

Policy Battle Takes Shape Over Nuclear Energy, Industrial Development

Despite deliberate City of London moves to block any healthy expansion of the domestic British economy, rational political forces within the government, the trade union and industrial sectors, and the banking community itself are drawing the battle lines for a potentially decisive fight around the issues of industrial development and nuclear energy investment.

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The Labour Government is immediately faced with two major policy decisions: whether to use North Sea oil revenues to rejuvenate industry, or to repay debts; and whether to embark on a program of nuclear energy development. The resolution of the debate will determine whether the British government remains under the thumb of the City of London monetarists or joins its European allies in a push for economic development.

The Bank of England's fight to triage industry is being challenged on two levels. First, a growing faction within the Labour Government, which is strongly influenced by trade union opinion, has demanded that revenues from North Sea oil production now pouring into government coffers be directed toward industrial reconstruction, the expansion of public services and the raising of working-class living standards. In the words of a statement issued by the Trades Union Congress-Labour Party liaison committee, the oil revenues should not be frittered away in "unnecessary or premature repayment of overseas debt" — a favored option of Chancellor of the Exchequer Denis Healey and the Bank of England.

Second, these same trade union forces have proposed that the City of London end its speculative investment and contribute £500 million toward a new lending facility which would finance industrial development at low interest rates. Leaders of the Trades Union Congress submitted their proposal in writing to a committee chaired by former Prime Minister Harold Wilson which is investigating whether or not City of London institutions were remiss in financing trade and industry.

Think tanks and London bankers are also breaking

ranks to attack the City's wrecking job. In its latest *Review*, Britain's most influential economic think tank, the National Institute for Economic and Social Research, debunks the view prevalent in financial circles that Britain's "miraculous" recovery was due to close fiscal supervision by the International Monetary Fund. The Institute attributes Britain's economic turnaround to successful government policies and charges that the IMF's ceiling on government borrowing led only to "an increasingly restrictive fiscal stance" which "depressed output, inhibited industrial investment and swelled unemployment."

David Lomax, chief economic advisor to National Westminster Bank — one of London's major clearing banks — has openly clashed with the Bank of England over the future of Britain's interest rate structure. The Bank of England raised its Minimum Lending Rate — the yardstick which determines interest rates throughout the banking system — from 5 percent to 7 percent, thus choking off industrial borrowing. Lomax had advised a few days previous to the Bank of England action that a sharp rise in the Minimum Lending Rate would be "entirely inappropriate under present conditions." A higher rate would only attract highly volatile short term funds into the City, pushing up inflationary pressures and adding to the difficulties already faced by Britain's struggling exporting industries, Lomax pointed out.

What will finally determine whether Britain enters the 21st century is the debate currently going on around nuclear energy investment. The Energy Commission — a body set up by Energy Secretary Anthony Wedgewood Benn to advise him in developing a national energy strategy, which includes trade unionists, consumer representatives, industry and energy officials — has warned that unless Britain prepares for massive investment in nuclear power before its North Sea oil reserves start to run out, the country will face an "energy gap" after the year 2000. Options such as accepting a lower rate of economic development (implied in conservation and reliance on fossil fuels) are rejected as unpalatable solutions and a major push is made for the expansion of Britain's nuclear capacity. The Commission's report will be incorporated into a government discussion document slated for publication early next year which will no doubt spur decisions on Britain's industrial future.