

British Government Unions Base Recovery on Technological Growth

Governor of the Bank of England Gordon Richardson seriously jolted his pro-austerity colleagues in the City of London early this week by underlining the "flexibility" of Britain's relationship with its International Monetary Fund creditors. Richardson hinted that the onerous terms of Britain's IMF loan might have to be "renegotiated" if they continued to strangle industrial investment.

Richardson's uncharacteristic remarks — deemed "regrettable" by the Jan. 19 *London Times* — can be directly attributed to Prime Minister Callaghan's move last week to centralize under his personal control all aspects of economic and monetary decision-making relating to his policy for industrial expansion, including those formerly under the aegis of the Treasury and the Bank of England.

Callaghan's strategy to regenerate the British economy, primarily through export-led growth, is beginning to bear fruit in terms which have caught economic "forecasters" off guard. Britain's December trade figures — the first announced since Callaghan took command of the economy — showed the first balance of payments surplus since last March. For only the third time in four years, Britain's trade with the rest of the world was "in the black," largely generated by a record in exports of £2.36 billion. The actual jump in exports (4 and one-half per cent) and the drop in imports (7 and one-half per cent) far exceeded the targets set by the Confederation of British Industry which had called for a 1 per cent growth in exports and a 5 per cent drop in imports as the minimum necessary to set Britain on the road to recovery.

Callaghan is taking charge of a meeting with British shipbuilders to boost vital export contracts, like the ones he personally negotiated with Poland and Kuwait last year. Industry Minister Varley — originally supposed to chair the meeting — was relegated to observer status at the meeting. Varley and Chancellor of the Exchequer Denis Healey are due for demotion at the earliest opportunity as a result of their backing for the IMF's austerity conditions. Boxed in by the Callaghan faction, Healey reminded the Birmingham Chamber of Commerce that working people in Britain would tolerate no more sacrifice without assurance that "this period of hardship will be followed in the near future by a rise in living standards and a fall in unemployment." It is rumored that Healey will announce a "soft" budget this spring as his final action as Chancellor.

British trade unions are giving their active support to

Callaghan's long-term growth strategy by pinpointing energy as a critical area for immediate expansion via capital-intensive programs. Following a meeting of the Trade Union Congress' fuel and power committee this week, the chairman Frank Chapple stressed that "trade unionists do not consider that in such a vital sector as energy the forces of the market place will lead to the best decisions on investment, research and development." Energy policy has taken a "passive form" exploiting the most immediately economical fuel and neglecting the development of "other sources," Chapple added. Trade unionists, he said, regard as "totally unacceptable some of the more exaggerated hypotheses about the horrors of a plutonium economy," he asserted.

The British government's commitment to realize a high-technology economy was spurred by rail union head Ray Buckton this week who called for the electrification of the rail system as the only way to provide cheap, efficient haulage and the immediate development of the energy sources needed to complete such a program. According to the *London Times*, Buckton said that although the government was presently limiting investment in this field, there would be "a change in thinking in the not-to-distant future, because of pressure generated by the OPEC countries."

The British press is also carrying out an extensive campaign urging the Government not only to preserve Britain's current nuclear capabilities by basing the industry on exports of technology primarily to the Middle East, but to press ahead with Western Europe's thermonuclear fusion program as the only way to meet long-term energy needs.

Meanwhile, Callaghan's Energy Secretary Anthony Wedgewood Benn is on a tour of European capitals in his capacity as the new chairman of the EEC Council of Energy Ministers, promoting a coherent overall European strategy, which would take into consideration the individual resources of the countries involved.

Journal of Commerce reported Jan. 19 that British banks are watching "with interest" the development of the transferable ruble for expanded East-West trade, gives critical backing to Callaghan's emerging strategy for technological growth. The groundwork is already being laid in Britain for a new financial system with a top-level investigative team chaired by former Prime Minister Harold Wilson now looking into the irregularities of the City of London's speculative currency markets.