

Austerity, Fear Basis For Blair Re-Election

by Mary Burdman

The Queen of England laid out Prime Minister Tony Blair's electoral program in her official speech for the Opening of Parliament Nov. 23. The New Labour election mantras are "security" and "opportunity," euphemisms for the politics of fear, and austerity. Blair has publicly committed himself to early national elections—most likely in May 2005—in his bid for a full third term. Most of the legislation proposed in the Queen's Speech—including for very controversial "counter terrorism" measures—will not get to Parliament before the elections. But New Labour ministers are going all-out with claims that Britain will be "safer from terrorism" under a Labour government. Not coincidentally, the day of the Queen's Speech, Whitehall sources publicized details of an alleged two-year-old Al-Qaeda plot to attack financial centers in London.

"My government recognises that we live in a time of global uncertainty with an increased threat from international terrorism and organised crime. Measures to extend opportunity will be accompanied by legislation to increase security for all," the Queen intoned to Parliament. Her Speech promised to "reform the public services"—meaning completing whatever Margaret Thatcher left undone in her 1980s rampage against the British economy. The Queen also announced the introduction of biometric identity cards for British citizens by 2007 and the creation of the Serious Organised Crime Agency, an FBI-style "super" national force.

The real issue behind all this is not Al-Qaeda threats—police have acknowledged that a Sept. 11-style attack would be very hard to carry out in Britain. Blair's politics of fear recall the situation in July-August 2001, when his government set up an "emergency crisis management" apparatus to deal with national emergencies and disasters. At the time, just prior to the Sept. 11 attacks, there was widespread concern in Britain that the tensions in Southwest Asia and Ibero-America could trigger a big financial crisis.

Warnings of Catastrophe

That is clearly the issue now. British financial commentators warned right after the U.S. elec-

tion that the new Bush Administration was going to be hit hard by economic crisis soon, due to the massive budget and trade deficits, the debt mountain, and the collapsing dollar; barely three weeks later, they were warning of a "downhill dollar disaster" and world "financial catastrophe." City of London sources confirmed to *EIR* after the Nov. 20-21 G-20 meeting, that "there is no solution at hand" for the dollar crisis; the policymakers are "paralyzed." The coming crisis will be a "global phenomenon," another source said, which will hit Britain even sooner than the U.S.

That is certainly likely. Britain is a post-industrial wasteland, kept afloat only by the huge London-centered financial bubble. The few remnants of an economy are being rapidly dismantled by New Labour. Apparently tired of his old quest for a "stakeholder society," Blair is now calling for an "opportunity society," such as the "opportunity" to work at a casino, when your pension fails.

One day after Blair made a big "opportunity society" speech, on Oct. 12, the government Pensions Commission reported a "black hole" in British pension funds, revealing that as many as 13 million workers will not have enough to live on in their retirement. Just two of the reasons for this crisis are the collapse of the stock markets where funds were invested, and that Labour Chancellor Gordon Brown has been "raiding" the pension funds of £5 billion a year to balance his budget.

The pension funds will eventually require a government infusion of £57 billion a year, to maintain pensions at current levels, Commission chairman Adair Turner said, after acknowledging that Britain's pensions system is already one of



Prime Minister Tony Blair's decaying Millennium Dome, a \$1 billion real estate boondoggle in Greenwich, England, is a symbol of the financial bubble, which has been kept afloat even as the physical economy was dismantled by Blair's government.

the least generous in the developed world. The government's claims about private savings for pensions have been "seriously overestimated," Turner said, because these claims excluded over 10 million workers who cannot afford private pension plans. Britain faces measures such as raising the retirement age to 70, and cutting pensions by 30% in the coming decades, Turner warned, now that the "fools' paradise" of over-valued equity markets has ended. Retirees lost a full third of their pension if they retired in 2003 rather than 2000, if the pensions were invested in the stock market, he told BBC.

At the same time, personal bankruptcies hit a record high in England and Wales in the third quarter this year. Personal insolvencies rose to 9,156, up 4% on the previous quarter, and 28.8% on the same period in 2003. Small businesses and the self-employed are also in trouble. Insolvencies in the self-employed sector rose by 130% year-on-year, according to the Department of Trade and Industry Nov. 9.

High oil and metals prices have hit what remains of manufacturing in Britain hard. Output fell by 1.1% in the third quarter, the biggest drop in manufacturing since October 2002. The Confederation of British Industry warned Nov. 1 that the amount enterprises make as a share of U.K. GDP has shown a "marked and worrying" decline since

1997. Director General Digby Jones complained: "We have been through a period of profitless prosperity. . . . With a significant proportion of all corporate profits going to pension funds and insurance companies as shareholders, poor profits mean lower pensions, less tax and fewer schools and hospitals."

The CBI answer? Export more jobs overseas. At the CBI annual conference in Birmingham a week later, Jones announced that within a decade, Britain could have outsourced so many jobs that there would basically be *no* work for low-skilled workers. "Off-shoring is now part and parcel of doing business in the global economy," Jones said. "Make no mistake, this is a survival issue." British enterprises in manufacturing, utilities, finance, the media, and service industries, already have a U.K. workforce of just 750,000 and a global one of 2 million, and this will get more extreme, Jones said. Supposedly, Britons will work in "graduate" jobs, but anyone acquainted with the state of the British education system would dismiss that proposition instantly.

'Unsafe as Houses'

Meanwhile, the British property bubble, the mainstay of New Labour's economy, is going wobbly. House prices are at the highest level to income in 30 years: In the 1990s boom, house prices were 2.5 to 3 times average incomes; now, they are 4.5 times. The warnings are out: The rats are deserting the ship. At the end of September, the IMF's annual review told British house-hunters to "exercise particular caution" and warned of an "abrupt adjustment in the housing market." Bank of England Governor Mervyn King, who has raised interest rates three times in an effort to control the bubble, reported a "slowdown in the housing market is evident in virtually all the indicators."

In October, Britain saw the lowest number of property sales since 1995 and the sharpest decline in house prices since 1992, according to the Royal Institution of Chartered Surveyors (RICS). Sales were down 25% from a year ago, and the worst rate in nine years.

The Casino Caper

But the most telling revelation about the New Labour economy, was the "super casino" bill.

On Oct. 13, Labour Culture Secretary Tessa Jowell introduced the government's so-called reform of gambling—to bring U.S.-style super casinos to Britain. This outrage is the first change of gambling in Britain since the 1960s. The government wanted the new regulations to be implemented by next Spring—in time for the elections—but opposition has been so strong that Jowell has already had to retreat.

The bill will allow casinos to be open 24 hours a day, including on Christmas Day; they would no longer have to be built in restricted areas; current rules requiring a 24-hour "joining period" will be dropped; the biggest casinos will

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be allowed to give unlimited jackpots; and the casinos would be allowed to advertise. Labour is offering the sop that there will be stronger policing of gambling, including on the internet, under the new law.

The real issue is that some of the new “regional casinos” will be built in run-down inner cities. The British government is predicting that expenditure on gambling will increase by 40%-45%, to up to £12.5 billion a year by the time the new bill would come into force, and these funds would be taxable. Britain already has 131 casinos, second only to France in Europe; the government projected another 20-40 casinos. Many would be financed by U.S. gambling interests, which project some £3 billion in revenue from Britain.

The Times of London reported Oct. 13 that a Labour Party memo told Members of Parliament (MPs) that many of the new casinos would be opened up in such formerly industrial cities as Birmingham, Northampton, Sunderland, Nottingham, and Margate, and would bring “jobs, investment, and regeneration opportunities” to these places, to the “benefit” of Labour MPs. The memo stated that “Parliamentary Labour Party members should bear in mind that some of the towns and cities that want to use a casino as part of a broader leisure, tourism, and regeneration strategy are key Labour seats.”

Reaction was intense. By Nov. 1, Tessa Jowell had to say on a radio interview that she would be willing to take a “more gradual approach” to introducing the new casinos, because of dissent in Parliament among back bench Labour Party MPs, Tories, and Liberal Democrats, who had said that they would try to get the “super casinos” limited to a “pilot project.” While the bill got through the House of Commons Nov. 2, Labour won only by 74 votes, despite its official 159-vote majority. There were many abstentions: only 286 Labour MPs out of the total of 407 in Parliament supported it. The bill still has to go through committee, and there should be a lot of opposition during the “line-by-line” discussion.

Former Labour health secretary Frank Dobson questioned why a Labour Government would let American gambling interests—associated in everyone’s mind with organized crime, money laundering, drugs, and prostitution—to set up casinos in Britain.

Jowell had to admit her surprise at the “level of fury” over the proposals, and that there had been a “massive backlash.” By Nov. 15, she told a meeting of the Parliamentary Labour Party that the number of new “super casinos” would be limited to eight “pilot schemes.” Both Houses of Parliament would have to approve more casino “development,” and if the “pilot” casinos increase problem gambling, or do not bring about “economic regeneration,” this would “count against future developments.” Blair will have to come up with something else to keep the British economy afloat this Winter!