

The Socialist Challenge to Labour's Cuts



20p

RED
WEEKLY

pamphlet



THE HUMAN COST OF CUTS

For the Labour Government, cuts in the social services mean diverting money to industrial investment. Hickey argues it will encourage the international bankers to have confidence in Britain's economic recovery.

For the working class it means unemployment, reductions in the purchasing power of the wage packet, a crippled Health Service, decaying education, and increasing homelessness.

Michael and Eva Docherty may not have followed every argument that the Government has advanced to justify the need for cuts. They do however have

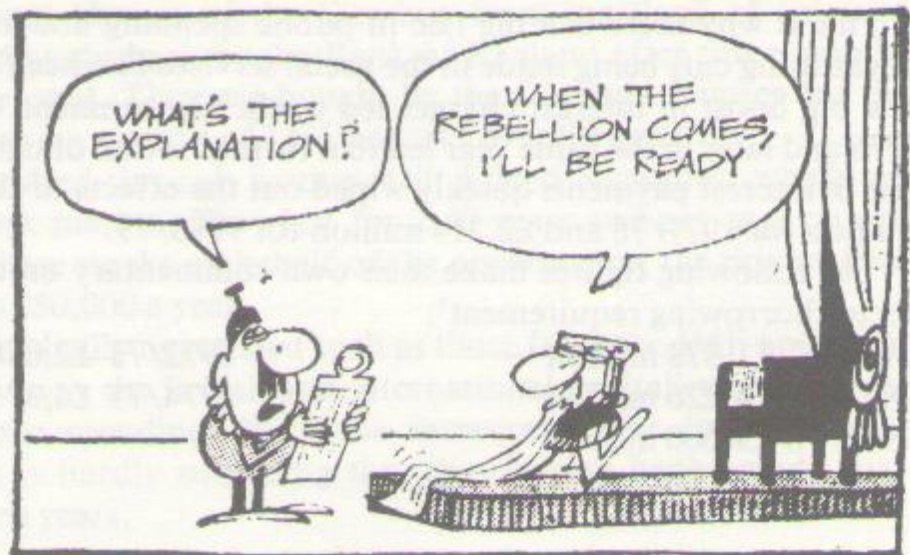
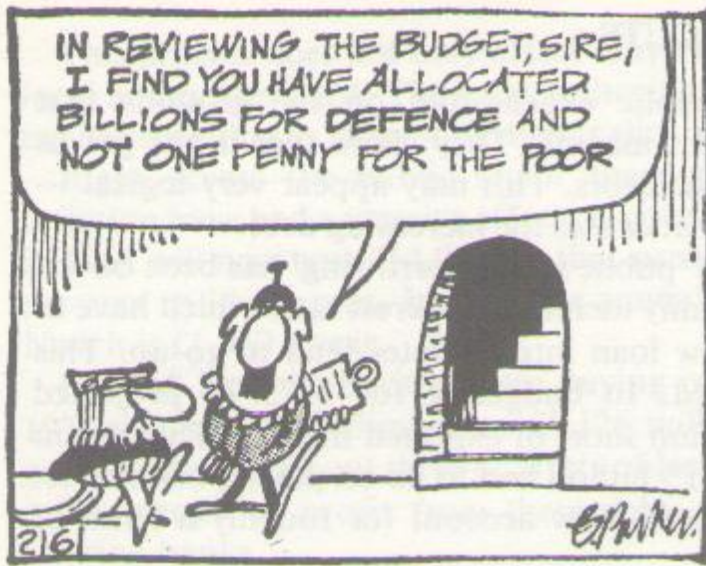
The Socialist Challenge to Labour's Cuts

ISBN 0-85 612 015-4

Published by Relgocrest Ltd., 97 Caledonian Road,
London N.1.

Typesetting and design by F.I. Litho Ltd.,
97 Caledonian Road, London N.1.

Printed by Interlink Longraph Ltd., 45 Mitchell
Street, London E.C.1.



THE HUMAN COST OF CUTS

For the Labour Government, cuts in the social services means diverting money to industrial investment. Healey argues it will encourage the international bankers to have confidence in Britain's economic recovery.

For the working class it means unemployment, reductions in the purchasing power of the wage packet, a declining Health Service, deteriorating education, and increasing homelessness.

Michael and Eva Docherty may not have followed every argument that the Government has produced to justify the need for cuts. They do however have first-hand experience of the effect of those cuts. They live in one room in Park Street, Hull. For a rent of £6 a week they get a room with a gaping hole in the ceiling and a lavatory that does not work. There is no gas and only a makeshift electricity supply—to make a cup of tea they have to boil the kettle on an upturned electric fire.

Because of these conditions welfare officers took away the four Docherty children and put them in care. For out of work Michael Docherty, his wife Eva, and their children the cuts are very real — they mean misery, a danger to health and being without either a decent home or a job.

The Dochertys are not an unfortunate exception. A Shelter Report states that there are more than a million families on the council house waiting list — some as badly off as Michael and Eva, others even worse, some better off. All of them paying rents that are too high, all of them worried whether they will ever get a home that is fit to live in at a rent they can afford.

The last cut of £200 million from the Government's house-building programme struck another blow at these people.

WHY CUTS

The Labour leaders justify cuts in public expenditure on the grounds that Government spending exceeds Government income. They claim that it has got us into debt and now we have to pay off those debts. This may appear very logical — but first we should take a closer look at what causes the increasing debt.

Ever since the early sixties what is called 'public sector borrowing' has been on the increase. The main cause of this is the steadily increasing interest rates which have to be paid back on all debts. With each new loan interest rates tend to go up. This means more money has to be borrowed. In budgeting for 1975/76 projected spending was £54 billion. This was £9 billion short of expected income. This meant borrowing £9 billion, but out of this sum £5 billion had to go on paying off interest on previous loans. Already interest payments now account for roughly a tenth of total spending.

This is why there is a big rise in public spending and at the same time there are devastating cuts being made in the social services like health, education and housing. The big boost in interest charges led to the Government White Paper of February 1976 and later in the same year led to a further round of cuts totalling £1 billion. The rise in interest payments quickly wiped out the effects of the previous cuts of £1,034 million for 1977/78 and £2,214 million for 1978/79.

The following figures make their own commentary on the increase in the 'public sector borrowing requirement':

1971/72 £1,378 million
1973/74 £4,226 million
1975/76 £9,000 million

1972/73 £2,058 million
1974/75 £6,371 million

RED WEEKLY

SUBSCRIBE

Write to: RED WEEKLY (Subscriptions Dept), 97 Caledonian Road, London N.1, England.
Subscription rates: GB and Ireland: £7.00 per year; Overseas: £9.00 (surface), £12.00 (air) per year.

Name.....Amount enclosed.....

Address.....

This process does not only affect Government spending but hits spending by the local authorities hard. The local authorities now have total debts of £22 billion for capital spending as interest payments slice more and more off their incomes.

Right across the public sector the combination of higher interest rates and inflation have had a massive effect. A council house which could be built for £6,000 in 1968 will now cost £14,000. In that period interest rates have jumped from seven per cent to 14 per cent. In 1968 the annual interest rate on such a house was £420. Now it is £1,960 a year.

In 1968 local authorities were paying out annually £449 million in interest. By 1974 that sum had climbed to £1,126 million. The forecast for 1980 is that these payments will take out three quarters of last year's **total** budgeting for housing.

The people to profit from these debts have been the City—the financiers and clearing banks.

For example, the Discount Houses of the City buy from the Bank of England 'Treasury Bills' which are bought back by the Bank of England after three months (thus getting a short term loan). They are bought by the Discount Houses for £97 and sold back at £100—making a profit of 11½ per cent over the year.

Longer term loans are raised through issuing 'Gilt Edged Securities' which are sold as 'stocks' on the stock market. They last for 2-40 years and pay at a rate of 11½ per cent. Just to sell these stocks on behalf of the government, the private firm of Mullen and Co. receives £50,000 a year.

There are also loans individually negotiated such as those from the IMF and other international banks. In this way the British and international capitalists make huge profits on loans for public spending. With the increase of the 'public sector borrowing requirement' it is hardly surprising that the clearing banks made such huge profits over the last ten years.

HOW THE CLEARING BANKS PROFITS ROSE '64-'74

Barclays	886%
Lloyds	1042%
Midland	687%

It is not only the finance houses which take a large slice of the public spending. Manufacturing industry has increasingly been on the receiving end of the government's hand outs. This is done in a number of ways.

Firstly there is the reduction of the 'tax burden' on companies by throwing the taxation onto the individual wage earner. The 1974 budget introduced tax relief on stock profits which was estimated as having reduced the tax on companies by £800 million a year. The April 1976 budget increased this to £1.3 billion. The relaxations of the price code in the 1974 budget allowed companies to increase prices and (through holding down wages at the same time) increase profits. The government then also paid companies to keep their prices down through the prices subsidy.

Secondly, the Government also makes handouts to capitalist industry through the buying of shares or through direct free handouts. The NEB was created for this purpose and given £225 million a year to make loans and buy shares in private industry. The 1972 Industry Act also allows selective aid to industry — British Leyland and Chrysler are the best known examples along with Rolls Royce. These handouts to Chrysler and British Leyland are not just for the good of those firms alone — a whole range of private firms rely on the car producers for a market for their products, and they would also have been hit by any collapse of Leyland or Chrysler. This is what Wilson meant by 'regenerating our industrial structure and improving efficiency'—increased government handouts to the capitalists and cuts in the public services to the working class.

In the year 1974/75, aid to private industry through all these means was in the region of £2 bn.

The nationalised industries which are a vital part of government spending are subordinated to the capitalist economy and are geared to the needs of private industry. In 1974/75 the Post Office bought £800 million of telecommunications equipment from firms like GEC, Standard Telephones and Plessey. This Government-cushioned market ensured that these firms all averaged profits of between 14 to 16 per cent.

The drug companies make a rapacious living off the National Health Service. La Roche sells valium to the NHS at £1,962 a kilo but it costs them only £20 a kilo to produce it. Drug company profits on this type of transaction average from anywhere between 20 to 50 per cent. No wonder they can afford to lavish £32 million a year on advertising among British doctors to buy their drugs.

Not only do private companies exploit the markets in the nationalised industries, they are also allowed to buy from them at ridiculously low fixed prices. ICI has a contract which permits them to buy gas for £20 million a year instead of paying the real price which is £110 million a year. What is more, that contract runs until 1984.

Another large chunk of public spending goes into paying off the former owners of the now nationalised industries. The old rail owners get about £50 million per annum but the railways are recorded as making a loss which is paid for out of government funds. This means cutting back on investment, workers are made redundant and fares go up and up.

Neither handouts to industry or nationalisation have anything to do with socialist planning. 'State intervention' in the economy, far from attacking the power of the capitalists, is simply aimed at salvaging the capitalists. As the American business magazine Fortune put it: 'The Wilson Government's programme for additional nationalisation is not based... on blind socialist doctrine. The bleak truth is that most of the companies now being picked up by the state had been run into the ground by their private managers and were in danger of going out of business.'

British Leyland is a case in point. Between 1968 and 1972 it distributed 95 per cent of the firm's profits to shareholders, keeping only 5 per cent for reinvestment. Even Lord Ryder had to conclude that this and not strikes was the main cause of British Leyland's problems.

WHO DECIDES?

The government debts to the city, to the international banks and the IMF do not simply allow them to make a nice profit from making loans. They also allow the capitalists, both at home and abroad, to exercise control over the government's activities. When the government wants to borrow money, they have to borrow it on the terms of the money lenders, who can refuse to lend; raise the rates of interest at which they will lend; or change the time in which the loan must be repaid.

In 1975 the City money market pressurised the government through not taking long term loans (Gilt Edged Securities), thus forcing Healey to rely more and more on short term loans. The shorter the time to repay, the more difficult the balancing of debts and loans becomes. At the start of 1975 £100 million a week was raised in loans through Treasury Bills. By August this was £400 million a week. By 30 September there were £11 billion in Treasury Bills outstanding—and these have to be repaid in 3 months—which is one-fifth of the national debt.

It was this accumulation of short term debts which prompted Healey to bring in the January 1976 White Paper in an attempt to keep public spending constant between 1976 and 1980 excluding the increases in interest on debts. Healey still needed to get long-term loans however, and the money men were far from satisfied, so to pressurise Healey the run on the pound was manufactured. The Bank of England negotiated 5,000 million dollars stand by credit for the government, but as the **Sunday Telegraph** said, 'it was not delivering Mr. Healey from his enemies but impaling him on a hook'. The hook he was impaled upon was that in order to get his loan he had to give an undertaking that if any of it were not repaid at the end of six months he would go to the IMF for a loan.

As the **Daily Telegraph** pointed out: 'The Bank of England has kindly arranged things for the Chancellor so that whatever happens, he is bound to lose. Already with little more than six months period of grace elapsed, it seems 1.500m dollars of the 5,000 million dollars credit has been spent... The likely outcome is, therefore a pound still in trouble, a labour movement further disillusioned, and the need to seek IMF help, on IMF conditions later in the year...'

And the IMF conditions for granting any loan are not hard to guess. As the **Observer** commented, the IMF mission to London in June 1976 indicated that they wanted a cut in public sector borrowing of 11 to 13 per cent over the following three years. Even Healey's previous cuts had not been enough. Under this pressure Healey lopped off another £1 billion from public spending during the summer of 1976.

This manipulation of government policy by the British and international capitalists is of course no new thing. Commenting on past crises, **Red Weekly** wrote:

1931 — A wave of huge sterling selling ordered by the Bank of England sets the scene for a meeting between the bankers and Ramsay MacDonald. The bankers demand cuts in dole money and teachers pay. Failing to force the cuts through the Labour Cabinet and the TUC, MacDonald deserts to form the National Government with the Liberals and the Tories. The cuts are forced through. Unemployment rises to three million.

1964 — The election manifesto has promised low interest charges, increases in public spending, and control of profits and dividends. But on 16 July 1965 the pound falls to its lowest level since the previous April. Not satisfied with the promise of HP limits and public spending cuts, sterling streams out. On 1 September George Brown introduces the Prices and Incomes Board, which mainly aims to control wage increases.

1966—A deep wave of selling, let loose by the failure of the Bank of England to take decisive measures, rises to record proportions on 19 July. On 20 July Wilson announces a legally binding wage freeze, for six months, to be followed by a further six months of severe restraint, plus cuts in public spending of £500 million. The same pattern continues into 1967, finally forcing a devaluation which boosts the price of life for every working person.

1975 — Healey's spring budget continues the Tories' cuts into a new range of public services. Tax changes produce big price rises. But the Government still holds back from introducing a statutory incomes policy. June sees hectic selling of the pound without intervention by the Bank of England. On 30 June Wilson announces there will be no panic measures, but that day the pound drops a full percentage point. The next day Healey proposes a 10 per cent wage limit to be enforced unless the trade unions decide to police their own membership within a week. The £6 limit is born.

THE PRIORITIES

When the debtors bang at the door and demand their pound of flesh it is clear where the priorities of public spending lie — both for the Tories and now for Labour.

Firstly they lie with the aiding of 'industry's recovery and stimulation of investment'. In 1970 investment in manufacturing industry was estimated as being in the region of £2,130m, where in 1976 it is expected to be £1,700m at constant prices. In 1975 manufacturing investment fell by 15 per cent. Where capitalism's 'free enterprise' does not seem to be working and the capitalists are not investing because the profits are too low or there is not enough to invest, public spending has to be turned towards bailing them out. The tax relief, privileged trading with nationalised industry and straight handouts from the NEB are prioritised first.

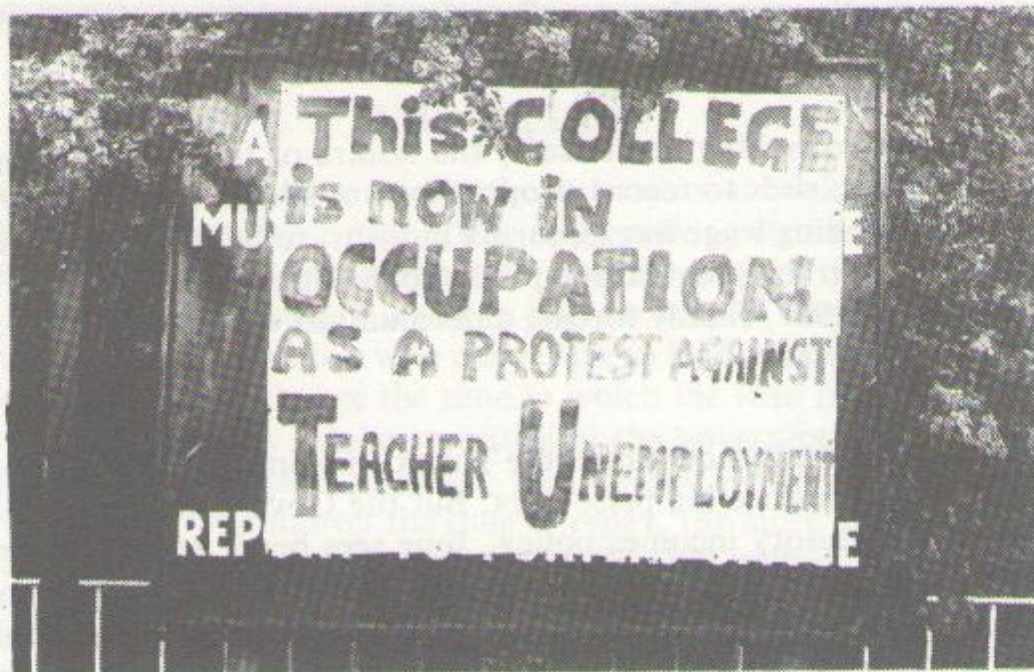
Secondly, 'defence' spending and law enforcement get off very lightly. No important programmes are cancelled, and the armed forces will retain their present size despite the latest round of cuts. The 'commitment' to NATO and Britain's war in Ireland are more important to both Tory and Labour governments than the social services. £4½ billion pounds are currently spent on the armed forces.

Thirdly, social security and unemployment benefit is rapidly becoming a major item of expenditure with unemployment rising towards 2 million. The Chrysler workers estimated that every worker made redundant will cost the state £2000 in social security and lost tax each year. With all the estimates saying that unemployment is not likely to fall again until the end of the decade the cost to the state will be enormous. Despite this it is difficult for the government to cut benefits because of the response of the working class movement. So the government pays for increases in social security through increases in National Insurance. In the financial year 1975/6 the cost increase of social security for the government was £1,060 million and £910 million was found from increases in National Insurance.

The CBI on the other hand are making it quite clear that they will not tolerate any increase in their contribution to National Insurance — by threatening Healey that there would be no increase in investment on their part if National Insurance contributions were not kept down.

At the bottom of the list of priorities have come the services which working class people need—housing, health, education.

Photo: John Sturrock (Report)



EFFECTS OF THE CUTS

As soon as the Government trod the slippery slope of solving increasing debts by making further and bigger cuts it had to career down that road to the very end. This is what produces screams of anguish from the **Daily Telegraph** and Tory leader Maggie Thatcher. They look with horror at the astronomical rate of borrowing—in 1974/75 loans totalled £7.6 billion. In 1975/76 this topped the £12 billion mark. At that rate an extra £1.5 billion will have to be borrowed every year simply to pay off the interest on the year before's loan.

Simply to keep borrowing at the present rate will require cuts of £5.5 billion by 1977/78 and further cuts of £5.5 billion two years afterwards. Healey's £3 billion cut was only the beginning—far, far worse measures are on the way.

Healey's hypocritical claim that the Labour Government would make no more cuts has already been blown sky high. Even as he made that statement he knew full well that cuts were in-built into the projections for 1976/77, which have a 10 per cent inflation proofing when real inflation is running at 15 to 16 per cent. This has only one meaning—money from the public sector will buy less this year than last.

To try and mask the effect of the cuts the Government has concentrated on making reductions in capital spending. In the period 1973/74 new orders for building in schools, hospitals and sewerage dropped by 17, 25 and 49 per cent respectively.

In Health: Labour cut £80 million from the hospital building programme although many existing hospitals are already out of date and literally falling apart. 75 per cent of beds in British hospitals are in hospitals built before 1918, and only 41 of Britain's 2,300 hospitals were built after 1945. Hospitals are being closed down—in Inner London 130 out 150 hospitals are to be closed due to cuts to concentrate resources in the newer, larger hospitals. Hospitals supposed to take the place of those closing are postponed indefinitely.

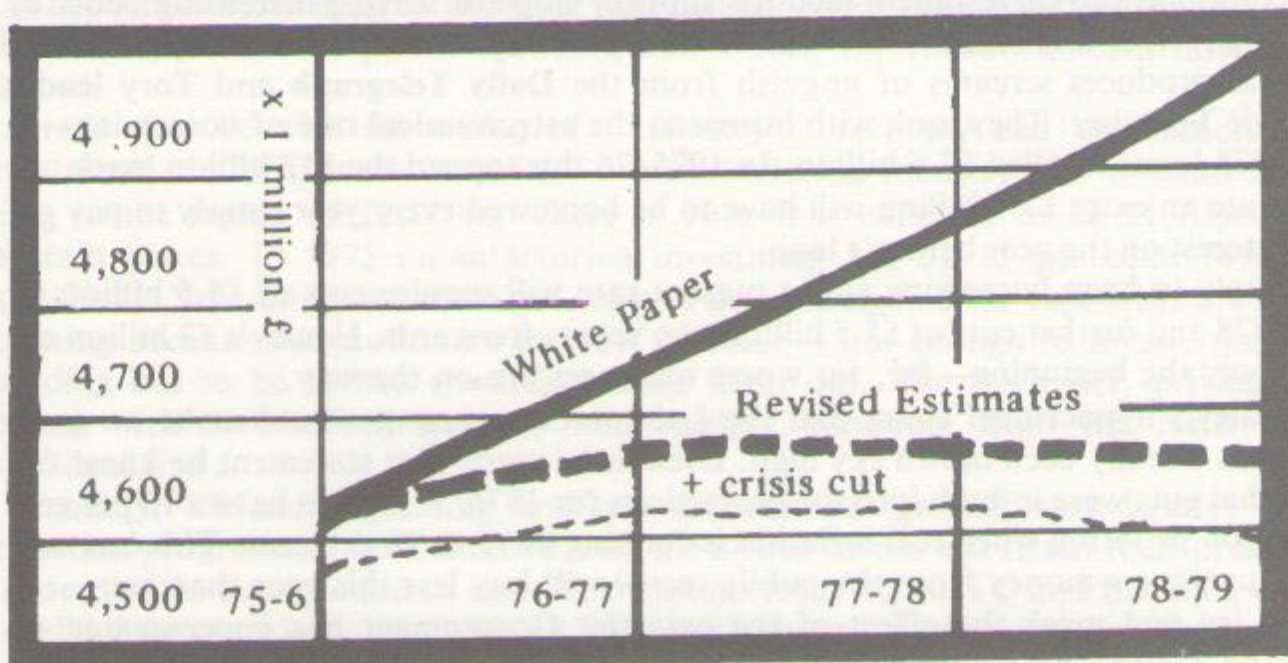
In Education: Between 1973 and 1975 capital spending fell by one third. In primary and secondary education it was cut from £610 to £365 million; and in further and higher education from £207 to £152 million. In 1974/75 teacher training funds were cut by four fifths. Yet schools are still overcrowded or old and decaying. The school slum clearance programme has been stopped altogether. The college building programme has been reduced from £41 million in 1966/67 to £20 million in 1977/78.

In the Social Services there was a rise in capital building of 143 per cent between 1969 and 1974. In the years 1974 to 1977 it has been reduced by 38 per cent. Residential homes for old people, children and the handicapped were halved as a consequence, and the ideas for community hostels for the old and mentally ill were dropped. Most recently the capital spending of local government authorities has been halved so that spending in 1975/76 of £112.8 million will be cut to £61.8 million in 1976/77.

The result is not only that there is no improvement in facilities and services — it means that as existing facilities deteriorate there will be no replacement for them. Thus the impact of the cuts is not immediately obvious to everyone—but nevertheless has a cumulative effect.

As these capital cuts are being made, the high unemployment and falling standard of living for the majority of the population has increased the demand for the social services and health in particular. This means that existing facilities have to cope with far more work and are being stretched far beyond their limits. As the government makes more cuts, so they will have to dig even deeper into the existing services.

Already this has begun as the graph shows.



In the hospitals patients have shorter stays with less time to recuperate from treatment. In the schools staff are not replaced when they leave, remedial education is frozen, and in some areas terms are shortened. In Higher Education the 1981 student target was brought down from 640,000 to 600,000. In further education discretionary awards are slashed and the fees increased. Up until now capital spending has borne the brunt of the cuts. Now current spending has to come under the axe.

One of the most severe effects of the cuts has been to increase unemployment. Whilst attempts have been made so far to steer clear of outright redundancies, for fear of the political consequences and resistance on the part of workers, 'natural wastage' has resulted in the slicing of the workforce. The public sector unions currently estimate that 170,000 jobs are threatened by the cuts.

This is hardly surprising. Wages and salaries account for a very high proportion of the current expenditure in the public services. In health for instance 70 per cent of current expenditure goes on wages and salaries. Whilst it is true that the top management (whose salaries are based on a comparison with other management in private industry) get a lot more than they should, it can hardly be said that the majority of public service workers have anything like adequate wages. But when the government is intent on making cuts jobs are the first to go.

The full impact of cuts on public sector workers has not yet been fully felt. Until now this has mainly taken the form of not replacing people when they leave. However outright redundancy can be expected in the future.

The workers with jobs will face bigger work loads in trying to cope with the increasing demand and worsening facilities. When the strain gets too much on staff and facilities, it is the workers who are blamed—like the nurses and hospital workers blamed for negligence or the teachers blamed for using 'progressive teaching techniques'.

One Tory council has already given a foretaste of what's to come—Hampshire County Council attempted to cut school cleaners' and caretakers' wages in July.

In education 20,000 newly qualified teachers were on the dole at the start of the autumn term in 1976, yet class sizes are well beyond the 30 pupil level—some teachers have classes of over 40.

COHSE the health workers' union estimates that there are 70,000 nurses short in the NHS—yet nurses who finish their training are increasingly being told that there are no jobs for them.

Tens of thousands of civil servants are expected to be on the dole due to the £140 million a year reduction in staffing costs.

As the plans for new schools, hospitals and houses lie mouldering in the filing cabinets, construction workers join the queues at the Labour Exchanges. Government cuts have hit the construction industry like a bombshell. Public spending accounted for 60 percent of the construction industry's work. From 1973 to 1974 bankruptcies in the building trade shot from 416 to 1031. In the first quarter of 1975, 416 firms went bankrupt. By the end of 1975 170,000 building workers did not have a job. At the same time there are 100,000 people without homes and the council house waiting lists are over the one million mark!

This policy is aimed at strengthening the big firms and making them more competitive on the home and world markets. The small firms are driven against the wall in order to let the larger more 'efficient' ones carry through rationalisation, which means cutting down on labour and intensifying the workload for those workers who keep their jobs.

As the construction market slumps at home Wimpeys are making hay overseas. Wimpeys have boosted their overseas work by 76 percent, Laings by 10 percent. In 1975 Wimpeys made a profit of £7.3 million compared to their 1974 figure of £6.6 million.

Healey has talked rather vaguely of getting unemployment down to 3 percent of the workforce by 1979—this would still mean some 700,000 people without jobs. Nevertheless he has spelt out his real intention when he said: 'The time has come to stem the drift from manufacturing, into the services—particularly the public services.' But neither the financial aid from the Government nor the pleas for higher investment in manufacturing produce the results that Healey claims that they will.

When the Government pumped £762 million into Chrysler in the September 1975 rescue operation, Chrysler took the money and 8,300 workers got their cards!

Even Healey was compelled to admit that the £10 a week government subsidy paid out to employers to retain workers they intended sacking has only saved 9,000 jobs. As soon as the subsidy goes so will these 9,000 workers. The Manpower Commission set up with the alleged intention of saving jobs received a paltry £40 million budget—a mark of how seriously the Government views the present unemployment figures. The Government's only solution is to encourage the employers to make more profits in the hope that they then might employ more workers. For thousands of young people on the dole the Government can offer nothing better than being a 'cop' for British capitalism in its repressive war in the Six Counties of Ireland.

Another feature of the cuts is the way that they place the burden of social care more and more on the working class family. In a recent report the British Association of Social Workers point out that 100 hundred residential homes, providing places for 3,000 old people, will have to go due to the cuts. Although demand for such places is growing at the rate of 20 per cent a year only three Local Authorities in Britain are now offering improved facilities. In Coventry four newly-built homes will now not open for two years. Night staff in these hostels have been reduced—despite the fact that the greatest fire danger is during the night.

The cutbacks hit women particularly hard. In the NHS 70 per cent of the labour force are women and three quarters of teacher training posts during 1971 were filled by women. These are the first people to be hit by the Government's measures. In the six months from June to December 1975 the register of unemployed nurses zoomed up by 83 per cent.

Four out of five women who lose their jobs get no unemployment pay. They are also denied social security money. In fact they are treated as if they have no real right to a job and they should go back home to where they belong. At work women get the lowest-paid jobs. They have the worst training facilities. When they lose their jobs they are treated like some form of second class citizens. If the labour movement fails to fight for the right of women to work, it will not only fail to unite the workforce in defence of jobs for all, it will not be able to mount a unified struggle in defence of the social services. The following table, which shows the total of women workers in health and education demonstrates how the labour movement will ignore the issue of a woman's right to work at its peril if it is to build a genuine united fight back.

SHIFT INTO HEALTH AND EDUCATION 1959-71

[thousands]	1959		1964		1971	
	Male	Female	Male	Female	Male	Female
Medical and dental services	273	600	343	756	463	1015
Educational services	198	551	225	655	258	809

Source: Social Trends 1974

As the social services slither into a steady decline private enterprise is only too pleased to cash in on the plight of the sick and the aged. Already over 25,000 private beds exist outside the health service. Twenty nine private hospital schemes are awaiting planning permission and another 30 are in the pipeline. The half million long waiting list for the NHS—a list that can only grow because of Government cutbacks—is driving many better-paid workers to turn to private practice.

The Campaign for Medical Independence, which is backed by the British Medical Association, the Hospital Consultants Association and the Independent Hospital Group has already spent £50,000 on a publicity campaign against any reduction in pay-beds and glorifying private practice. Maybe the cuts are hurting the working class, but for private enterprise and its hangers-on like the ultra conservative BMA and the consultants they are providing a bonanza.

What is happening to the NHS is a foretaste of what is to come in all the public services. The Government has just started with its priorities and inevitably it has hit the weakest sections first. It is the old, the sick, the mentally and physically handicapped and women who are hit the hardest. Such a callous and cynical policy of course reflects the thinking and attitudes of the employers—after all these people are the 'non-productive' workers.

This is why mental health has always been the poor relation of the NHS. Mentally handicapped people need 40 percent of the present beds in the NHS but only get 20 percent. Out of 24 mental hospitals in England and Wales which have 1,500 beds 15 of them have only one doctor per 100 patients.

Nursery facilities have never been anywhere near adequate because of the deeprooted idea that a woman's place is in the home looking after the children. This is shown by the fact that of the four million children in the nursery school age range only 40,000 have nursery schools. Now the 1974/75 nursery school building programme of £75 million which was to be followed by two other projects of £25

million and £30 million has been scrapped. On all fronts the cuts strike at women. Married women are not entitled to a full grant if they are studying at college. Their grant is around £180 a year compared to £630 for a man. Abortions in the NHS have fallen from 62 per cent of all abortions in 1969 to 36 per cent in 1972. The second largest waiting list for operations in the NHS is for women in their late forties who need vaginal and womb operations. Because these women are seen as being no longer productive—they cannot bear children for the labour force—they have to put up with pain and in many cases danger to their lives.

The ruling class has not only welcomed the cuts as a means of boosting their profits but they have taken political advantage of them in order to divide the workers' movement. With less houses being built, with the NHS tottering on the brink of collapse, educational opportunities and facilities getting worse, workers are made to compete with each other for these elementary basic rights. The Tory press and the right-wing politicians have been delighted to exploit this situation. Sensational articles are featured about Asians forced out of Africa living in five-star hotels. They write about immigrants with 10 children who live off the dole and have colour TV. The press and the politicians rant about immigrants exploiting the social services—using the NHS, taking the houses and being pampered by the welfare state.

Such propaganda against immigrants is lies and nonsense. Black workers get the worst treatment in the social services and are consistently discriminated against. In 1966 an average £62 a person was spent on education, social services and benefits—the immigrants' share of the cake was only £52 a person. The Grieve Report on London Housing published in 1969 says: 'Seventy three per cent of black families live in one or two rooms....' 'Forty six per cent (as compared with 11 per cent of the population) has no kitchen....' It detailed that 53.2 per cent of black people (as compared with 15.1 per cent of the total population) shared a lavatory. Although the immigrant community is made up overwhelmingly of low-paid workers the Grieve Report points out that 'only 9.3 per cent (as compared with 33 per cent of the total population) managed to get council homes....'

The right-wing and the press whip up racism with lies saying that black people are loafers and scrounge off the social services, while the Labour leaders offer a more sophisticated variant of this theme. The Labour leaders talk about the country being overcrowded. They claim to be 'sensible' and ask for strict immigration controls. Meanwhile the 'sensible' TUC tries to limit work permits for immigrant workers—a measure which reinforces racist arguments that the lack of jobs is due to the blacks and also weakens trade union organisation on the job.

Right now there are more people leaving Britain than coming in. This has not stopped unemployment rising. It has not prevented cuts being made. During the period of the lowest unemployment the social services were being expanded and immigration was not only at its highest but it was being actively encouraged. Then capitalism was going through a post-war boom and needed a larger labour force which could only be got by bringing to Britain workers from the Caribbean and India. In general these workers moved into the lower-paid jobs in the public services.

Now the halcyon days of the boom are over. Capitalism is getting back to normal—with high unemployment. The employers no longer need so much immigrant labour, hence immigration controls. The anti-immigrant campaign be it the frenzied open racism of the fascists and Enoch Powell, the Conservative Party or the more subtle words of the Labour leaders is designed to obscure the real reasons for the cuts and falling living standards. It is also aimed to divide the working class and must be smashed and defeated if a united fight back is to be organised.

THE FUTURE OF THE 'WELFARE STATE'

The 'welfare state' as the epitome of the social democratic dream was brought in by the first post-war Labour Government. For many working people it is seen as an essential part of the 'British Way of Life'. For the Labour Party it was the irrefutable evidence that capitalist enterprise could happily co-exist with 'socialist' measures and the triumph of the theory of the 'mixed economy'.

Despite its massive limitations and its utter dependence on the well being of the capitalist economy the welfare state did represent a series of reforms from which the working class got important benefits. The capitalists now find these reforms are an intolerable burden and are determined not to foot the bill either for further reforms or even for the maintenance of the welfare state in its present form. The post-war boom is over, a decrepit, under-financed capitalism has to put a stop to rising public expenditure.

The Tory leaders have insisted that even Labour's draconian cuts 'are too late and too little'. As Keith Joseph said: 'Whilst Minister at the Department of Health and Social Security, I was concerned that we might be pauperising growing numbers of people by our welfare system, creating dependence instead of self-reliance....'



Joseph's statement is reducible to 'if workers have no job they should find one'—despite there being 1½ million unemployed. As he said in the same speech: 'Once people were responsible for housing themselves and their family. Now we have come to take it for granted that the state should do this.' The message is loud and clear—if you cannot afford the rent get out, if you have no job and children to support which means you cannot buy a house, then you are unlucky. To be fair to Joseph he does not entirely ignore the lower paid and the unemployed. These are the social groups he patronisingly refers to as 'social classes four and five.' His formula for them is to prevent them having children by sterilisation.

Mrs. Thatcher justifies even more cuts in public expenditure on the grounds of democracy. She argues that it is the democratic right of every individual to spend their money as they like. She finds it objectionable that the state should decide what will be spent on education, health care, housing and providing for the aged. This means the rich can send their offspring to Eton and Roedean. If they are ill they can always use private health facilities and seeing that they would then be paying less taxes they could buy even more expensive houses. This is why the Tory leaders call for a return to family life and extol the virtues of self-reliance. They want to make the old people who have worked all their lives dependent on their sons and daughters for homes and care. They want the working class housewife to be nothing more than the producer of new recruits for the production lines. If British capitalism has any chance of succeeding, Thatcher and Joseph understand above all else that this will mean dismantling the welfare state.

It might have been the Labour Government that created the welfare state. Now it is the Labour Government that is actually beginning to take it apart and preparing the way for the Tories to finish the job with a brutality that is a special feature of the open party of Britain's ruling class. Nor is Labour acting out of character.

LABOUR'S PREVIOUS RECORD

It was the Labour Government of 1929 which set the tone for every Labour government since. Herbert Morrison, Minister for Transport at the time declared: 'I want every businessman and every business manager to realise that the Labour government is not their enemy, but that every Minister in this government wants to take him by the hand, treat him as a man and as a brother, and help make his industry or commercial enterprise more successful than it has been in the past'.

In 1930 a royal commission recommended cuts in benefits paid out by the state. In 1931 the European banks collapsed and there was a run on sterling. The May Committee set up by MacDonalld then reported that £97 million pounds had to be cut, mostly from unemployment benefit and education. £56 million of this was agreed by the Labour Cabinet before MacDonalld split to form the National Government with the Tories in order to make further cuts.

The post-war Labour Government came to office at a time when the working class was demanding the 'land fit for heroes' they had been promised. The capitalists on the other hand not only felt they needed to make concessions to meet the growing working class unrest; they could also afford to make those concessions, some of which were to their advantage. The nationalisation of the mines and railways, for example, was carried out with the consent of the capitalists because they were fast becoming unprofitable and could no longer be efficiently run by the private owners. Cheap coal and transport was also essential to the rest of private industry. At the same time as allowing nationalisation to take place however, they saw to it that it benefitted them. The 1948 nationalisation of the railways for example gave 3 per cent a year compensation to former owners which cost the railways £49 million in their first year, wiping out the profit made. Then the Tory administration which followed the Labour government introduced a pricing policy which gave private industry special cheap haulage on the railways. In the mines the profitable side of mining, the distribution of coal from the pit-head, was left in private hands.

As in the nationalised industries, so it was in the social services and health care. When the NHS was created the drug companies were left in private hands, and when the consultants threatened to resign if they could not practise private practice, Bevan allowed pay-beds to remain in the NHS. Three years after the creation of the NHS prescription charges were re-introduced—in just three years the principle of providing free health care was broken.

In housing the Labour Government was persuaded that it should not go too far. In September 1947 the building programme was cut down to 300,000 homes a year—60,000 of which were to be temporary, and many of which are still up and lived in today. In 1948 the four-year plan cut the house-building programme to 200,000 a year.

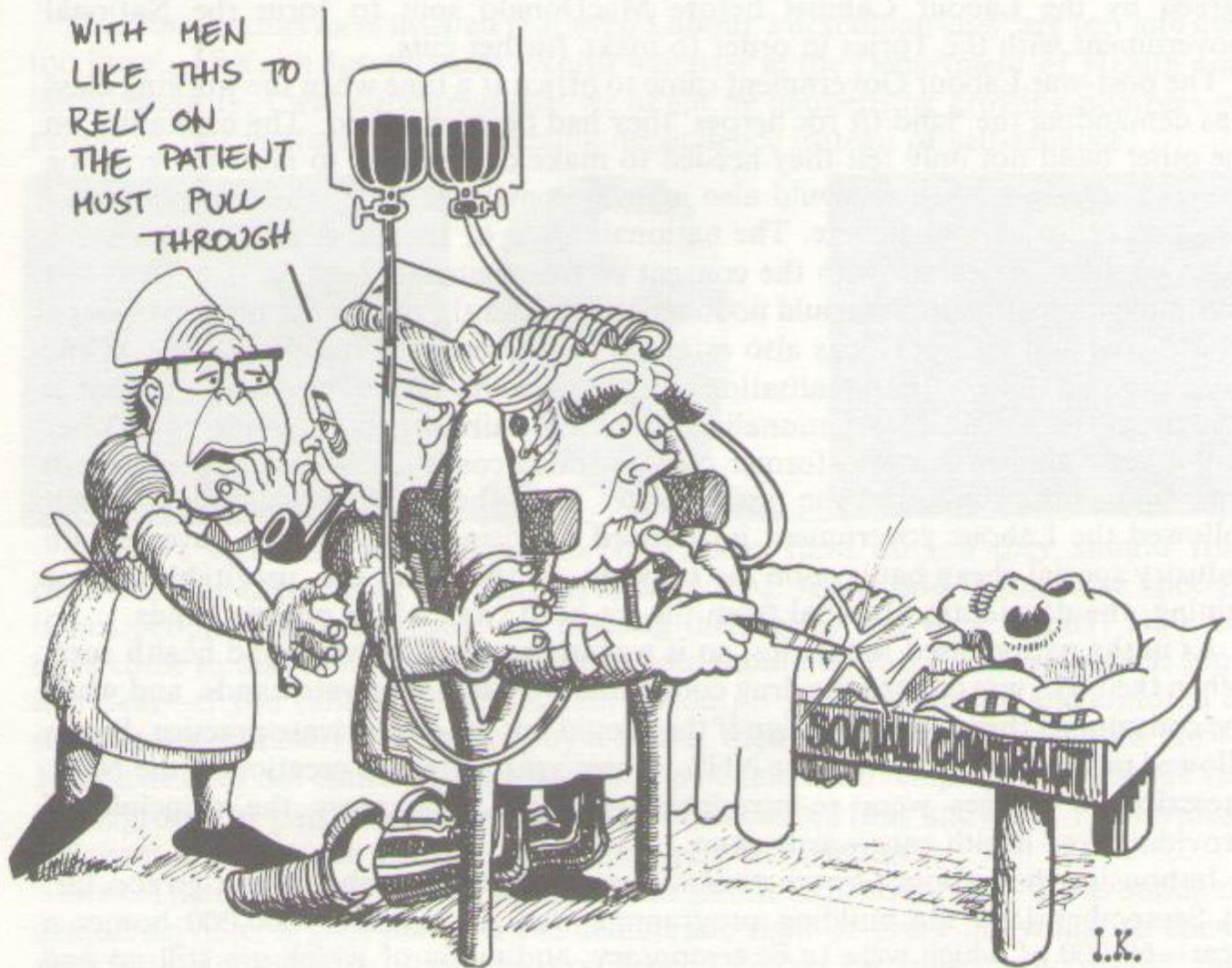
The 'welfare state', a mixture of reforms for the working class and 'rationalisation' for the capitalist class, was deformed at birth.

By the time of the 1964 Labour Government the welfare state had been whittled away still further and the economy was beginning to slow down.

In the first five years of the Labour Government unemployment rose from 340,000 to 551,000. Between 1966 and 1970 the number of people living below or on the supplementary benefit level doubled. In 1971, one in six children lived below the poverty line. The poor got poorer but the rich got richer. For example, taxation rose fastest for the worst off, with people earning £16 facing a 16 per cent increase in overall taxation and people on £60 a week having only a 3 per cent increase. One per cent of the population still owned 89 per cent of industrial shares when Labour lost office in 1970.

In housing 15,000 homes were cut from the council house building scheme and the amount paid from council house rents to the money lenders was 91 pence in the pound in London.

The government abolished and then re-introduced prescription charges in 1968. In 1969 there was 79,000 increase in the number of people receiving surgical and medical treatment yet the number of beds in hospitals decreased by 3,700. Then in 1970 the Labour Government cut the hospital building programme from £121 to £101 million.



Having entered office promising reform, the Labour Government found itself unable to please both the capitalists and the working class. It chose to serve the capitalist class. It was the resistance of the working class movement which prevented them going any further than they did. When they tried to hold down wages through the incomes policy **In Place of Strife** the strikes and demonstrations forced the trade union leaders to oppose the government.

Wilson learnt his lesson from that. Next time he gained office he would have to have the agreement of the trade union leaders before carrying out measures against the working class. The Social Contract was born.

THE LABOUR GOVERNMENT NOW

The Government has embarked on a policy which is a continuation of that the Tories tried to introduce. Phases one, two, three of the Tory pay policy have been replaced by Labour's wage restraint. The Tories got unemployment up to the one million mark; not to be outdone Labour has pushed it to 1½ million. Barber the Tory axe-man in the field of public expenditure has been replaced by Healey who has outshone Barber in ferocity and the savageness of his cuts. Unlike their Tory predecessors the Labour Government has had however a powerful helping hand in the form of the trade union leaders, like Jones, Scanlon and Murray.

Wage restraint, unemployment and public expenditure cuts were wrapped up in the package of the social contract. The alliance of the TUC and the Labour leaders argued that wage restraint was the only way to guarantee full employment and the preservation of the social services. As the trade union leaders locked the working class in the prison of the 'contract'—the alliance between the TUC and the Labour Government so beloved even by the Tribunes and Wedgwood Benn—the Labour Government got on with the real job in hand. At no cost at all they had turned the trade union leaders into the 'screws' who guarded their own membership.

A delighted **Sunday Telegraph** knew what it was all about when it reported on how Labour's Financial Secretary, Joel Barnett, had urged the need to cut back on local government wage costs and lamented that the money spent at Meriden and Harland & Wolff to keep people in jobs should have been 'used more wisely'. This, trumpeted the **Sunday Telegraph**, is 'just the sort of message that Mrs Thatcher is trying to put across.'

Well might an outspoken voice of capitalism such as the **Sunday Telegraph** crow about the Labour leaders' policies. Of course Labour's cuts still do not satisfy the needs of the employers — they do however demoralise the working class. Furthermore, they erode and undermine the idea that full employment, decent living standards and a comprehensive social service system are a basic right. Such policies also legitimise declining living standards, unemployment and the break up of the welfare state. As the **Daily Telegraph** astutely observed: 'I like to think of Mr. Barnett tilling the ground for the next Conservative Government.'

As the capitalist crisis has worsened, many of the former 'lefts', like the first World War recruits who answered Kitchener's beckoning finger and his insistence that 'your country needs you' — have rushed to defend the national interest. Foot, Orme, Booth and Benn — the happy prisoner — sit in the Cabinet. Mrs Castle only left when Callaghan unceremoniously tossed her out. In the unions, Jones and Scanlon—the **enfants terribles** of yesteryear—are the docile yard dogs for Callaghan, who only bare their teeth when workers like the seamen threaten to challenge pay restraint. Buckton, the 'left' general secretary of the railway drivers union ASLEF, sits on a joint body with British Rail management planning increases in productivity and reducing the number of jobs. When his members on the Southern and Eastern Region took strike action against the cuts he promptly told them to 'get back to work'.

The left leaders have moaned and groaned, made statements of intent and some even abstained on the cuts in Parliament—but they do not organise a fight back. Neil Kinnock MP called for a campaign to 'divert the government from its course of cuts for the community and concessions to the capitalists'. **Tribune** described the White Paper as a 'document of shame' which was 'the handmaiden of the City, the CBI and other enemies of Labour in the British establishment'. Fine analysis, but still no action. In the face of the latest round of cuts the lefts are talking of another **In Place of Strife** campaign. This would be a step forward. But now the Labour

Government has the co-operation of the trade union leaders, and is all set to carry out cuts come what may.

The same union leaders who opposed **In Place of Strife** are actively supporting the cuts. In order to mount a fight against the cuts it is necessary to do more than rely on the disapproval of the union leaders—it is necessary to mobilise workers in action to resist them. This time the issue will not be decided through threats in committee meetings at the TUC and Transport House but through demonstrations and strikes against the cuts. And it will be necessary to carry that fight to its logical conclusion—the right wing in the Cabinet and the TUC will not simply back down—they will have to be removed, along with all their supporters at every level in the labour movement.

Faced with this the 'lefts' back away, in just the same way as the Cabinet back away from a real fight against the threats of the Discount Houses and the IMF. That is why these same lefts backed down on their campaign for a recall Labour Party conference last year. Whilst a recall conference could have been a step forward if it had been able to organise a fight back against the right-wing policies, the lefts were prepared to limit this conference to a talking shop—where no resolutions were debated and no votes were taken.



Nor are the **policies** of the lefts likely to develop any serious fight against the right wing in the labour movement. The main arguments of the lefts are for 'controlled reflation', defence cuts of £1,000 million, and import controls if the IMF refuse to accept that there are no cuts.

These policies, like the National Enterprise Board and limited nationalisation, are put forward by the lefts in the belief that all that is required is for the government to start 'planning' capitalism. Unfortunately the National Enterprise Board does nothing to plan investment—individual capitalists still decide when and where to invest, according to where they can make the highest profits, and that is why they are not investing now—they want higher profits first. Nor will import controls force the IMF to back down—on the contrary they will simply use stronger measures to sabotage the economy than a run on the pound, as they have done in the past in Latin America. At the same time other capitalist countries will introduce their own import controls on British goods. Even the cutting of defence spending would only avoid the problem for a time—it would not make it disappear. It is only by taking the control of the economy out of the hands of the capitalists that it will be possible to solve the problem.

Where the Callaghans offer capitalist solutions to a capitalist problem, Benn and the other lefts want to plan capitalism a little better. The lefts want the leopard to change its spots, so they try to paint it another colour, but the paint will wash off when it rains.

Because their leaders have not shown any way forward hundreds of thousands of workers have been left disorganised and many are getting demoralised because they see no alternative. Nevertheless there is still a strong will to resist. The railway workers took unofficial action against cuts. In Dundee there has been a general strike on this issue. Hospital workers have taken action against paybeds and closures. In the summer of 1976 there was a massive national opposition resulting in occupations in teacher-training colleges against unemployment in the teaching profession.

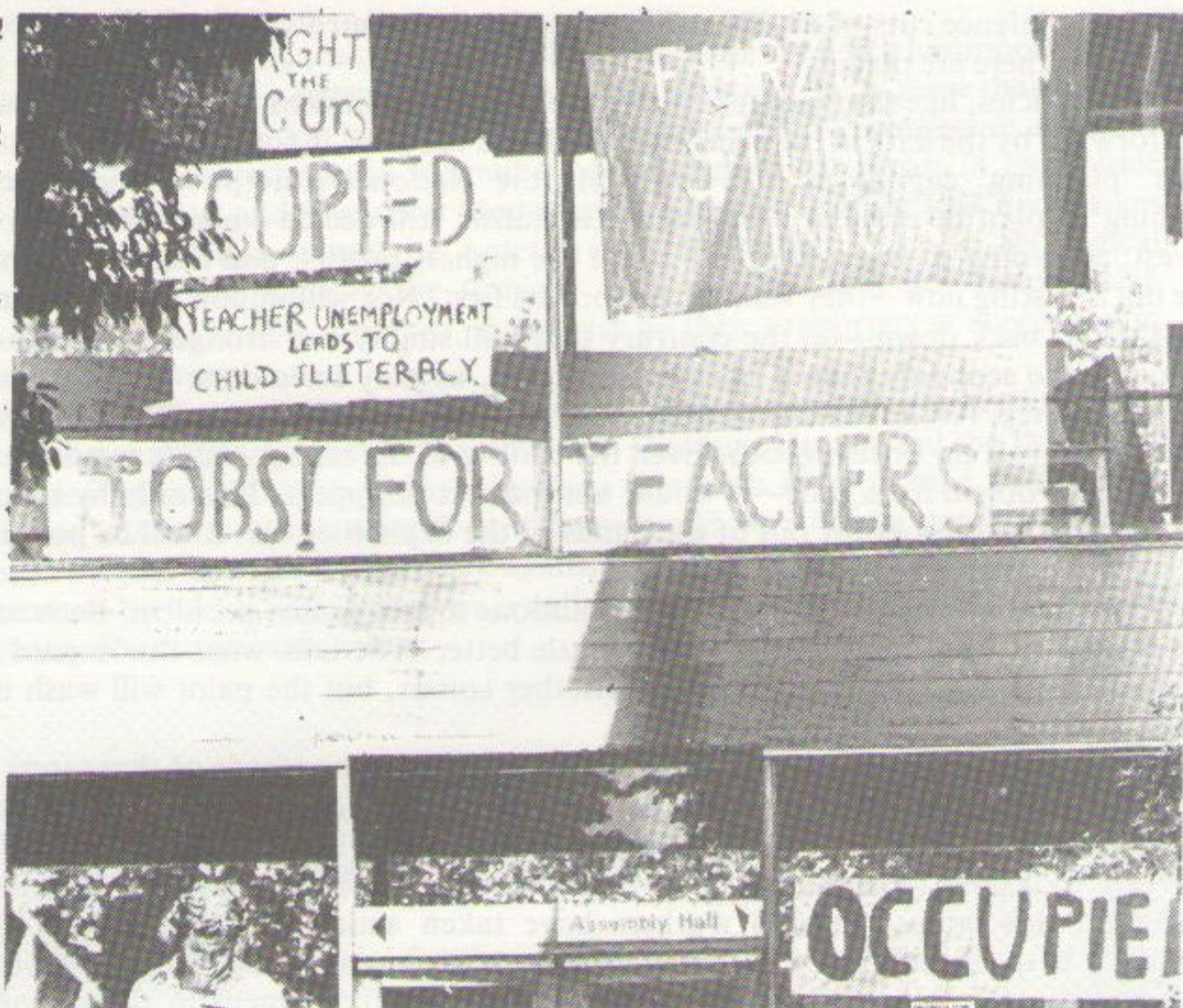
THOSE WHO FOUGHT

Under the pressure of their members the leaders of the public sector unions have been forced to take the smallest steps towards organising against the cuts. The NUT, after trying to discipline its members for taking action against oversized classes and teacher unemployment, has been forced to begin such action in some areas. The rail unions have spent £20,000 on a public relations firm to give the appearance of mounting a campaign. There have also been steps taken towards organising for a fight back—the creation of 'Labour Against the Cuts', the formation of action committees against cuts in the localities, and the national demonstration called by the NCC on health cuts. This fragmented opposition has to be organised. In the Labour Party, in the trade unions, in the trades councils it is necessary to organise an opposition which can fight the right-wing leaders with alternative policies to the cuts, and build links between all those wanting to fight the cuts. Where the many thousands of workers still look to the lefts for a lead, the lefts must be put to the test. If they say they are opposed to the cuts they should organise to fight them. They should support every demonstration, strike or picket against the cuts and organise their supporters in such action. They should also vote against the cuts in Parliament.

If a successful fight back is to be organised then it is vital to draw the lessons of the struggles that have taken place up to now. There are three particularly useful examples. These are the student teacher occupations which took place in the summer of 1976, the battle of the Clay Cross councillors against rent increases and the Housing Finance Act, and the hospital workers' fight against pay-beds.

THE STUDENT OCCUPATIONS

Photo: Chris Davies (Report)



This September there will be around 20,000 teachers unemployed. Yet class sizes are well beyond 30 pupils and children's education is suffering as a result as teachers find it more and more difficult to cope. One way of cutting back on education is to cut the numbers of teachers. Confronted with finishing their training just to finish up on the dole, trainee teachers at Moray House college in Edinburgh occupied their college to fight against the cuts in education. Within a few weeks other colleges had been occupied around the country, and trade unionists were taking action in support of the students' demands.

How were the students able to organise themselves and spread the campaign so fast? Sandy Ross of Moray House explained to **Red Weekly**: 'We haven't just been sitting in Moray House for the last month. In Edinburgh not only are three colleges of education occupied, but also one central college, one art college, and Herriot Watt university. All have the same problem. For example, Moray House also trains social workers—who have no jobs.

'We are not fighting the problem of teacher unemployment, we are fighting the whole problem of unemployment. That's why in Edinburgh we have set up a co-ordinating committee of all colleges and are aiming ourselves at three decisive sectors: health students and workers, those involved in education and the schools, and the construction industry'.

By holding regular mass meetings of all students in the colleges, electing action committees to organise the campaign, and linking up with other colleges, they were able to organise everybody in actively campaigning in the labour movement locally. By explaining that they did not just want jobs for teachers they were able to win the support of all workers facing redundancy as a result of the cuts.

Sylvia Renilson told how they built the campaign in the North West: 'The Merseyside and North West areas of the NUS (National Union of Students) were brought together in a single co-ordinating committee. We have gone to the Labour Parties — and we have got support. All the schools in the area have been divided into teaching practice divisions, and we are going out into the schools approaching every individual teacher, not just the National Union of Teachers. We have divided up the industrial estates in South West Lancashire for leafleting. The local authorities have been occupied. Every meeting of the council, of the education committee, of the further education sub-committee has been picketed.' That is how they won strike support from NALGO and the Educational Institute of Scotland (EIS) in Edinburgh.

Whilst they made it clear that they were for a united response by students and workers against the cuts, they wanted a fighting unity, not verbal unity. Steve Faulkner from the North-East made the point this way: 'If we want fighting student-worker unity then we have to move into action with those workers fighting the Government's attacks, those lobbying the TUC on 16 June. Yet we have had people here today arguing against a mass demonstration outside the TUC because that will embarrass Len Murray and Co. Well, if we want jobs we are going to have to do a lot more than embarrass these people.'

The NUS leadership argued that the main thing was to win support from the NUT leadership for a united campaign — despite the fact that the NUT has had a policy of not teaching classes of over 35 since 1969 and still attacked students for going into schools and asking teachers to take action over class size. Unity with the NUT leadership which refused to do anything was what the NUS leadership proposed—a good way of avoiding doing anything themselves.

In the face of the attempts of the NUS to split the campaign, and the end of the college term, the students were forced to call off their occupations, but not without forcing the NUT to step up its action on class size and winning membership of NUT for unemployed teachers. And the campaign is by no means over.

PRIVATE PRACTICE AND THE NHS



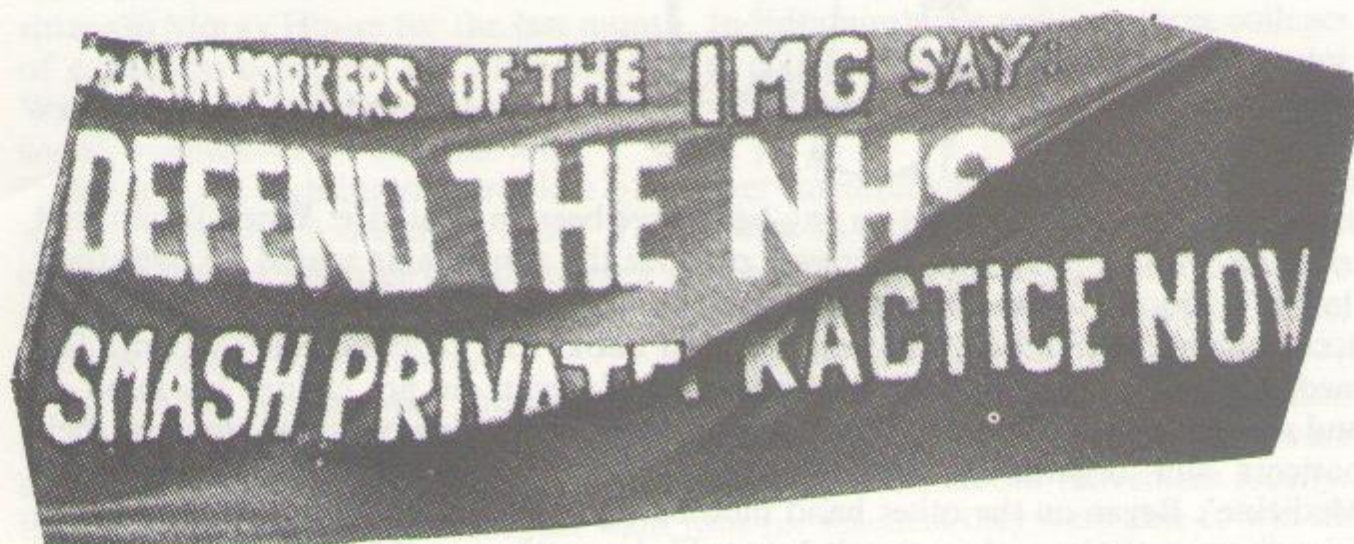
Ever since the NHS was set up pay-beds have been in existence. When Bevan first tried to set up an NHS free of private practice the consultants reared up over their 'loss of freedom' to practise private medicine, and the GPs insisted that they be paid according to the number of patients on their books (the capitation fee system). The medics then threatened to sabotage the NHS if Bevan did not change his mind — and started to organise support for themselves by organising petitions amongst their patients and organising campaigns like today's 'Campaign for Freedom in Medicine'. Bevan on the other hand mobilised nobody and contented himself with friendly negotiations. As a result he could do nothing in the face of the medics' sabotage and caved in to their demands.

Barbara Castle did the same, and slowly retreated before the threats of the consultants. But now it is Labour's cuts which are fuelling the growth of private practice **outside** the NHS, by producing the cuts in services which create the demand for private practice. The consultants, like the capitalists when the nationalisation of steel was attempted, lose their 'strong held' beliefs in parliamentary democracy when it suits them to, yet Castle and her successor David Ennals refused to mobilise the hospital workers who had already shown their willingness to take direct action against private practice, through the blacking of private wards.

The hold of the consultants on the NHS could be broken — there are many junior doctors who could take their place—but in order to save money Castle drove the junior doctors into the hands of the consultants by refusing to meet their just demands for a reasonable working week. If the labour movement were to support in action the fight of the junior doctors for better working conditions, then it would be possible to win their support for the phasing out of private beds from which the consultants are the main ones to profit.

Health workers are often unwilling to take strike action against the cuts, because strike action can often hit the patients. Just as when the nurses fought for a pay increase, the labour movement has to be prepared to support in action the hospital workers' fight against cuts in private practice. A united campaign of demonstrations and strike action could force the government to withdraw the cuts and isolate the consultants. The struggle against pay-beds has shown that it will require the action of the whole of the working class movement to stop the cuts.

Organisations like the National Coordinating Committee Against Cuts in the NHS (NCC) can play an important part in such a campaign. This body, which was formed at a broad labour movement Conference attended by 395 elected delegates and 100 observers in October 1975, besides organising activity of workers both inside and outside the health service at a local level has also organised a number of national initiatives. In April 1976 it organised a demonstration of 2,000 people which was officially supported by NALGO against all cuts in the NHS and the banning of all private practice, inside and outside the NHS. At the 1976 Labour Party Conference it organised along with NUPE a lobby of some 1,500 people demanding the implementation of the previous year's Conference resolution on the NHS. This resolution had opposed all cuts, called for the nationalisation of the drugs industry, free abortion and free contraception on demand, etc. By campaigning for action against cuts, by urging the unity of the health workers' unions to promote such action and by mobilising workers outside the NHS to fight cuts the NCC shows a positive way forward.



CLAY CROSS

At Clay Cross the Councillors had already begun the involvement of working class people locally in what they were doing, even before the 'Fair Rents Act' was announced. Clay Cross being a mining area, and many of the councillors themselves being or having been miners, the links within the working class community were very strong in Clay Cross. The councillors had strengthened this by holding open forums after each council meeting so that the policies of the councillors could be discussed.

With the announcement of the Tories' White Paper in July 1971, the councillors started a series of meetings in the working class communities to discuss the implications of the White Paper and means testing for rents. By November there had been meetings with over 400 tenants. The councillors then passed the following resolution: 'That this Council will not co-operate with the Tory Government in implementing the vicious rent increases as outlined in the White Paper so-called 'Fair Deal for Housing', and calls on all other Labour-controlled councils to do like-wise.'

A secret document was discovered at the time, which showed that the 'fair rent' for the East Midlands area would be £5.14p. The rents in Clay Cross then averaged £1.50p. This helped expose still further the purpose of the so-called 'fair rents' Act and strengthened the involvement of working class people in the area.

The councillors also realised that verbal support was insufficient — if the tenants were to continue to be involved in the campaign they had to be organised in activity to prevent the implementation of the Act. Rent strikes were organised, which received 84 per cent support, posters were placed in windows of people's houses, demonstrations were held in Clay Cross, and pickets were held when the district auditor visited the town with council workers striking to attend the picket.

It was the willingness of the councillors to push forward the self-organisation of the working class community in Clay Cross which meant that they were able to withstand the witch-hunt of the press against the 'law-breakers', and in the council elections they were able to show the strength of their support by defeating the right wing. At the same time one Labour council after another which had failed to mobilise support, despite their declared intent not to implement the Act, gave in to the attacks of the press and the right wing.

With the return of a Labour government the penalties which the Tories enacted against the Clay Cross councillors were not repealed. Anxious to show its concern for law and order, the Labour Government refused to introduce retrospective legislation on the grounds that this would only encourage other councils to break the law — in particular, Tory councils who did not like Labour's policies. The law was neutral as far as the Labour Government was concerned, and simply there to see that 'fair play' was observed on all sides. The Labour Government has not re-thought these ideas although that 'neutral' law is now allowing Tameside Tory council to reverse the move to comprehensive education ordered by the Labour Government. No doubt they will say that if the teachers of Tameside strike against the Tory Council, they too will be showing disrespect for the 'neutral' law, and will get no support from the Labour Government.

The Clay Cross councillors, on the other hand, were far clearer on the laws which they respected. As David Skinner said in a letter to **Tribune**: 'To those who accuse us of breaking the law we reply that we are keeping the only law accepted by this



movement, the principles which stand for the working class. We would remind them that we are abiding by the decisions of this movement, the resolutions passed at the Labour Party conference, and it is the leadership which is breaking the law.' They made it clear that the interests of the working class movement came above the law, that 'neutral' law which protects the private property of the one per cent of the population who own 85 per cent of industrial shares.

These were the strengths of the Clay Cross campaign against the Tory rent increases, but what of the weaknesses?

Firstly, whilst the councillors placed the interests of the working class above the law, they were not prepared to take that to its logical conclusion. If the interests of the working class come above the law, then the working class must be organised to fight for their interests **irrespective** of the law. The Clay Cross councillors continually tried to evade this however — for them it was a case of campaigning for the Labour Government to change the law.

In the same letter to **Tribune**, David Skinner said: 'All this is under legislation enacted by the Tories, which Labour is pledged to repeal. We reject the arguments that the government is powerless in the face of the "law". We call on the Labour Government to take immediate action to repeal the Tory laws, and make such action retrospective in relation to all the penalties enacted under it.' They argued that the Labour Party conference had called for this, and that they would not be breaking the law if only the Labour Government repealed the law.

In Clay Cross they were prepared to rely on organising the working class to prevent the implementation of the law on rents. Unfortunately they limited their national campaign to a campaign within the Labour Party aimed at pressurising the government to introduce retroactive legislation. The councillors spoke at hundreds of meetings around the country, but these meetings were not turned towards

organising in these areas to prevent the implementation of the Rents Act through rent strikes, demonstrations and strike action as in Clay Cross. They were limited to mobilising support within the Labour Party to put pressure on the Government. Even the labour movement conference called by the Clay Cross councillors, which attracted some 200 trade union branches, 200 constituency Labour parties and 150 Young Socialist branches, failed to discuss any way of spreading the action that had taken place in Clay Cross. It was limited to a resolution demanding that the Government should honour its pledges and declaring the need for a fundamental shift of power within the Labour Party. As a result, Clay Cross remained isolated and the Labour Government was able to continue to scab on the Clay Cross councillors. It was only through extending the mass involvement and action of workers in Clay Cross that the Labour leadership could have been forced to take action.

Today the Labour 'lefts' have not learned that lesson. Neither the Labour MPs who declare their opposition to cuts, nor the Labour councillors who declare their intention not to implement the cuts, have taken any steps to organise their supporters in the labour movement for mass action. Where the Clay Cross councillors, whatever the shortcomings of the campaign, showed their willingness to take up a fight, the Labour lefts squeal and moan but do nothing. The lesson the 'lefts' have drawn is that until they have won the leadership of the Labour Party nothing can be done. So all must wait until the Tribunites have a majority in the Cabinet. The truth however is in the opposite direction. Only by mobilising mass action and extending struggles like Clay Cross right across the country can the Callaghan/Healey leadership and their supporters be cleared out.

THE WAY FORWARD

The first step towards mobilising the labour movement for a fight against the cuts is to explain exactly what the cuts mean for working class people. As the Tory 'Fair Rents' Act introduced rent increases under the guise of making rents fairer for everyone, so the Tories, Labour and after them the Tories again will introduce cuts behind the backs of the working class. What seem like good schemes for phasing out old hospital and school buildings are not found to be cuts until buildings are not replaced. New nurseries and hostels for old people which are planned, are axed without the labour movement being any the wiser. Lifts break down and hospitals and homes have to be 'temporarily' closed, never to be reopened. The right wing in the labour movement argues that they are just 'paper' cuts and none of the existing services will be cut.

Meanwhile the state is busily preparing secret plans to make cuts which it does not intend to reveal to the labour movement. The biggest attempted con-trick was in London, where the health authorities consistently pledged that no hospitals would be closed unless new ones were built to replace them. Then a document of the 'London Co-ordinating Committee' was discovered and leaked to the labour movement. This document stated that 120 out of 150 London hospitals should be closed. That is not an isolated example. All types of state bodies are working out how to implement cuts in the public services.

Sitting on many of these bodies are representatives of the Labour Party and trade unions. Such representatives have to decide where their loyalties lie. Their first duty must be to the working class. They have no right to sit on state bodies which are secretly planning cuts which will drive down working people's living standards. They must immediately divulge such plans and information to mass meetings called by the labour movement. This will ensure that people are warned in advance of cuts and

can therefore prepare a more effective fight back. Where such representatives do not openly reveal such information, they should be kicked out of their positions and replaced by people who will.

Such action will not only make sure that an effective mobilisation can be made in the areas, but it will also shift the arena of struggle from reliance on Parliament and state-appointed bodies like Area Health Authorities etc, and place it inside the workers movement — the only force that can defeat the Government's plans. In every area organisations should be set up to enquire into the effect of cuts. They should monitor and track down the effect of the cuts and publish their findings so that they counter the lies of the Government that cuts are not really taking place.

The demand for the opening of the books in the public sector and a struggle by the labour movement to tear apart the shroud of secrecy will also point the finger at the banks and finance houses. The laying bare of the cynical manipulations of the discount houses and their profiteering at the expense of the social services would open up to public view the manoeuvres of the capitalists.

A vital need in the fight against the cuts is the struggle for clear, alternative policies to those of the capitalists. These have to reject the idea that capitalism can be made to work more efficiently. They have to show that only socialist solutions are able to defeat the attacks and provide a way forward.

This means rejecting the run down in public spending and demanding an immediate cash injection into the public services so that we can build new schools, nurseries, hostels for the handicapped and hospitals. This would not only begin to meet the social needs of the people, but it would also mop up unemployment, particularly in the construction industry, putting to good use the thousands of stockpiled bricks.

It is not enough just to put back money that has been cut. The public sector must be vastly improved. Furthermore, it is necessary to protect the social services against the ravaging effects of inflation. This can be done only by the introduction of a sliding scale of social expenditure which automatically increases as costs rise. The **Financial Times** has estimated that inflation has already cost the public services £1.75 billion. Unions like ASTMS have already gone on record for a sliding scale.



The Labour Party Conference in 1975 voted for a sliding scale in the NHS. Such measures would make sure that pensions, unemployment benefits and child benefit allowances would also be protected against rising costs. Gingerbread, the organisation for one-parent families, supported by the Child Poverty Action Group, has already launched a campaign for a child benefit scheme that is 'non-means tested' and 'index-linked'. A labour movement campaign is needed for all benefits to be protected in this way.

Not only must a resolute fight be made for a cash injection into the social services and a sliding scale of social expenditure but the labour movement must take action to prevent the state imposing the burden of the cuts on the family. This means fighting for the abolition of prescription charges, free school meals for all children, an end to discretionary grants — full grants for all — as well as extending the struggle for the expansion of the social services.

The labour movement has to place itself at the forefront in fighting for the rights of the old, the mentally ill, the sick, the physically disabled. It has to be the most determined advocate of the rights of women, gays and black people.

By playing such a role it can unify the movement and draw behind its banner millions of people. Furthermore it will give a practical demonstration of the fact that only socialist measures and socialist forms of organisation can offer a solution to the present crisis. A failure to take up such issues will help the ruling class in its strategy of divide and rule. It will also lend credence to the idea that cuts can be made in one sector at the expense of another, which is a sure recipe for further reductions in everyone's standards.

WHERE IS THE MONEY GOING TO COME FROM?

The Government's supporters claim that there is no money available to pay for even the current level of public spending, never mind its extension. They urge the re-invigoration of the capitalist economy — to be carried out at the expense of working class living standards — in the utopian hope that once capitalism is alive and well again maybe it will be possible to restore some of the cuts. The impractical dream of the Welfare State thriving on the mixed economy has been shattered for ever. The cherished myth of introducing socialism 'bit by bit' may still be a flickering dream in the heads of the Tribunites, but for the more hard-headed Government leaders it is no longer worth paying even lip service to. They clearly understand that their role is to patch up capitalism.

When they say that no more money is available they are correct and will remain correct as long as the economy is dominated by the anarchy of capitalism. Only real anti-capitalist measures can solve that problem. The labour movement must get its priorities right.

British capitalism has made one and a half million people unemployed and has caused a drastic fall in living standards. At the same time the 'welfare state' is falling apart. The Labour Government's plans will make things even worse. Public spending is to be cut by £3,000 million, whilst private industry is getting a subsidy of £429 million. This is supposed to encourage the financiers to invest their money in British industry. But even in the halcyon days of 1972, when £1,500 million was invested in industry, £1,472m. of that went abroad where profits were bigger. We say that the first priority is to stop subsidising the bankrupt capitalist system and turn the resources towards protecting the health, education and social welfare of the working class.

Take council spending. 'Debt charges' accounted during 1975 for something like 40 per cent of gross council expenditure. The interest paid nationally in 1974 on loans for social spending totalled £750 million. In April 1975 the Treasury admitted



that 10p in the pound of all Government spending went on paying interest on the public debt. In Islington, London, the Borough Council paid out £16.5 million last year in debt charges and over £15 million of that was in the form of interest. The IMG says: stop all payments to the money-lenders and use the money saved to finance the NHS and the other social services. Either the NHS and the rest of the social services collapse — with all the catastrophic consequences for the working class that means — or we refuse to line the pockets of the money-lenders.

The capitalist recession has meant that building materials are lying around unused. These materials should be requisitioned and put to use in the construction of hospitals, schools and homes. Not only would this free idle materials, it would also provide jobs for thousands of workers.

Capitalist arms expenditure should be abolished and the money and labour used in the armaments industry should be turned to manufacturing socially useful products. During 1975 military expenditure drained the economy by almost £5,000 million, and it is still climbing. In 1975 it cost £4,976 — which is more than the total expenditure on the NHS of £4,887 million.

Another way to raise finance for developing socially useful and necessary services and production is to abolish compensation payments to the owners and shareholders of the nationalised industries. These payments, swelled by interest charges, are crippling and a permanent burden.

The drug industry is a parasite on the NHS. The profit rates of the drug companies easily outstrip the profits of any other manufacturing industries. Roche has knocked up profit rates as high as 2,000 per cent on its products. The wastefulness of the capitalist drug industry is shown by the fact that 95 per cent of all new drug products are nothing more than copies — with suitable and cynical adaptations to dodge the patent laws — of current medicines. The drug firms

justify their high profits by claiming that the money is needed to finance their research programmes. But not more than 10 to 20 per cent of the money allocated to research and development goes towards research into useful medicine. The other 80 to 90 per cent is spent on researching into chemical changes for already existing drugs and the development of more or less useless drugs like cosmetics.

Research, medical needs and social responsibility are subordinated to the search for profit, which leads to anarchy, massive waste, inflated prices — in all, a gross failure to meet the real health needs of the working class. The nationalisation of the drug industry, under the control of the workers, is therefore vital if we are to develop a genuinely comprehensive health service. Furthermore it is essential to stop the drug monopolies bleeding the NHS financially.

The banks and the finance companies are the key linchpins in any economy. In 1971 industry borrowed £6.41 billion, of which £372 million came from the banks. By 1973 bank borrowing represented £4.5 billion out of a total of £13.98 billion borrowed. In two years, industry's loans from the banks jumped from 12 per cent to 32 per cent — a clear indication of the growing power and control of the banks over investment. The finance companies wield tremendous power over industrial investment. Over 50 per cent of shares in this country are in the hands of the insurance companies, pension funds and other finance institutions. Clearly the nationalisation of this sector of the economy is vital if investment is to be really planned to meet social need instead of private gain.

The money is available. To make sure that it is used in the interests of the working class means mobilising working people to break the resistance of the capitalist class, who will fight with every means at their disposal every inroad into their power and privileges. The banks would make every attempt to sabotage such measures and the inevitable run on the pound would occur as soon as a stop was made to paying interest charges. Instead of capitulating to the bankers, a socialist government would immediately have to take steps to open the books of the finance houses and banks, thus disclosing to public view the crooked deals and manipulations that these organisations carry out to maintain profits above people's needs.

By disclosing all the secret deals of the finance houses such a government could mobilise support for nationalising the finance houses and the banks — so all the hidden transactions of the capitalists could be seen for what they are, and the working class could begin to exert control over the activities of the capitalists and the economy. The banks are the very nerve centre of the capitalist economy. Their nationalisation is the very first step to planning the economy.

If the capitalists refuse to invest because they consider the rate of profit is too low then an immediate embargo must be slapped down, preventing them investing abroad. The books of the reluctant investors must be opened to demonstrate how they are sabotaging the social services to the god of higher profits. The funds of these firms should be seized and turned towards socially useful investment. Any attempt by the capitalists to remove machinery and equipment from the factories should be resisted by the labour movement—calling on the workers to occupy the factories.

As at Clay Cross, only the active mobilisation and the involvement of the mass of ordinary people can break the resistance of the ruling class to such measures. That means rejecting the laws of the capitalists—the abolition of commercial secrecy and the seizure of the capitalists' wealth. Such measures cannot be legislated in Parliament. They will be decided by a show of strength between the labour movement and the capitalist state.

Of course the leaders of the Labour Party will not, and dare not, take such steps. Committed as they are to the needs of capitalism, they are terrified of working class action and are bitterly opposed to working class democracy, preferring instead the corridors of Westminster. That is why the fight against cuts and unemployment means fighting to cleanse the labour movement at every level of the supporters of the Callaghan/Healey leadership, and replace them with people who are prepared to fight.

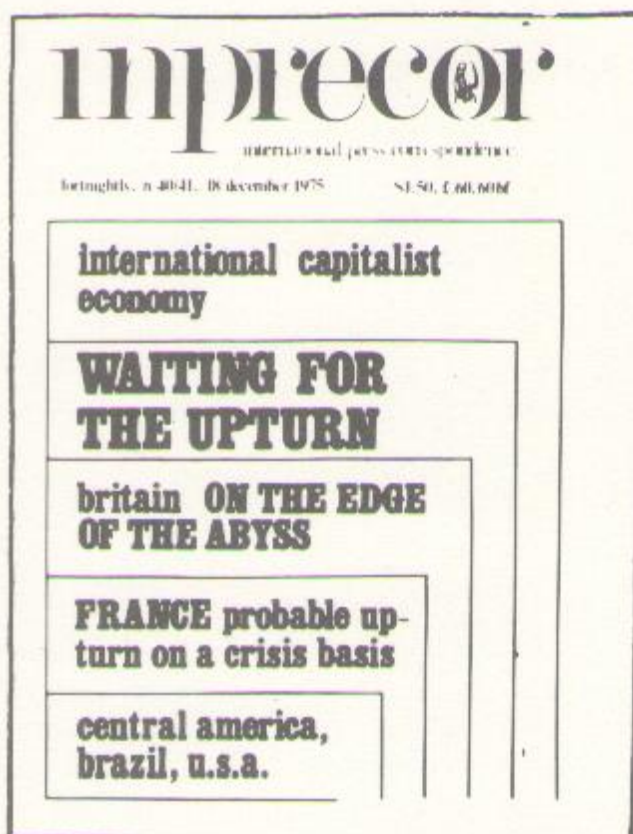
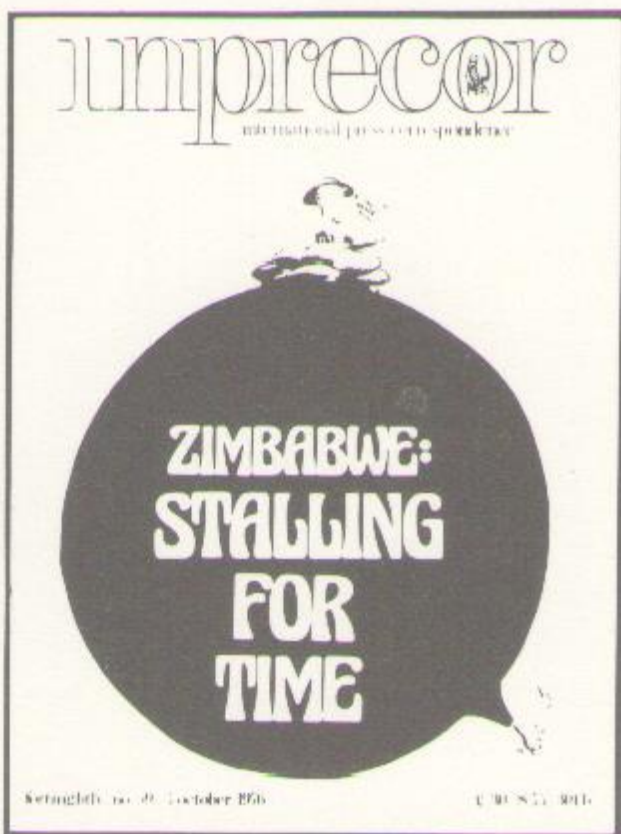


The fight back must start now. It cannot wait until the official leaders begin to act. Hardest hit by the cuts are the public sector unions. This is why the first signs of organised resistance have appeared in these unions. Of course, their leaders have no intention of carrying that fight right through to the bitter end. But every action they call such as demonstrations, days of action, limited strikes must be built on and extended. In every area militants in public sector unions should be fighting for setting up action committees based on the public sector unions to fight the cuts. They should invite to these committees delegates from other unions, the local Labour parties, trades councils, women's groups, tenants associations, students unions, old age pensioners etc. This would ensure that in each area the anti-cuts campaign is based on real forces capable of organising a resistance to the cuts. Such committees would unite the movement and show to all the different sections of the labour movement that their interests lie in united working class action.

The International Marxist Group is committed to such action. Its membership and resources will work all-out for such a programme and such forms of activity and organisation. This is why the IMG says it is vital to build right across the broad spectrum of the labour movement a class struggle left wing.

follow the international
workers movement...

subscribe to INPRECOR



INPRECOR (International Press Correspondence) is a fortnightly information and analytical journal published by the United Secretariat of the Fourth International. It is an international journal with editions in English, French, Spanish and German.

SUBSCRIPTIONS: 1 year (25 issues): United States \$ 17 (seamail); \$ 24 (airmail).
Canada \$ 17 (seamail); \$ 24 (airmail).
Britain £7.

TO SUBSCRIBE: **BRITISH SUBSCRIBERS** should send £7 cheque or postal order payable to **Inprecor**, 97 Caledonian Road, London N1 9BT. Enclose details of name and address and specify which language edition is required.

ALL OTHER SUBSCRIBERS. To pay by Personal cheque or International Money Order, send name and address to **Inprecor**, 76 rue Antoine Dansaert, Brussels 1000, Belgium enclosing cheque made out to **Gisela Scholtz**.

To pay by International Postal Order, send name and address to **Inprecor** address in Brussels. Send Postal Order to **Gisela Scholtz**, 127 rue Josse Impens, Brussels 3., Belgium, quoting account number CCP000-1085001-56.

