

Corruption Claims Force Callaghan To Defend Industrial Production Strategy

BRITAIN

Rockefeller-connected circles in Great Britain were unable to get away with an attempt to replay a "Lockheed"-style destabilization operation against Prime Minister Callaghan's Labour government last week. Instead the government has turned the would-be scandal into an offensive for its political future. Callaghan's government, already under strong attack from its trade union base because of its compromises intended to satisfy both the International Monetary Fund's austerity demands and its own economic growth policy, is staunchly defending its industrial apparatus, the target of the "Lockheed" scandals, as the last vestige of its political credibility.

The *Daily Mail*, a mass-circulation daily with an anti-Labour government stance, May 18 claimed to have uncovered a huge "slush fund" operation within British-Leyland, Britain's large nationalized auto and heavy vehicle complex. Not only did the paper implicate British-Leyland, but also the very heart of the government's industrial policy apparatus, the National Enterprise Board and its chairman, Lord Ryder.

Government-directed investigations into the documents released by the *Daily Mail* quickly proved them to be forgeries, so obvious that one journalist commented that "a child with a Sherlock Holmes kit" could have easily spotted the fraud. Unconvinced by the *Daily Mail's* excuses for not checking out its story, the government — with full support from members of all parties in Parliament — is going in for the kill on the *Daily Mail's* rumor networks. In Parliamentary debate, Callaghan openly charged that far from being concerned with the health of British Leyland or the jobs it provided through its export orders, the *Daily Mail* editor's only concern "was to try and smear the Labour Government and bring down a nationalized industry." Lord Ryder, for the National Enterprise Board, is suing the *Daily Mail* for defamation and the forger of the phony documents has been arrested and formally charged.

While failing to implicate the government in a bribery scandal, the newspaper did manage to uncover one slush-fund the Callaghan government has pledged to fully investigate. The exact course of the investigation is still unclear, but leads in the press bare key Rockefeller connections behind the breaches in corporate morality. For example, a Chase Manhattan bank subsidiary in

Geneva, Switzerland, has been named as the conduit of corporate bribes from British-Leyland to foreign purchasers, and a top British-Leyland executive involved in the investigations is a member of Exxon's international board of directors as well as its four-man "accounting team" which monitors flows of payoff funds.

Attempts to Compromise

While the hoaked-up British-Leyland scandal failed to topple the government, Callaghan's future is far from secure. Little effort is being made to hide the open fissures between the government and its trade-union base. The chief architect of the social contract between the government and unions, trade-union leader Jack Jones, warned this week that "unless the government pulls something out of the hat the trade union movement is preparing to resume normal collective bargaining at the end of phase two."

Even more significantly, given the collapse of any expectation of major economic growth this year, trade union members are turning against even the non-wage tenets of the social contract, such as the government's proposals for worker participation and public ownership of the banks.

However, it appears that the Callaghan government is making major efforts to find "compromise" positions on these vital questions which will allow for the enforcement of the principles behind the programs, in an attempt to maintain key aspects of its industrial strategy. Callaghan has reportedly asked the Treasury to investigate the feasibility of the amalgamation of the National Giro (publicly-owned checking and savings facilities) with the National Savings Bank (Post Office) as an alternative to the "political albatross" of full nationalization of the banks, insurance companies and selected merchant banks.

In addition, the center faction in the Parliamentary Labour Party, the Manifesto Group, which has pledged support for the Callaghan government as long as the industrial program can be implemented, has proposed as alternative for the highly controversial Bullock Committee report on worker participation. In a clear attempt to bridge the widening gap between industry and trade union views on the report, the Manifesto group upheld the Bullock provisions for equal worker and shareholder representation on policy making boards, while suggesting that implementation of this proposal should be delayed for up to three years to allow for shop floor and company-wide discussion on the best means for implementation of industrial democracy.