

# U.K. Labour Party maps electoral strategy: Main issue is the economy

by Mark Burdman

Although the date for the British national election has not yet been officially announced, the campaign has begun in earnest, and some of the early battles have been staged outside the United Kingdom. On the evening of Feb. 17, British Labour Party parliamentarian Chris Smith spoke to a packed house at the Friedrich Ebert Foundation, the Social Democratic think tank in Bonn. Smith is the opposition spokesman on Treasury and Economic Affairs, and could well be a key minister in a new Labour-led, or Labour-centered, government later this spring.

Smith began bluntly: "This will be the closest general election we have had in Britain for many years. . . . It will be decided by the state of our national economy." He reported that the election date will almost certainly be April 9. Prime Minister John Major will likely announce this on March 12, two days after the budget speech of Chancellor of the Exchequer Norman Lamont, which is expected to focus on new tax cuts for sectors of the population. The Parliament will then finish its work on March 16, and there will be three and a half weeks of intensive campaigning before the vote.

Having made these introductory remarks, Smith launched into a blunt attack on Thatcherite-Conservative economic policy of the past decade. He stated that Britain is currently "in a very deep and damaging recession, the biggest and severest since the 1930s." Most recent figures indicate that overall production has collapsed 5% in one year, and that the country is experiencing the lowest rate of growth since World War II. Unemployment is "rising significantly," with the announced 120,000 rise in unemployed for the most recent month registered being the worst such rise in four or five years. Manufacturing investment has fallen by 15% in the last year.

Smith was speaking four days after some of these figures, as well as others showing a drop in profits for companies like Ford-U.K., were publicly released in Britain. That day, Feb. 13, has been dubbed by London's press the "Black Thursday" of the Major regime.

Smith also focused on the dramatic collapse of public services. Most controversial are the problems plaguing the National Health Service, a matter of "enormous importance" to the British population. But equally troublesome is the

decline in education: 1 million children go to classes with 30 children or more in the room, many classrooms have leaky ceilings through which rain pours in, basic supplies are inadequate, and the number of teachers is insufficient. Yet another crisis area is the transport system, which is "creaking at the seams," especially in London and other big cities. "Good quality transport is a big election issue," Smith emphasized.

Perhaps most alarming is the increase in homelessness and poverty. Homelessness has increased during the 12 years of Conservative rule by 180%. As for poverty, the figures Smith cited are shocking. In 1979, it was estimated that 12% of the British population were living below what is defined as the "very basic minimum level" below which a human being cannot sustain himself or herself. That figure is now 19%, signifying that "almost one-fifth of the population is living at or below the poverty level!"

## 'Free market' ideology blamed

Noting that there is "no real sign of recovery happening," and that the British economy was, "at best, bumping along the bottom," he cited four reasons for the collapse of the economy after nearly 13 years of Conservative rule:

1) The Conservative-created recession of 1980-81 "removed almost overnight one-fourth of the manufacturing capacity" of the U.K. This was justified with the partially true argument that a "shakeout" was needed to get rid of inefficient industries, but the fact is that "nothing was done to ensure that new industries would replace the old." The result was that "the industrial base was sharply reduced."

2) By the mid-1980s, the government had engineered "a consumer boom of unparalleled proportions," generated largely by lifting restrictions on credit and tax cuts. Within three years, domestic consumption had risen by 20%, which was "unheard of." Commented Smith: "It doesn't take an economic genius to understand, that if you reduce industrial capacity by one-fourth, and then boost consumption by 20%, you inevitably end up with a balance-of-payments crisis, because of increased imports, and a tendency to inflation. This is precisely what happened."

3) The Conservative government then used "one weapon and one weapon only": it raised interest rates, which soared

to around 15% by the end of the 1980s, causing “enormous pain” to people who had bought houses in the preceding years, and to British businesses, who rely considerably on credit to keep going.

4) There was a “sheer waste of a tremendous opportunity,” when the Tories squandered the enormous revenues, estimated at around £100 billion from total sales of North Sea oil over the 12-year period from 1979-91. This money, plus about another £50 billion accrued during the “privatization” sales of state assets, was never used to build up the destroyed industrial base that would have created wealth, but was instead diverted to “tax cuts and social security.”

As a result of these four factors, “we have been left with a severely weakened economy,” Smith asserted.

He indicted the economic theory that has been responsible for such calamities: “It is our belief that the market cannot solve everything. What we’ve seen over the course of the 1980s, is the death of two extreme ideologies. The belief in full state control has totally failed, but the belief that the market could do everything, and that the government could simply stand back, has also been shown to have deep flaws, certainly both in the United States and Great Britain, where it has produced economic disaster.” He also attacked the underlying “philosophical” axiom of Thatcherism, that “there is no such thing as society, what is important is that individuals retain their individuality and that their individual needs remain paramount.”

### **The City’s more presentable face?**

Counterposed to this critique, Smith presented Labour’s alternative, focused on four economic points: alignment of the pound-sterling with Europe’s Exchange Rate Mechanism (ERM); the adaptation from Germany of the practice of carrying out a yearly “national economic assessment”; the establishment of a national minimum wage; and greater “fairness in taxation.” Additionally, Labour would emphasize the necessity of upgrading Britain’s woeful standards of education and training and research and development, would recommend tax incentives to increase manufacturing investment, and would support measures to upgrade Britain’s infrastructure, particularly in the areas of housing and transport.

He repeatedly expressed admiration for Germany’s economy, as a positive success model for Britain to emulate. Pointing to a specific “recipe” that Labour looked at with favor, he recalled a discussion he had with a senior official from Japan’s Ministry of International Trade and Industry (MITI), which plays a crucial role in determining Japanese economic policy. Aside from pointing to Japan’s low level of defense expenditure, this official stressed the importance of Japan’s education and training programs, the “most intensive” in the world, and of Japan’s practice of government-industry cooperation in planning, thinking “20 years ahead of time.” This, Smith claimed, is a “reasonable recipe for

success. We have some lessons to learn, and we in the Labour Party have been learning them.”

This is, indeed, surprising talk from a prospective future minister of a British government, in contrast to the repeatedly self-righteous, and entirely absurd, economic assertions of Mrs. Thatcher and her ilk. It is also surprising talk from a senior official of a party that has formerly emphasized socialist, class-struggle rhetoric in its platform.

However, it is not evident from Smith’s speech whether Labour has gone beyond new rhetorical devices in elaborating an alternative, nor whether Labour is doing anything more than pragmatically and cleverly adapting its pitch to the obvious reality that Britain’s economy is a mess and that a Conservative regime holds much of the responsibility for that plight. What is the real substance? Smith was generally vague on the matter of how Labour would actually carry out, and finance, its policy alternative. There was not the slightest mention, for example, of a policy of fostering the development of frontier technologies, or science-driver programs, that would “jump-start” the destroyed British economy. And, his talk of promoting “government-industry partnership,” might amount to nothing more than a revival of the left-wing corporatism characteristic of the Fabian Society wing of the Labour Party. (The 40-year-old Smith has been a member of the executive committee of the Fabian Society since 1989, and has been a leading member of the Fabian-linked “Tribune Group” of Labour parliamentarians since 1984. Labour is the British branch of the Socialist International, which has pioneered many corporatist, or co-determination, schemes over the past decades).

Smith made no mention of the crisis in international indebtedness and the global policies of the International Monetary Fund, which, in combination, preclude any true move toward economic recovery and reconstruction. Insofar as Smith referred to international economic issues, he unfortunately committed a Labour government to supporting the GATT “Uruguay Round” agreements.

In this light, Smith’s effusive praise for Germany, and insistence that Labour would favorably orient toward Europe, was double-edged. His speech did little to dispel the suspicion that Labour, in the end, might be nothing more than the more presentable face of City of London usury, and that a Labour-led regime might be a British bankers’ “Trojan Horse” in Europe. One of his candid assertions was that Labour was being more accommodating to Europe than recent Conservative governments have been, because it wanted to ensure that the future European Central Bank would be located in London, rather than in Frankfurt. When London *Guardian* correspondent David Gow, who served as moderator for the Ebert Foundation event, expressed astonishment that Labour would lavish such praise on the City of London, Smith answered by extolling the City’s unmatched “expertise in handling money,” adding jokingly, “with one or two exceptions, like Robert Maxwell.”