

Economic depression is causing political shocks in Britain

by Mark Burdman

When was the last time a leading British establishment daily denounced the policy of an incumbent Conservative government as “sadistic,” or when the elite civil servants of the hallowed British Treasury were subjected to daily denunciation? Such developments have become typical, marking how explosive the economic crisis has become.

The British elites are now in a giant dilemma, admittedly of their own making. The John Major government, through the policies of the Chancellor of the Exchequer Norman Lamont and his Treasury “mandarins” Sir Terence Burns and Eddie George, is carrying out the latest, and perhaps fatal, phase of Thatcherite *démontage*, forcing the closing of manufacturing plants and slashing public funding for infrastructure projects. Commentaries in the London *Times* and *Independent* dailies have not been able to suppress the word “depression.”

From the standpoint of the establishment, having an unpopular Conservative government in power at a time of growing popular resentment risks setting off unpredictable movements of social protest. In April, at the time of the Tory victory that kept Major on as prime minister, the *Financial Times* published a prescient editorial alluding to this problem, almost longing for a Labour Party victory, so that a leftist government could be in power that might better siphon off potential ferment in hard times. Unfortunately, the elites don’t have anything in mind, except how best to implement fascism.

A senior City of London source, during an Oct. 14 discussion with *EIR*, asserted that the “controlling group in the governing elite” would be seeking to “bring about structural changes in the way policy is formulated. . . . This could lead to a government of national unity, nominally under the Labour Party’s direction. Such a mechanism would enable this governing elite to push through its agenda, to set up a corporate state on the 1920s Mussolini model. They have now seen that the policies of the 1980s, the attempts to establish a post-industrial society, have failed, the society is now collapsing in on itself. They want to push aside the 1980s and set up a different organization of power, a corporatist framework.”

This source warned that such elites “want to make the country ungovernable, including by using terrorist activity and the like, to create here a version of what the Italians call a ‘strategy of tension.’” London has indeed been hit with an upsurge of terrorism that is being attributed to the Irish

Republican Army (IRA). The bombing wave began during the week of Oct. 5, and included the first IRA attack on a London pub since the 1970s. To some, it would seem that the atrocities have provided a convenient diversion from the Conservative Party’s woes, exactly as the previous such bombing spree, last March-April, occurred in the lead-up to a national election that the Conservatives appeared to be losing.

‘Hurricane Major’ leaves no industry unscathed

The question is not “if” but “when” Major will be out of power. As one British insider put the point negatively: “Major won’t be out before Christmas.”

Sept. 16 was “Black Wednesday,” when the British pound was taken out of the European Exchange Rate Mechanism (ERM), and the Major government lost its *raison d’être*. In late November 1990, the listless former bank clerk had been brought in to replace Margaret Thatcher as prime minister. Thatcher’s anti-European rantings had become a liability, undermining London’s ability to manipulate European financial and political events. With Major and his apparently pro-European views, the City of London could initiate its favored insidious approach, what one source called “get into the bank to rob the bank.” But once Major opted out of the ERM, that classic British method of trickery and manipulation was blown apart.

Major’s policy of “fighting inflation at all costs” is pushing Britain over the edge. If last month as a whole became known as “Black September,” October is even worse, especially when it comes to employment. An estimated 8,000 Britons are being laid off per week, and the British press warns about 3.4 million being jobless within a matter of months. Most ominous, the cuts are hitting high-technology or infrastructure-related sectors, including aerospace, engineering, construction, and energy production.

It was on Oct. 13 that 31 of Britain’s 50 coal mines were closed, throwing 30,000 miners out of work overnight, and threatening at least 100,000 layoffs in the already-depressed communities where the mines have operated. British Transport Union head Bill Morris said the closures were “part of the most serious attack on the British economy in the postwar period. Together with the catastrophic job losses in engi-

neering, vehicle-building, and construction over the last month, today's decision confirms that Hurricane Major is leaving no industry unscathed." Mike McGahey, former vice president of the National Miners' Union, declared, "The government are the modern Luddites, destroying the fabric of our society, the basis of our industry, destroying whole communities."

Lord Prior of General Electric Corp., formerly a minister in the Thatcher cabinet until he broke with her on economic policy, told BBC-TV Oct. 13 that the British Treasury was "very much discredited in the eyes of industry and a lot of people in politics. . . . The Treasury has very largely failed British industry."

Minister of Trade Michael Heseltine was unfazed. He told the press Oct. 13, "I must not allow my heart to rule my head." Pointing to imminent new cuts in shipbuilding and possibly other defense-related spheres, Heseltine blubbered: "A whole range of industries that helped to defend us in acutely difficult circumstances are now finding that the demand for their products has gone."

'Not just politically suicidal but sadistic'

The arch-establishment London *Times*, in its lead Oct. 13 editorial, blasted the government's fixation on the single goal of "squeezing inflation." Because of this "obsession," the paper went on, "no other goal plays a part in economic policy: not recovery, not the reduction of unemployment, not the protection from bankruptcy of Britain's productive base. . . . When the economy is flat on its back, the Chancellor is kicking it in the head. To maintain tight fiscal and monetary policy in the depths of recession is not just politically suicidal but sadistic." The *Times* demanded an economic recovery program based on reviving "the most depressed areas of the economy: housing and construction. For each unemployed builder taken back into work, the government would save £8,000 in [unemployment] benefits and lost taxes."

In his current state of mind, and given the boys' boarding-school culture in which so many British figures have been nurtured, it is not certain whether Lamont would take the *Times'* charge of sadism as an insult or a compliment. One day earlier, before the House of Commons' Treasury and Civil Service Committee, Lamont affirmed pompously, "I don't believe in kick-starting the economy by some artificial stimulus or device."

On Oct. 9, the same London *Times* had argued that Lamont's policies were, of course, not only his own, but also Major's, in an editorial headlined, "On the Way Out." It accused the government of living in "a different world" than most Britons suffering from the economic collapse, and likened the insistence of Major and Lamont on fighting inflation above all other priorities, to "slay[ing] a dragon that already lies near-lifeless at [their] feet."

The paper went on: "The economy is mired in the deepest depression for 60 years. Now the Chancellor intends to cut

public spending savagely, without taking any counterbalancing measures to stimulate growth. Nothing could be better designed to turn recession into slump. Inflation may fall from 3.5% to 2.5%, but for many companies the price level will be irrelevant: They will have ceased trading altogether. The gain in competitiveness will be minimal; the cost to people's lives and to the health of the economy will be immense. Mr. Major says it would be irresponsible to risk inflation. What could be more irresponsible than this new policy, which risks permanent damage to the productive base of the British economy?"

The paper expressed the wish that Lamont would soon follow the path of David Mellor, a Major crony and Minister of National Heritage, who was forced to resign on Sept. 24, in the face of a number of damaging scandals.

More bore than roar

Other nasty commentaries greeted the performances of both Lamont and Major at the Oct. 6-9 annual Conservative Party conference in Brighton.

Among the most trenchant was the Oct. 10 front-page London *Guardian* piece by political correspondent Andrew Rawnsley. Under the headline, "More Bore than Roar in Prime Minister's Darkest Hour," Rawnsley mocked Major's rhetorical efforts, during his Brighton speech the day before, to echo the verbiage and mannerisms of Winston Churchill addressing the British people during World War II. This, he stressed, was only an effort to use patriotism to divert attention from the reality of economic collapse in Britain now.

The Oct. 12 London *Independent* article by Britain's Lord William Rees-Mogg ripped Major's speech under the title, "Mr. Major Ignored the Real Economic Crisis." "The European crisis is worse than the government is prepared to admit. More alarmingly, it is far worse than the government understands," Rees-Mogg wrote. He said that Major and others had spoken in Brighton "as though Europe were still healthy. Unfortunately, that is not true." Rees-Mogg demanded that the Major regime "end the perverse process of deflating during a depression," especially as "the world economy is in the worst state since the early '30s," with the Russian and eastern European economies "still in virtual collapse," and the U.S. undergoing an economic crisis that will probably result in George Bush losing the next election. "The United States will not be able to lift the rest of the world out of depression."

"This is the reality," he continued. ". . . We are living through an economic storm that is shaking the prosperity of the whole earth. . . . How can one convince the prime minister that his world has changed?"

The sham panacea of Thatcherism

Other influentials have been stressing that axiomatic flaws prevailing over a decade, rather than policy mistakes devised yesterday, are to blame for the present debacle. Writ-

ing in the London *Observer* Oct. 11, economics columnist William Keegan commented: "Seldom have I encountered such anger and frustration as has been apparent during the past 10 days, as a government that has lost all credibility struggles to get through the next 24 hours. . . . While Conservative cabinets past and present lay the blame at one another's door, the point to bear in mind is that they were *all* to blame. . . . The rot set in with the country's readiness to accept the sham panacea of Thatcherism way back in 1979, and it spread throughout the 1980s. It was madness to start the battle against inflation in 1979 by doubling it; it was madness to argue that possession of North Sea oil meant that manufacturing did not matter; and it was madness to obliterate up to a quarter of the manufacturing base in the attempt to conquer inflation (an attempt, what is more, which proved abortive)."

Keegan charged that Thatcherism has nurtured a society "in which people came to expect that the mere ownership of a house would bring a rapid rise in its value, and that consumption could be effortlessly financed; in which shares that the taxpayer had already paid for (when the companies were originally nationalized) were sold back at knock-down prices, suggesting that capital gains grew on trees, and in which neither manufacturing nor future planning mattered, because that great god 'the market' would provide. And, after all, Britain's future lay in services. . . ."

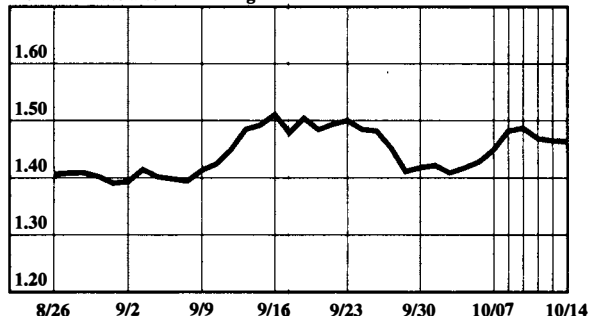
Keegan wondered if the monetarist madness may have gone beyond the point of no return: "My overseas contacts looked on in bewilderment as they saw this country commit one crazy economic or social action after another. What the pragmatic Japanese, Germans and French could never understand was the lack of balance and any sense of proportion in Britain, as the country lurched from one chimerical solution to another. . . . One thing I have noticed in recent weeks is that the crisis of confidence in the government's handling of the economy has coincided with another development: Suddenly, everybody has discovered the manufacturing base. I use the phrase loosely, because the issue of the manufacturing base is suddenly on everybody's lips; the problem is that they don't know where to find it. And the concern is: How can British industry profit from devaluation, if there is not enough industry to seize the opportunity?"

Not one influential spokesman has bothered so far to admit that every disaster that has resulted from Thatcherism was forecast by the American economist and statesman Lyndon H. LaRouche, Jr.—from the outset. This is not because the British do not know LaRouche. The City of London's own media have steadfastly been at the forefront of LaRouche's slanderers, including conducting the KGB-concocted lies against him which led to his frameup and jailing. The day some British figure confesses that this alleged "political extremist" who is slandered for "calling the Queen of England a drug pusher" has been right all along, and his attackers have been wrong, will be the day when there will be hope for reversing Britain's ruin.

Currency Rates

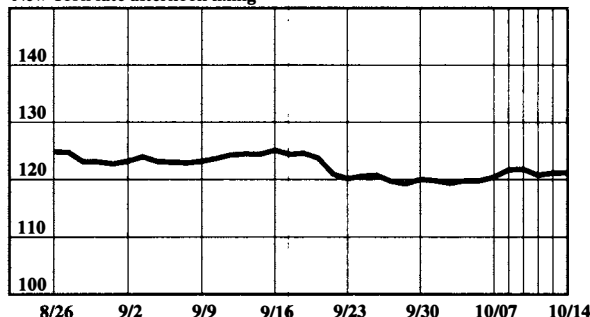
The dollar in deutschemarks

New York late afternoon fixing



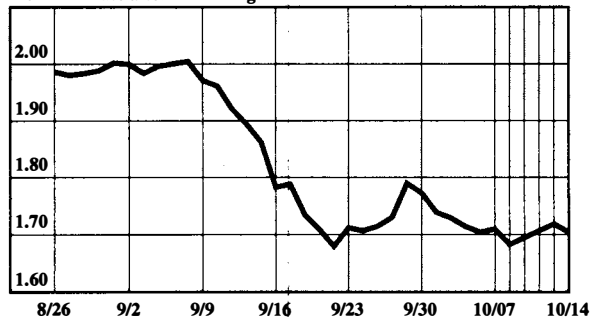
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

