

The Tories, far from reversing our industrial decline, are exacerbating it

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De-industrialisation and the Tories

The term, 'de-industrialisation' is increasingly used to describe economic decay in Britain.² Essentially, it refers to two closely related problems: firstly, the inability of British manufacturing industry to maintain its position in foreign and domestic markets; secondly, the failure to provide industrial employment for the British workforce.

The dramatic pace of de-industrialisation since the Tories returned to office is easy to illustrate. The TUC lists the following redundancies in UK industry announced in just two weeks of February this year.

Date	Company	Location	Jobs Lost
1.2.80.	Dunlop	Birmingham	600
1.2.80.	Courtaulds	Larne	235
		Carrickfergus	
4.2.80.	British Cargo Airlines	Stanstead	50
5.2.80.	National Smokeless Fuels	Manvers, Yorkshire	580
5.2.80.	Total	Northampton/London	800
6.2.80.	Weir Group	Sheffield	850
8.2.80.	Stone-Piatt	Oldham	850
11.2.80.	SCM	Glasgow	500
11.2.80.	Massey-Ferguson	Liverpool	550
14.2.80.	Pickering Foods	Northern Ireland	300

TUC Economic Review

This process is going to continue. A Treasury official recently told a Commons Committee that the government was reckoning on a 4.5% fall in British manufacturing production this year. Officials have been less forthcoming on the consequences of this sort of figure for unemployment.

Historical background

This double failure — to compete internationally and to provide work

— has very deep roots. Historians continue to discuss the reasons for Britain's relative decline as an industrial producer, but they are virtually unanimous in tracing it back at least as far as the last quarter of the nineteenth century.

Debate continues about the specific weight to be attached to economic, social and cultural factors in accounting for this loss of dynamism in British economic development. However, in view of 'neo-liberal' doctrines of competitive capitalism and the related cult of small businesses among the Thatcherites, it is worth making a simple point. *Britain's economic decline has its origin precisely in the failure of a liberal economic order*, an economy of small businesses almost completely free from legal restraints and bureaucratic interference. The laissez-faire economy of mid-Victorian Britain failed to use science to reshape its technology, lagged behind its rivals in the extension of factory production, and was unable to create and exploit new mass markets for consumer goods.³

From Relative to Absolute Decline

The decline discussed so far was *relative*. Britain fell behind the second generation of industrial powers — the US, Germany, Japan. Increasingly, she fell behind the third and fourth generations also, as industrialisation spread through Europe and into parts of Asia and Africa. But this loss of leadership did not mean a decisive halt to British economic development.

The limited but significant reforms of the nineteen forties,

¹In writing this article, I have benefited considerably from papers by Mike Bleaney, John Fairley and Paul Levine presented to the Economic Committee of the Communist Party.

²For example, Agit Singh, 'UK industry and the world economy: a case of de-industrialisation?' *Cambridge Journal of Economics* No 1 1977; Frank Blackaby ed, *De-industrialisation*, Heinemann 1979.

³E J Hobsbawm, *Industry and Empire*, Penguin, 1969, Chapter 9, 'The Beginnings of Decline'.

stimulated by the democratic climate of war-time Britain and the first majority Labour government, made for a considerable renovation of our social and economic institutions. On this basis, and in a favourable international economic climate Britain participated in the most rapid period ever of capitalist economic growth.

Nothing in Britain's performance, however, began to compare with the capitalist resurgence of West Europe and Japan. While output and exports grew through the fifties and sixties, Britain's share of both fell continuously. In 1950 the UK accounted for 25.5% of manufactures exported from advanced capitalist countries; by 1960 this had fallen to 16.5%, by 1970 to 10.8% and by 1975 to 9.3%, a level which has been tenuously maintained in the international recession which began in 1974. Similarly, the UK's share of manufacturing output fell continuously, from 9.6% in 1960 to 5.8% in 1975. *

The participation of Britain in the long boom of post-war capitalism was uncertain and limited. When that boom began to weaken in the late 1960s and was succeeded by crisis and recession, Britain faced the prospect of complete stagnation, of a relative lack of economic growth giving way to falling production and depression.

We will look briefly at the two most important aspects of this crisis — imports and unemployment.

Import Penetration

Import penetration is not a statistically measurable trend, but a *process*. Over short periods of time we can in fact observe import penetration as a growing share of home markets going to foreign products.

Import penetration no longer merely *retards* British industrial development, it threatens to undermine it

Over a slightly longer period, however, various mechanisms respond to a growing gap between imports and exports. The currency tends to depreciate, cutting home costs, especially wages, relative to those of our competitors. Governments respond to balance of payments problems by deflating the home economy, as they have done eight times since 1952.⁵

While home markets stagnate, those overseas are relatively buoyant. On the basis of lower British wage costs, manufacturers can increase their exports, often by concentrating on less technically sophisticated, more labour intensive products. In this way exports catch up for a while with imports.

But the balance is only temporary. The gap in productivity between Britain and her competitors has not been closed. Rather it has widened. As soon as the home economy begins to expand imports flood in again and the whole cycle is repeated.

The sequence has little to do with neo-classical trade theory, where each country specialises in those industries where it enjoys a given cost advantage. Import penetration means that the cost differentials get wider and wider and the weaker country is driven into an increasingly disadvantageous position. Export pressure from Britain in the nineteenth century did this to foreign industries. Today British industry is on the receiving end.

With the outbreak of a deep and prolonged international crisis the competitive struggle for markets became much more intense. Even continuous and severe deflation throughout the 1970s failed to restore the balance of payments. As a result, import penetration no longer merely *retards* British industrial development, it threatens to undermine it.

The trade figures for 1979 mark a new stage in this decline. Traditionally, in British foreign trade a large deficit on fuel,

foodstuffs and raw materials has been more or less balanced by a surplus on services and finance ('invisible trade') and by a substantial surplus on manufactures. Last year the British surplus on trade in manufactures virtually disappeared.

The accident of North Sea Oil, cutting the need for imported fuel, has tended to reduce the deficit. But in effect this means the use of oil revenues to finance the imports which are destroying British industry. Discussion still continues on how best to use these resources; it is not generally recognised that they have already been to a large extent mortgaged simply to accommodate the deterioration in other sectors of the economy. The UK's net imports of oil have been cut from 113 million tonnes in 1975 to 18 million tonnes last year. In spite of this Britain still had an overall deficit of £3 billion on foreign trade.

In this way the gains from the only really dynamic sector of the British economy have already been compromised by the process of industrial decline.⁶

De-industrialisation and Unemployment

Closely related to its failure to meet international competition, in the last fifteen years British industry has been increasingly unable to meet the employment needs of the British working population.

The turning point here was 1966 when employment in Britain reached its highest ever level of almost 23 million. In that year the growing difficulties of world capitalism (signalled by the first post-war recession in West Germany) initiated a period of increasingly intense competition in international markets, while the Wilson government set a pattern by reacting to a foreign exchange crisis with sustained deflation.

Employment in service industries continued to grow after 1966, though at a much slower rate after 1975 when Healey began to cut into public expenditure. The Thatcher cuts have now reversed this growth.

In industrial production, on the other hand, employment has fallen steadily since 1966, a decline which was checked briefly, but not reversed, only in the ill-fated 'Barber boom' of 1972/73. Prior to 1966 employment had already been falling in particular industries: traditional sectors such as textiles, coal and rail transport were shedding labour as a result of competition both from abroad and from more modern industries. (However, we should note that the British aerospace industry lost 40,000 jobs between 1959 and 1966, a sign of approaching difficulties in newer sectors, and a warning against relying on defence orders to sustain high technology production).

After 1966 the loss of industrial employment became general, affecting all major industrial groups without exception.

Decline in Employment 1966-78, Selected Industries

	Thousands	Per Cent
Textiles and leather	257	33.8
Metal manufacture	168	26.8
(of which Iron and Steel)	(136)	(28.3)
Clothing and footwear	118	24.4
Bricks, pottery, glass, cement	68	20.5
All Manufacturing Industries	1,247	14.8
Mining and Quarrying	225	39.8
(of which coalmining)	(216)	(42.4)
Construction	385	24.0
All Industrial Production	1,926	17.5

The above table lists only the largest declines. But since *engineering* is the largest part of manufacture and since engineering skills are

central to industrial production as a whole, it is worth giving some examples of the decline in this key sector:

Decline in Employment, Selected Engineering Industries 1966-78

	Thousands	Per Cent
Metal working machine tools	24	27.0
Office machinery	16	42.1
Photographic & copying equipment	3	20.0
Electrical machinery	73	35.4
Telegraph and telephone apparatus	20	23.5
Electrical, Mechanical and Instrument Engineering Total	261	12.6

The general decline in industrial employment in this period was therefore rapid, partly as a direct consequence of the competitive weakness of British industry, partly as a result of low levels of demand in home markets. And since the labour force started to grow more rapidly in the seventies, unemployment rose inexorably from a low of 1.4% in 1966 to 6.1% in 1978.

In 1979 the return of a Tory government coincided with a sharp recession in world markets which had still not fully recovered from the crisis of 1973. But even before these events, stagnation and competitive failure in British industry threatened massive unemployment in the nineteen-eighties.

THE TORIES AND ECONOMIC DECLINE

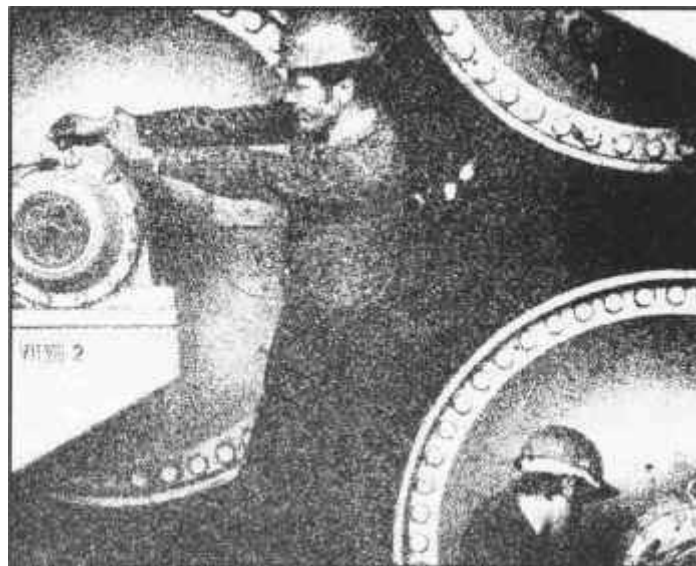
A series of articles in *Marxism Today* have already considered the broader economic and political aspects of Thatcherism.⁸ This discussion will not be repeated. In my view, the various writers are quite correct to take the new Tory government very seriously indeed — the *implementation* of their policies, whether or not they succeed in reversing the trend towards economic decline, would itself be a major defeat for the British labour movement. Here I consider a narrower question — the effect of Tory economic policies on the performance of British industry.

The central theme of Thatcherite economics is the control of inflation, which is understood as having resulted from 'socialist' over-spending by Labour and Tory governments alike. If public expenditure can be strictly controlled then there will be an end to the monetary expansion through which government deficits are financed and the price level can be stabilised. At the same time the market 'distortions' permitted by high public expenditure, above all the power of trade unions to win 'excessively' high wage awards will be suppressed. The private sector, freed from inflation and from the 'disincentive' effect of high tax rates, will become more enterprising and dynamic and start to reverse the decline in national fortunes.

The basic tactics following from such notions are deflationary — the growth of demand is restricted by cuts in public spending while monetary restraint is enforced by a credit squeeze. What is new is the extent to which such weapons are being used. Previous governments have all deflated, with reluctance, in response to balance of payments problems. Now the external balance is no longer the main target; rather the medicine is to be repeated in increasing doses, until inflation itself is brought under control, until 'inflationary psychology' is broken.

This deeply fetishistic thinking is already causing concern even among British industrialists. Employers looked to the Thatcher government for a determined attack on the unions, and they have not been disappointed. They are less happy to realise that *industry itself* is the main weapon by which the attack is being carried out.

In the case of BSC for example, the Government applied



indiscriminate financial pressure which panicked management into a confrontation. During the national steel strike, thirteen weeks' output was lost while foreign producers stole BSC's customers and British manufacturing industry was increasingly disrupted. The final settlement was hardly satisfactory for the union side. But since it was still above the rate the unions were demanding before the strike, industrial managements elsewhere could be forgiven for wondering how many such 'victories' they can afford.

Inflation has its real roots in industrial failure and deep-rooted social conflicts. Today's Tories try to cure inflation by disrupting industry and intensifying the conflicts.

Export-led Slump

To see the full perversity of the Tories' monetary policy, however, we must look at it in a bit more detail. The notion is that a severe squeeze on money and credit will reduce inflation — just how is this supposed to work?

According to monetarists one of the main links between the credit squeeze and the price level is the *exchange rate*. High interest rates push up the value of sterling. British goods become dearer in foreign markets, foreign goods cheaper in Britain. In order to meet this more intense competition, British firms are forced to contain the increase in their prices.

This, at least, is the theory. In practice there has been little or no effect on the rate of inflation. On the other hand the high exchange rate and the pressure on British industry are real enough. Interest rates at around 20% and the prospects of North Sea Oil have kept sterling at a level completely unrelated to the actual productivity of British industry. And, since inflation continues to be more rapid in Britain than in other countries, every week that passes makes the exchange rate even more unrealistic.

The consequent decline in British competitiveness has been dramatic. Several measures of British prices relative to those of competing industrial producers are published; they all tell the same

⁴ C J F Brown and T D Shariff, 'De-industrialisation: a background paper' in Blackaby, *op cit*.

⁵ See the succinct summary of the 'stop-go' cycle in the Cambridge *Economic Policy Review*, 1978, Chapter 1.

⁶ These paragraphs are based on a note by Bob Rowthorn for the CP Economic Committee.

⁷ *Department of Employment Gazette*.

⁸ Mike Bleaney Nov 1979; Andrew Gamble Nov 1979; Martin Jacques Oct 1979; Stuart Hall Feb 1980 etc.

story. As an example take UK prices measured in dollars:

<i>UK Wholesale Price Index in terms of US Dollars</i>	1975	100.0
	1976	95.3
	1977	110.8
	1978	132.8
	1979	164.8

Economic Trends

Thus Tory monetarism does not simply rely on a general credit squeeze — it attacks most severely those sections of British industry which produce for export or are trying to resist import pressure at home, pushing their dollar prices through the roof and narrowing their markets.

The result of an over-valued exchange rate and record interest rates has been a massive deterioration in the balance sheets of industrial firms. In 1978 British industrial and commercial companies had a financial surplus of £541 millions. Last year stagnation and declining competitiveness turned this into a deficit of £4,706 millions.

At this stage the whole policy becomes self-defeating even from a monetarist point of view. The Thatcherites, with plenty of help from Healey and his supporters, have made a complete fetish of public borrowing. But borrowing is borrowing — if manufacturing and trading companies have to find almost five billions in one year they will turn to the banks just as quickly as the public sector does. Thus the Tory reductions in public borrowing threaten to increase the demand for bank credit by private business by an even larger amount — not the way to get that subversive element, the 'money supply' under control.

Of course, if the squeeze is tight enough manufacturing companies will find credit hard to obtain and expensive to finance. They then have to protect their cash flow in other ways, and are indeed beginning to do so — by cutting their investment programmes, by cutting output to run down their stocks and even, the final absurdity of monetarism, by increasing their prices.

The End of Industrial Policy?

While the general economic climate created by the Tories hardly favours an industrial revival, their approach to industrial policy in particular is even more negative.

The industrial policy of previous governments was certainly incoherent. Various steps were taken, on an *ad hoc* basis, as particular aspects of industrial decline came into prominence. Thus investment grants were used, with very limited success, to meet the decay of traditional industry in the regions. When particular industries such as steel got into trouble, some subsidies were forthcoming. Confronted with massive unemployment, the last Labour government resorted to a bewildering variety of 'special measures' through the Manpower Services Commission to slow down redundancies (especially in textiles) and take school-leavers off the unemployment registers. Although the National Enterprise Board never looked like extending public ownership in the way intended by the Labour Party Conference, some funds were channelled through it for industrial reorganisation and investment in new technology.

The sums allocated for such purposes were usually small and the effectiveness of the expenditure open to question. Labour ministers were fond of referring to their 'industrial strategy' but there was very little strategic thought behind the confused assembly of programmes.

Mrs Thatcher and Sir Keith Joseph, however, have a very direct approach to industrial policy which seems certain to simplify matters. They intend to cut the whole lot back by 40% in the next four years. The following table summarises the expenditure estimates published with the budget:

Public Expenditure on Trade, Industry and Employment (£million, 1979 prices)

	1979/80	1980/80	1983/84
Regional and general industrial support	1,008	967	550
Scientific and technological assistance (includes nuclear energy)	282	306	300
Support for aerospace, shipbuilding and steel	202	191	30
Support for other nationalised industries	266	231	100
Trade (negative figures from new treatment of export credits)	13	99	-90
Employment and Training (includes MSC)	1,121	1,123	870
TOTAL:	2,969	2,992	1,760

Although there was little sign in the past that expenditure on industrial policy was achieving its specific objectives, it at least represented a financial contribution to industries suffering from a tight squeeze on profits. For this reason the CBI itself expressed considerable alarm over the size and speed of these cuts.

In the particular sectors such as shipbuilding where government support is being cut back almost to nothing, it is very probable that only accelerated closures and redundancies will relieve the financial pressure. This is certainly what is happening in the steel industry where stringent financial targets are being translated into a loss of 50,000 jobs this year.

The exception to the general cuts is 'Employment and Training' where expenditure will even rise in the coming year. The Government is not prepared to dispense with bodies like the Manpower Services Commission when it is clear that unemployment is on the increase.

The Cult of Small Business

In the last twenty years a pretty wide range of sure-fire remedies has been proposed for Britain's industrial sickness — the National Plan, Selective Employment Tax, the Common Market and so on. The present Government frequently invokes the small businessman as the source of national salvation.

The 'assistance' being offered to small businesses, however, does not indicate any concrete grasp of the contribution they could make to production. The emphasis is rather on the possibilities for personal enrichment in a sector of the economy often marked by unscrupulous commercial practices and the intense exploitation of poorly organised work people.

No steps are being taken to encourage small businesses to raise the technical level of their production, to enter foreign markets, to contribute to the training of the workforce. On the contrary, the 'encouragement' began by lifting legal controls on conditions of employment in small firms — limiting the obligation to make redundancy payments and to secure the jobs of pregnant women workers.

In the budget the same approach was followed up with a wide range of tax concessions: for example, the limit below which sales are exempt from VAT was raised substantially, while large reductions in capital transfer tax make it far easier for small businessmen (and others) to keep their money in the family.

There is little sign that such measures will mobilise enterprise for dynamic development of the British economy. But they will be very effective in reinforcing and legitimising the wealth of small proprietors, regardless of the way in which that wealth is obtained.⁹

A recent study confirms that new companies are not a major source

of new jobs in Britain. It concludes that 'even raising substantially the rate of new firms formation can have only a minimal impact on manufacturing employment, at least for a decade'.¹⁰

On the other hand, two hundred big companies now account for almost half of all employment in British manufacturing industry and more than half of total output.¹¹ The Tories have revamped the monopolies and mergers legislation, causing a certain amount of annoyance to the CBI. But no action contemplated by the Thatcher government will affect the way giant companies dominate the industrial scene. (In fact a major target of the new Monopolies and Mergers Commission is the nationalised sector.)

This point is not made as part of a ritual denunciation of big business, but simply to stress the fact that the overwhelming majority of economically active people in Britain are *employees in medium-sized and large companies and in the public sector*. Since this will continue to be the case, development of the British economy must depend mainly on how effectively the productive energies of these wage and salary earners are used. To present the small businessman as representative of British industrial problems or their solution is mere escapism.

Small Business in Reality: Textiles and Clothing

If we turn from the heroic 'entrepreneurs' of Tory propaganda to actual small businesses, we find that the Government is in fact doing its best to impede their contribution to production. Small firms were already badly affected by industrial decay and the world crisis. Now the credit squeeze and import penetration are driving them out of business at an unprecedented rate.

A good example is the clothing and textiles sector where there are still a large number of small companies. Less than there used to be, of course: in the EEC as a whole, some 5,000 firms in this sector went out of business in the last ten years — most of them with about 250 to 500 workers. Britain, with the largest industry in Western Europe, took a disproportionate share of this decline. Between 1965 and 1977 over 300,000 jobs disappeared in textiles and clothing.

The crisis itself is bringing about a major shift in the location of the industry: the volume production of relatively unsophisticated products is moving rapidly south towards the Mediterranean; meanwhile the West German and French industries, though also hit badly by overproduction, are investing rapidly in high-speed machinery producing quality goods. Though West Germany lost 1,500 firms in textiles during the seventies, the larger units remaining are now one of the world's biggest markets for modern textile machinery, much of it British.

In Britain itself, by contrast, the crisis has drastically reduced levels of investment. Last year, for instance, the Carrington Viyella group, faced with a severe fall in profits, cut its capital spending by half.

Some measure of protection already exists for the British industry, via the EEC's participation in the international Multi-Fibre Agreement. But this is not enough to limit the import penetration of British markets: in 1979 textile and clothing imports increased by £440 million (25%), exports by only £140 million (9%). By no means all these imports are from developing countries: almost half UK imports of woven fabrics and over half of imported yarns are from developed countries — notably the EEC itself; the major threat to British carpet manufacture has come from the US where subsidised oil makes cheap artificial fibres available.

Last year's VAT increase and record interest rates intensified the pressure as retail outlets tried to protect their own margins by transferring the costs of stock-holding to their suppliers. Lancashire cotton shed 1,260 workers in December alone; the West Yorkshire woollen industry lost 2,000 jobs in December and January. The situation in clothing is illustrated by a statement from the National Union of Tailors and Garment workers: 10% of its members in



menswear were made redundant in the last four months of 1979. In February of this year, the largest clothing company, Tootal, announced a 10% cut-back in employment (attributed to the domestic profits squeeze rather than imports).

To conventional politicians of any party, the emergency might have seemed severe. British textiles and clothing are run-down and inefficient but they still account for 5% of exports and well over half a million jobs. Accelerated decline would make all the problems of economic policy more difficult. Nor is the situation hopeless: a recent EEC report argues that even the clothing industry can survive in North-West Europe, provided there is extensive re-equipment; and a stronger clothing industry would help to sustain textiles.

But for the flesh and blood businessmen of the textile sector, whether large or small, Thatcher's government has few words of comfort. Immediate relief through subsidies is being reduced, while Trade Secretary, John Nott, has announced that there are no plans for further import controls on manufactured goods. (Pressed by MPs for the textile areas he complained about 'exaggerated' tales of de-industrialisation and replied to textile employers that his hands were in any case tied by the EEC.) The clothing industry meanwhile, did organise a little unofficial protection for itself by persuading the big retail chains to cut their imports; the forum for this agreement was provided by the National Economic Development Council, that despised relic of the old consensus politics.¹²

The short-run 'palliatives' of subsidy and protection are therefore ruled out. So also are any strategic interventions, either to restructure and re-equip the industry or to redeploy its manpower.

In the absence of a U-turn in government policy, there only seems to be one way out — a spontaneous regeneration of capitalism in the textile areas, driven forward by dynamic small businessmen who are uninhibited even by the most severe recession in home and foreign markets since the 1930s.

Pillage of the Nationalised Industries

The central confusion in Tory economic thinking is probably its mystified view of the relation between private enterprise and the state. Taking the balance sheets at face value, they interpret public-spending as a simple burden on private business.

But if the balance sheets of individual enterprises had been an

⁹ This point is made by Mike Bleaney, *Marxism Today*, Nov 1979.

¹⁰ D Storey, 'Job Generation and Small Firms Policy in Britain', Centre for Environmental Studies. Quoted in *Financial Times*.

¹¹ S Aaronovitch and M C Sawyer, *Big Business*, 1975.

¹² *Financial Times*, various issues, January, February, March 1980.

adequate representation of economic reality, massive state intervention in capitalist economies would never have come about. In its obsession with financial stability the Government is prejudicing the conditions which make the growth of private companies possible.

A dramatic example is provided by Tory policy towards the nationalised industries. An almost incredible contribution is being demanded from them towards the general reduction in public expenditure — a financial transformation which puts even the cuts in education and social security in the shade.

A dramatic example is provided by Tory policy towards the nationalised industries

In the last financial year public corporations borrowed £2.3 billion over and above their operating profits, in order to maintain their investment programmes. By 1983/84 they will have to repay the government, out of profits, £400 millions — a turn round of almost £3 billion in four years. The whole thing is to be enforced by rigid cash limits on their expenditure.

We get some indication of the material consequences of such a policy by looking at the effect which relatively modest cash limits are already having. With inflation around 20%, public money for nationalised industries is being increased by less than 15%. How will they close the gap?

One relatively straightforward way of closing it has already attracted a lot of interest. Gas prices are going up this year by almost 30%. The same thing will happen next year and the year after — whatever the rate of inflation, gas prices will increase by 10% more.

This could be called passing the buck: the government squeezes British Gas, which duly squeezes its customers — households and businesses.

For nationalised industries less able to jack up prices, the first resort will be cuts in the investment programmes. (This is already happening to British Rail with disastrous consequences for future productivity and revenue.¹³) Now investment by nationalised industries is not a trivial matter. It is some 20% of all fixed investment, and is even larger relative to investment by private industry: in 1978 fixed investment by nationalised industries was £3,428 million, while private investment in *all production and service industries* amounted to only £11,431 million, less than four times the former sum.

It is true that some of the investment by nationalised industries is not very profitable. Rates of return have often been low; frequently very large capital sums have had to be written off. But while these low rates of return explain why such investment is undertaken by the public sector and not by private business, this does not mean that the public investment is unnecessary. (Still less does it mean that the same resources would have been invested elsewhere.)

Rapid investment in publicly owned sectors of transport, energy and communication, pushed ahead despite low rates of return, has built up the infrastructure on which private industry makes its profits. Similarly, the publicly financed reconstruction of industries in trouble, like shipbuilding or BL, works to limit the damage done to other sectors and to the economy as a whole. Thus low rates of return in the nationalised industries do not mean pressure on private profits; often, they are a central factor in maintaining the profitability of private business.

If nationalised industries make sharp cut-backs in their investment programmes in order to meet their cash limits, there will be intensified recession in the industries supplying them with capital goods, while industry as a whole will be faced with increasingly

inadequate energy supply, transport and communications.

For those nationalised industries with severe problems, not even reductions in their investment will suffice to meet the cash limits. What happens in such an industry? Sir Keith answers that it 'will be required, as would any private business, to break even by every legitimate means in its power, including cutting overheads, buying better, reducing the stock, disposing of non-central assets and, if necessary, by increased redundancies.'

We will look a little closer at just one of these options, the 'disposition of non-central assets'. It fits in very nicely with another piece of Tory policy, the sale of public property. In the first few months of office the Tories had already determined on an extensive list of such sales, including;

BP — shares worth £2 billion.

NEB — £100 million of assets, including the return of ICI and Ferranti to complete private ownership.

British Aerospace — 'about half, for perhaps £150 million (trading profits in 1978, £79 million).

British Airways — up to 49% for up to £150 million (trading profits in 1978, £110 million).

British National Oil Corporation — assets worth £400 million.

The new squeeze on nationalised industries takes this asset-stripping a stage further. Public corporations, faced with rigid cash limits, will in effect be *forced* to sell off profitable parts of their operations, thus narrowing the base for future investments. The process has already begun with BL's sale of MG and by BSC at Shotton. And when someone *has* to sell, the buyer usually gets the best of the bargain

The Retreat from Technical Change

No industrial strategy can succeed unless it speeds up the rate of technical change. Accelerated technical innovation is central to the industrial restructuring now taking place in countries like West Germany, which will largely shape the future international division of labour. Failure to respond will mean increasing problems for Britain and a gradual loss of economic independence.

The reasons for British failure are frequently discussed: an emphasis on science and invention has not been matched by a parallel effort in engineering and in the production of new goods; resources have been misdirected towards grandiose defence and nuclear programmes away from the wider need for industrial modernisation; in a conservative financial climate funds for innovation have often been scarce. Behind such factors lies the general economic stagnation, in which every change in products and processes becomes a threat to established patterns of output and employment.

However, not all the advantages of British industrial experience have yet been dissipated. The British computer industry, for example, is one of the strongest in Europe. Exports grew last year by 32% in the face of intense US competition. (This performance rests on an exceptional degree of state support — the largest manufacturer, ICL, has been nurtured by successive governments and was, indeed, the result of a government-sponsored reconstruction of the industry in the 1960s.)

The Tory retreat from intervention, the increasing financial squeeze on public and private industry, are dislocating British technical development and limiting the scope for modernisation at the very moment when a greatly expanded programme for regeneration is most urgent.

The Tory attitude to the National Enterprise Board will, for example, retard technological developments in industry. The NEB has been putting up risk capital for high-technology firms — in computers, electronics, machine tools, instrumentation, process control. The new guidelines for the NEB and limitations on its capital

will greatly curtail such investments, while the sale of NEB holdings in strategic high-technology enterprises (Ferranti, ICL, the micro-chip firm INMOS) will weaken its programme of industrial development.

Technical training in general is being sacrificed to the Government's 'monetary targets'. Instead of attempting the sort of reorganisation which could improve the supply of technicians and technologists, the Tories are putting general financial pressure on the whole system of education. The development of engineering skills at all levels will be damaged.

Technical change in capitalist economies always involves conflict. The labour movement has plenty of experience of the unemployment, deskilling and increased managerial control that can accompany new technology. Nevertheless, wide agreement was emerging in British society on the need for technical change in industry and on the need to avoid patterns of conflict and resistance which could ruin industrial advance and undermine living standards.

Although limited in scope, this consensus was of considerable significance — and intervention was central to it. For example, a number of reports have stressed the key role of the National Economic Development Office and its network of Sector Working Parties¹⁵. These were seen as a means of co-ordinating public and private sectors for technical change, of mobilising resources and planning for changing patterns of employment.

The Left has often criticised the way such bodies worked, and argued that the democracy they represented was often a matter of form rather than content.

Thatcher's Tories are terrified of even the potential democracy in such procedures. They are dismissing the Sector Working Parties just at the time when these are producing a stream of reports — endorsed by unions and management — on the concrete needs of British industries for the resources with which to modernise. For example, the Working Party for electronics components has reported the

But the fact that Tory policies will fail makes them even more dangerous

impossibility of meeting foreign competition without 'at least the levels of support planned by the last Government. The Tories are going ahead with a £15 million cut and are also ignoring an urgent request for funds to develop opto-electronics.

This is a representative case. The Tories want the capitalism of the past, insulated from democratic political pressures, where the prerogatives of property are unquestioned by unions. In pursuit of this dream, they sabotage the economy of the present and destroy its potential for future adaptation.

CONCLUSION

The Tories like to present their policies as hard-headed realism. They are certainly hard, but they are realistic only in the threat they pose to working people; the massive retreat from economic intervention at which they are aiming is not objectively possible without enormous damage to the industrial structure in Britain.

This is beginning to be recognised even in ruling circles — in industry, in the higher levels of the civil service, in the Government itself. Big business certainly welcomes the reduction in certain *types* of intervention, such as social security or health; but nothing is going to disentangle the network of interconnections between big business and the state which keeps the system going. Big business and government are still making a host of formal and informal agreements in the pursuit of economic and political objectives.

A striking example was the way in which the engineering company Stone-Piatt was bailed out recently. This sort of rescue would have



embarrassed the Department of Industry; it was in fact organised by the Bank of England, using money put up by the City.

There are also signs of a more active procurement policy. Using public orders for goods and equipment to sustain manufacturing companies is one of the few channels of official intervention still wide open, and support funds are increasingly diverted in this direction. Again, there are moves to relax the squeeze on nationalised industries, while rumours are spreading of serious alarm in the Bank of England about the government's monetary policy.

These moves indicate the size of the gap between government policies and the objective needs of the British economy. Far from being realistic, the simplistic premises of Tory economics are largely a matter of wishful thinking. They refer not to contemporary capitalism but to the world Mrs Thatcher would no doubt like to see: a world where 'free' competition keeps down prices, where a stratum of small businessmen are the main dynamic force in the economy, where management commands and workers silently obey.

As a strategy for the modernisation of British industry and increasing the living standards of working people, Tory policies will fail, simply because they are based on assumptions remote from the objective position of the economy. Above all they assume away the central source of economic development — the continuous contribution made by working people in all walks of life to the maintenance and growth of the productive system. Only a mobilisation of these energies could begin to address the problems of British industrial decline. Terrified of the participation of working people in political life and in the control of economic decisions, Thatcher and Joseph are taking us further and further away from a solution.

But the fact that Tory policies will fail makes them even more dangerous. They are already doing serious damage both to the productive system and to the organisation of the labour movement within it. As at BL the Tory attack on working class standards and workers' organisation is being taken to the point of attacking labour as a *force of production*, even if this dislocates industry for years ahead. In working for resistance to Thatcher's government the Left must argue that democratic policies are the only effective way to reverse the long decline in British industry. •

¹³*New Statesman*, 4th April, 1980.

¹⁴Labour Party, *Economic Review*, September, 1979.

¹⁵For example, Department of Employment, *The Manpower Implications of Micro-Electronic Technology* and a series of reports from the Advisory Council on Applied Research and Development.