to govern. They have failed the country and will never be trusted again.

Brown had begun the task of turning politics on its head. Trust! Trust! Trust! At the Labour conference in his first speech as shadow chancellor he adopted the same theme: 'They said you can't trust Labour. Let every billboard around the country tell the truth: you can never trust the Tories.'

In 2007 on becoming Prime Minister Brown looked back to 1992 and resolved again to restore trust in Labour after Iraq, the non-existent weapons of mass destruction and perceptions of spin. He was nowhere near as nimble as he had been in this early episode.

In November he launched Labour's Campaign for Recovery, in which he delicately dumped the proposals and the thinking behind the shadow budget, an audacious move, as his new leader, John Smith, had famously presented it and still stood by most of the policies that had been rejected by voters.

When Brown moved boldly he always looked for cover, whether from Thatcher, a banker or a business leader. On this occasion he used the ongoing economic crisis for protection, announcing that in the light of the recession: ‘We are not proposing to raise tax and national insurance at this stage’ – two propositions in the shadow budget dropped. While Smith looked on with a supportive wariness, he had begun the difficult process of wiping the slate clean.

At the same time Brown had hit upon a popular tax, raising the prospect vaguely of a one-off tax on the privatized utilities, the booming monopolies that were making profits so high that many voters and parts of the media were demanding a punitive response. At this point he had not done the detailed work, but the idea was another example of Brown being ahead of the game. Putting up income tax had, it seemed, become a fatal vote loser for Labour. But what if there were popular taxes to raise revenue? One element of the party’s conundrum would be partially solved.

Cathartic and emphatic messages about ‘tax and spend’ were Brown’s main priority as he sought to reassure voters that the party could be trusted. In his first year as shadow chancellor his speeches were peppered with these sound bites:

‘We will only spend what we can afford to spend ...’

‘We do not tax for its own sake ...’

‘We don’t spend for its own sake.’

He sprayed the phrases around like bullets from a gun. The following year he fleshed out some more detail, declaring that Labour was not against wealth and would scrap its plan for a new 50 per cent inheritance tax. In August he outlined what he called the new economic agenda. As part of it he declared he would contemplate cutting taxes and had dropped specific spending plans. He stated that: ‘From now on Labour believes in creating the necessary wealth to fund the social benefits we demand.’ Such statements were cited to prove that Brown had become a Thatcherite by 1992. Look more closely and he was still demanding social benefits and had announced a new tax. But he was clearing the ground.

Brown was so gripped by the need to convey a reassuring message that he was furious when Smith announced suddenly in the middle of his largely lethargic campaign to introduce one member one vote for leadership elections in 1993 that Labour would introduce a minimum wage. In mutually supportive discussions with his close allies Tony Blair and Peter Mandelson, Brown fumed: 'We haven't prepared the ground ... business leaders will turn against us ... we shouldn't have made the announcement like this ...'

Brown was always obsessed with clearing the ground, but what policies to put in place once he had pulled up the weeds? To some extent the answer to that question came in the autumn of 1993, when Brown appointed Ed Balls as his main adviser.

The shadow chancellor was not a trained economist. He was a politician to fingertips and understood from a political perspective what he wanted to achieve. The 28-year-old Balls was already a substantial economist, having studied economics at Oxford and Harvard, where he had worked closely with Bill Clinton's Treasury Secretary, Larry Summers. When they met, Balls was a leader writer on the *Financial Times* and a committed Labour supporter. The highly political Brown and the innovative, fresh-thinking, left-of-centre economist were close to being a perfect match. At their best the two of them were a creative force that swept all before them. At their worst they could work each other up into a paranoid fury as they pursued factionalized political strategies that often rebounded on them.

Balls taught Brown about economics, fleshing out the shadow chancellor's political ideas. Brown gave Balls some shrewd lessons on the art of politics, even if he also exposed him to some more destructive ones as well.

Balls had started to work informally for Brown from September 1992 after the trauma of the ERM crisis. As a leader writer for the *Financial Times*, often he did not have to be in the office until midday, so he would go in to see Brown at Westminster in the mornings. They had met at various gatherings, parties and conferences, but it was only after September 1992 that Balls was a regular visitor. Typically of Brown, sometimes he would be intensely demanding, making contact

with Balls four times a day. Then the young journalist would hear nothing for weeks. Nonetheless when they did meet, Brown showed a willingness to listen and engage that defied the caricature of defiant, arrogantly introverted aloofness. Balls told Brown for example that he had been wrong to support the government's membership of the ERM, not for tactical reasons but in terms of economic policy. Balls had felt that the ERM had been a straitjacket that stifled the economy. In a pamphlet for the Fabians written shortly after Britain's exit, he argued that the economy had to be in much more robust shape before a British government could rejoin the ERM. Challenging a fair amount of Labour orthodoxy, he called for 'a credible and predictable macroeconomic framework which can deliver economic stability combined with government measures to promote growth and full employment ... only then can the UK hope to avoid a third destructive boom and bust cycle ...'

As part of that framework Balls put the case for Bank of England independence: 'freed from debilitating market doubts about the government's anti-inflationary resolve, a Labour chancellor would be free to concentrate on many other aspects of policy'. The persistent references to 'boom and bust' in Balls's pamphlet became a Brownite theme, dangerously so as it was to turn out when the economy went into deep recession in 2008, although the causes and consequences were different from those referred to in Balls's pamphlet. There was no space for nuance in 2008, no scope for explaining that they were referring to a different type of 'bust'.

Brown was fascinated by Balls's ideas. They seemed to address the dilemmas that he faced. He yearned for a stable framework, or at least the perception of one, so that he could focus on his other objectives without worrying that the economy or the currency was about to collapse. The youthful Balls had ideas about how to build the stable architecture, and yet like Brown he was also committed to tackling unemployment and poverty. In interviews later Balls described himself openly as a socialist, a rare admission in New Labour circles and not a term used by Brown. Keynes was one of Balls's heroes, long before the economist became more fashionable after the credit crunch in 2008.

When Peter Mandelson briefed the *Sunday Times* in September 1994 that New Labour's economic policies marked 'the death of Keynes', Balls was distraught and made sure that a counter-briefing took place in which all talk of Keynes's demise was dismissed as nonsense. This was the first direct spat between Balls and Mandelson, typically personal animosity mingled with profound ideological differences. At the time only the animosity attracted attention, as if they were all characters in a soap opera without a principle between them.

In economic matters Balls was supremely confident and Brown was not. After all there were not many economists in their twenties with close contacts at the top of the then glamorous Clinton administration and who had written a daring Fabian pamphlet that seemed to offer a new direction for left-of-centre politics. His arrogance and ruthless loyalty to Brown were characteristics much commented upon in the years to come. But Balls was a less confident public performer, and he was driven by principle and conviction as much as by a yearning for his master to become Prime Minister. In the following years there was much analysis inevitably of the Blair/Brown partnership and Blair's relationship with his press secretary, Alastair Campbell and with Peter Mandelson. The Brown/Balls relationship was equally important. In terms of policy development Balls was the third-most important figure in the New Labour hierarchy after Blair and Brown.

In spite of the age gap, the conflicting views at that point on Europe, and their differing backgrounds, the bond was not surprising. Together Brown and Balls watched closely the development of economic, social and welfare policies under Clinton. Arising from their joint passion, Brown and Balls began work on a Welfare to Work scheme and hailed a 'new deal' for the unemployed. At the same time, with the 1992 election always on his mind Brown stepped up his main political mission, proving that it was the Tories who could no longer be trusted on tax and spend.

At the start of 1994 he pointed out that taken together, direct and indirect tax was higher than under the previous Labour government. Brown spelt it out: 'These figures destroy the Conservatives' only

political claim. Never again can they say they are the party of low taxation.'

Not surprisingly quite a few Labour party members worried about such protestations. 'Are we going to replace the Conservatives as the party of low taxation?' shadow cabinet members asked in private with growing despair. Brown's plans were subtler than that, but he was happy for the question to be raised, such was the need to purge the electorate's anxieties.

Some feared he was moving rightwards at an alarming speed. The normally highly perceptive David Blunkett observed to me despairingly in the autumn of 1992: 'Gordon is a monetarist.' Blunkett had been made shadow health secretary and wanted to say at least a few comforting words about Labour being committed to higher spending. Brown forbade it. Blunkett was left condemning the Tories' lack of investment without any obvious follow-up. He was furious.

While Blunkett detected Thatcherite orthodoxy, some of Brown's colleagues saw him as one of the vaguely defined 'modernizers'. As far as the angry John Prescott was concerned Brown was one of the 'beautiful people' preoccupied by television and other media appearances, not so much a Thatcherite as a celebrity mouthing banalities. Prescott's anger serves as a reminder that in 1992 Brown was seen as a media star, so apparently at ease with the medium that he was despised by those who also wanted to make the occasional appearance on television.

In his first two years as shadow chancellor Brown had made substantial progress on three different fronts. He had started to change the terms of the debate about trust and competence, although he was being helped more than he dared to realize by the implosion of the Conservative government. He had moved Labour on from the era of the shadow budget, even though this was the source of considerable tension with John Smith. By the early summer of 1994 it was Brown who was the one who was tough on spending and attacking the Tories for putting up taxes. Equally important work was being done behind the scenes to ensure that if Labour won next time it would be more than just a competent echo of the tired, divided

Conservative administration, with welfare to work, a windfall tax, a minimum wage and new training schemes being devised.

But between the summer of 1992 and 1994 his party noticed only Brown's noisy attempts to ditch perceptions about tax and spend. Shadow cabinet members, MPs and some party members took his protestations at their surface value. As a result, in the summer of 1993 his oscillating career hit its deepest low yet, a mere twelve months after he had been widely seen as Labour's big star.

Brown feared he had become so unpopular in the party that he would lose his seat on the National Executive Committee. He and Blair had only stood for election for the party's so-called governing body the year before. In August and early September 1993 in the build-up to the elections for the NEC, Brown lapsed into gloom, telling colleagues that the party did not understand what he was trying to do. He imagined a nightmare situation where he was voted off the Committee in the full glare of the party conference, humiliating him personally and sending out a signal that Labour was not ready to reconsider its vote-losing economic policy: here was someone who wanted to be the party's next leader who could not even win an election to a committee. He brooded excessively in the summer of 1993, telling Blair often over this period how tough it was making Labour electable and becoming personally unpopular.

I was invited to Brown's office on the Thursday before the Labour conference in which the result of the election would be announced. He was in a terrible state, slumped on his chair, clothes crumpled as if they had been lived in continuously for a decade, baggy-eyed. It was the first time I realized what a physically transparent politician he was. He exuded gloomy fearfulness, this time over the NEC results. 'The media doesn't understand what I'm trying to do,' Brown told me, without fully explaining what it was that he was trying to do.

When Brown felt under pressure, especially when he thought he was being misunderstood, he was capable of behaving abominably. There was no restraint, no sense of what was acceptable behaviour. On one tense occasion in the build-up to the NEC elections Blair

walked into Brown's office at Westminster with a young adviser. Brown was kicking the wastepaper bin around the office in frustrated fury, having read a critical article in a newspaper. As Brown was giving the poor bin another kicking Blair looked at his adviser and placed his finger to his head, indicating his partially amused despair at Brown's loss of control and suggesting that he was bonkers.

The bin kicking in 1993 was an early example of his eccentric self-absorbed thoughtlessness. Two young advisers, closer at the time to Blair than Brown, Derek Draper and Tom Happold, helped Brown solicit support for his vulnerable candidacy of the NEC. They worked into the night on the shadow chancellor's campaign, stuffing envelopes and contacting potential supporters. In the end Brown was re-elected, although the level of his support dropped from the year before.

Afterwards a relieved Brown sought to show his appreciation by inviting Draper and Happold out for lunch. Both were thrilled, as the shadow chancellor was already acquiring a reputation for neglecting some of those who had put themselves out on his behalf and for being socially graceless. To their bewildered disappointment Brown took them to a local Italian near Westminster, where he gulped a bowl of spaghetti in near-silence and returned quickly to his office. Such behaviour meant it was easier for people to become Blairites rather than Brownites, even if their politics were closer to Brown.

The NEC election in the summer and early autumn of 1993 had been traumatic for Brown. Clearly he feared that if he had been voted off the NEC he would never have recovered. It was his first experience of hostile perceptions at a national level, after rising to the top of the Labour party and performing well in shadow cabinet elections.

Evidently the role of shadow chancellor was taking its toll. He was making progress on his original impossible conundrum, to devise an economic policy that was fair without taxing and spending, but he was doing so in ways that were making him intensely unpopular within his party, even if they were helping to make Labour more credible. The lack of positive support made him angry and depressed, two

emotions that helped to fuel his further unpopularity, a familiar sequence in Brown's later career.

In 1993 he would have been more traumatized still if he had known as he struggled with his unpopularity that in a year's time there would be a vacancy for the party's leader.