

## INTERNATIONAL MARKETS NEWSLETTER

# British Parliament Rejects Atlanticist Spending Cuts

The British Parliament this week defeated the Labour government's proposed White Paper which demanded \$12 billion in 1977-79 spending cuts. The Paper had been trumpeted as the "turnaround" in Britain, and as a model for Europe, when Chancellor of the Exchequer Denis Healey brought it out a month ago.

"We're not pleased, to say the least," said an overseer of British loans at Chase Manhattan Bank. Describing the United State's most faithful and best-controlled European ally, he said, "they promised in 1974 that they would cut spending by so much, then overspent wildly in 1975. Then they turn around and try to cut by a little bit in 1976, and even that can't get through. I tell you, it's all pretty depressing."

The austerity plan was defeated by an adhoc parliamentary coalition between left-wing dissidents in the ruling Labour party, the so-called Tribune Group, and rank-and-file MPs in the Conservative Party outside the immediate control of the Atlanticist leadership headed by Margaret Thatcher. This alliance administered the first serious defeat to the government of Prime Minister Harold Wilson, and has raised Britain's outrageous \$113 billion national debt as a political issue.

On the question of what to do about the debt, however, both sides of the alliance have waffled.

The Conservatives have denounced the growth of national debt while blaming it on government spending and demanding cutbacks in social-service programs. The Tribune group, a loose-knit faction whose 70 members make up about one quarter of the Labour Party representation in the 525-person House of Commons, are asking for a patchwork of increased tobacco taxes and cuts in defense spending to finance the budget. Their ambiguous stand implies that demands for maintenance of social services and the payment of national debt can both be satisfied.

Talk of debt moratorium, the only realistic solution to the British crisis, has been mostly confined to private discussions between the two groups and in official government circles.

Without a common program of debt moratorium the alliance between the Tribune and Tory backbenchers can't last long. But it has already created a potential for lessening Britain's dependence on the U.S. State Department, and opens the door to discussions and link up with anti-austerity industrial capitalist factions in France and Italy.

Consequently, spokesmen for Wall Street have greeted the defeat of the White Paper with fear and dismay. An economist at Manufacturer's Hanover Trust observed that Britain was "getting to be like Italy, with a currency crisis first, and now a feeling of government paralysis and low morale on top of it." The New York Times, which ran the Chancellor of the Exchequer's heroic beetle-browed visage on its front page and trumpeted the "new realism in Britain" when Healey first proposed his cuts, buried the new of the White Paper's defeat in a small item on page 16.

Later press coverage has emphasized the "irresponsible

action by a small group of left-wingers who abstained "on the White Paper vote, but who then voted for the Harold Wilson government the next day to prevent Wilson's forced resignation. Prime Minister Wilson and Chancellor of the Exchequer Healey have both deliberately lied that the left-wing abstainers, the Tribune group, were in an alliance with Tory leader Margaret Thatcher, who rivals Wilson and Healey in her devotion to the Atlantic alliance.

The truth is this: the Tribune group, backed by motion from anti-Thatcher conservatives, actually carried through a threat to split from the Labour government for the first time in the group's 25-year history. Their unusual determination did not come from their union base, since there are only preliminary signs that British unions are recovering from their last eight months of passivity. The Tribune's strength came from their alliance with a significant section of the Conservative Party, but not the Thatcher leadership.

While denouncing the non-existent alliance between the Tribune group and Mrs. Thatcher, to divert attention from their own de facto alliance with the Tory leader Wilson and Healey have begun a red-baiting campaign against both the Tribunes and the backbench Conservatives. A former Military Intelligence official made headlines two days in a row, first by charging that an unnamed "high Conservative official" from the non-Thatcher wing of the party was an agent of the Soviet secret service, then by threatening to name present prominent Labour Party members "who had never renounced the Communist affiliations of their youth."

The prospects are that the U.S.-trained government of careerist Harold Wilson and think-tank-item Denis Healey will stay in office in the immediate future, continuing their de facto alliance with Mrs. Thatcher. New York and London bankers surveyed this week, though shaken by the Labour Party cabinet's incompetence, pointed out that their only alternative, direct rule by the Conservatives, would risk an explosion of strikes by the unions. "You have a fundamental paradox in Britain at this point," said the Chase Manhattan officer. "Labour is in office, but just by the economic realities of the situation they have to carry out Conservative policies. And they have done it — freezing wages, allowing unemployment to grow to 5 per cent." Another banker with British accounts said, "Wilson has done a masterful public relations job on the unions. Masterful. Quite incredible."

Meanwhile Labour government's austerity demands on the British population continues to grow. This week alone meat and dairy prices rose 3.5 per cent following a new agricultural agreement with the Common Market; the nationalized rail, steel, coal, and electricity industries, and the Post Office, announced price increases of 10 to 20 per cent and the continuing devaluation of the pound sterling will add at least 6 per cent to all import prices.

The Bank of England topped it all off by demanding that the ceiling of 10 per cent on wage increases, which has prevailed since July 1975, be lowered to three per cent. A spokesman for Chase Manhattan, commenting on this ambitious call, could only say, "good luck!"