Thatcher's 'privatization' disaster spreads around the world

by William Engdahl

New French Premier Jacques Chirac presented his economic program to the National Assembly on April 9. The keynote of his proposals was a call for significant reduction of state intervention, so-called *dirigisme*, through a major sell-off of national industrial and financial assets. Although this "privatization" program fell short of the worst that was feared, it marks an open door for speculative stock-market operations to loot what is left of the previously protected French national economy.

Under the Chirac program, at least 200 billion francs in assets will be put on the auction block over the next five years, including some of the world's most valuable industrial and financial holdings, for example, Eurpoe's most advanced aerospace/military industry.

The large nuclear and electric company, Compagnie Générale Electric; the advanced electronics firm Thompson; Rhone-Poulenc, Europe's seventh-largest chemical industrial company; Pechiney, the third-largest aluminum company in the world; the advanced Matra aerospace/military company, as well as Dassault. France's largest industrial company, Elf-Aquitaine, the petroleum multinational, is on the list. Such financial conglomerates as Crédit Lyonnais, Socíeté Générale and BNP, Paribas, and Suez are in line. Through this complex of financial holding companies and industries, the French state has the largest concentration of government-owned industry of any Western nation. Far from "creeping socialism" of the British Labour Party variety, the bulk of French state concentration was initiated by Gen. Charles de Gaulle in 1945, to facilitate post-war rebuilding.

The complementary side of the Chirac "privatization" strategy is legislation to permit foreign capital to flood into French stock exchanges and credit institutions to buy up the privatized industries. Alain Juppe, minister for the budget and widely believed to be the mastermind of the plan, announced April 9 in Paris that the government will move rapidly to abolish foreign-exchange controls on corporate transactions. Until now, France has been one of the last bastions of protectionism, a tradition dating back to the build-up of the nation in the 17th century, under the "mercantilist" strategists Sully and Colbert.

The French strategy is a "foreign import." It has been drafted by law firms in consultation with such London merchant banks as Morgan Grenfell and Lazard Brothers, and the famous Rothschild family, one branch of which has been adviser on the British government privatization. The model for France is the collosal failure known in Britain as the "Thatcher revolution."

The Tory government was elected in 1979 on a promise to reverse the growth of the state in industry and commerce. At the time, coal, steel, electricity, energy, ship-building, aerospace, and engineering were held in trust by the government, preventing private speculation. Over the past eight years, the Thatcher "free enterprise" cabinet has managed to sell off to private interests all or a major part of British Aerospace, Cable & Wireless, British Sugar, Britoil, port holdings, Sealink, British Telecom, British Petroleum, and British Shipbuilders. Plans for further auctions of state assets include British Airways, British Gas, British Steel, Rolls Royce, and parts of the National Coal Board. If the "Iron Lady" is allowed to continue, Britain will have sold off more than £21 billion in assets by the end of 1980s.

One of the government's purposes has been to raise money for its national budget. Sell-offs are planned to bring in £4.75 billion per year for the next three years to the beleaguered British Treasury. Some £2.6 billion was raised in 1985 from such sales. In effect, Chancellor of the Exchequer Nigel Lawson is using this "one shot" fire sale to compensate for North Sea revenues, more than £11 billion in 1985, dropping by almost half. A representative of Laurie Milbank, a London speculator in privatized shares, denies charges that the government is "selling the Crown jewels. We are merely transferring the assets from an inefficient member of the family to an efficient one." Is this so? The facts are otherwise.

First, the sell-off is a massive "insider" affair being run by the world's largest unregulated financial center, the City of London. Oonagh McDonald, member of parliament specializing in Treasury matters, attacks Thatcher's "negative public

the need for government borrowing. He points out that the sales, under advice of the very private merchant banks and brokerage houses making huge speculative profits from share trading in the privatized companies, are being orchestrated at severe disadvantage to the state—i.e., the British nation. He points to a remarkable rise in share prices *after* sale of undervalued companies, an undervaluation he estimates at 25%. "Selling off these assets in a bull market has meant huge speculative gains for pension funds and insurance companies." The parliamentarian adds, "The government's credibility has been severely dented. Selling off public assets has raised far less public revenue than the government had hoped."

Now, the most controversial of all sales is being studied, privatization of the national water industry. It is estimated the sale will yield, at best, £6 billion. But the total assets of the national water authorities are estimated to be worth at least £27 billion, according to a government study.

Record unemployment levels

The results of Thatcher's "revolution" have actually been incalculable in dollar terms. Sale of the state industries has opened the door for asset stripping by the new owners, layoffs, and closing of industrial production. The result of Thatcher's "free market" economic policies have been unemployment levels of well over 3.3 million (officially). This is the highest unemployment since the depression of the 1930s.

The British Office of Population Censuses has just released a report which shows that, over the past decade, industrial employment in Britain has collapsed 24%. In certain major industrial cities, factory employment has dropped as much as 40%. Privatization has fueled this unemployment and de-industrialization.

London's 'big band'

The City of London is a corporate entity in which some 50,000 people are employed. It is the world's largest unregulated financial center. Under a series of Thatcher initiatives in past years, on Oct. 27, 1986, the final stage of deregulation process, known in the financial community as the "Big Bang," will become fully operational. Then starts a free-for-all as part of what is called "globalization" of world financial markets. Banks are buying brokerage houses in preparation. Swiss banks are coming into the game. And the world's largest, and perhaps most disreputable, financial holding company, Merrill Lynch, has become the first non-British firm to join the London Stock Exchange, despite considerable private controversy over such firm practices as "churning" accounts—repeated buy-sell-buy operations to trigger speculative fluctuations in corporate stock.

The "Big Bang," already largely operational, will allow any international financial and commodity firm to engage in such complex electronic transfers that investigation of drug-money laundering, for example, will be virtually impossible. One leading London broker told *EIR*, "It will put enormous strains on the personal integrity of the broker to avoid temptations built in for conflict of interest."

Merrill Lynch Capital Markets in London has just named Michael von Clemm, the controversial Eurobond guru of Crédit Suisse/First Boston to head its expanded London operations. Informed London insiders have speculated that former Merrill Lynch directors Donald Regan and David Mulford, top policymakers in the Reagan administration, are themselves acting in a very special way to advance the interests of firms such as Merrill Lynch. "It will be every man for himself," said one analyst, as a series of financial scandals involving Johnson Matthey Bank, Lloyds insurance group, and the International Tin Council began to erupt. But the government has so far refused to take any significant step to fix rules for the coming "wild west" show.

Such speculative international capital flows have been behind the record rises of the world's major stock markets over the recent period. In 1985, Wall Street and London markets advanced to record levels. Under the recently deregulated West German stock rules, market shares have risen some 65% in recent months, though banking control of major German firms is still far stronger than in United States or United Kingdom, limiting the amount of stock shares available to international speculative ravages.

The French strategy is a "foreign import." It has been drafted by law firms in consultation with such London merchant banks as Morgan Grenfell and Lazard Brothers, and the famous Rothschild family, one branch of which has been adviser on the British government privatization. The model for France is the "Thatcher revolution."

In the United States, where one estimate is that up to 70% of the 1985 stock price rise came from speculation in such fraudulent schemes as "junk bonds" and leveraged buyouts of unprecedented scale, details are leaking out of the unscrupulous "computer-age" practices now being used to rig stock swings. Known by brokers as "program trading," according to one report in *BusinessWeek* magazine, some 100 insider traders electronically coordinate their buying and selling, down to the pre-arranged minute. In one such recent move on the New York Stock Exchange—at 3:30 p.m. on March 21—a record 57 million shares of pre-selected stocks changed hands, in the final half hour of trading, forcing the fourth-largest decline in the history of the exchange.

Now, deregulation in London, the Far East, and such European centers as Amsterdam and Paris, will enable such speculative orgies to rock the very foundations of the world industrial economy at will.

The opening of France to foreign capital and the offer of one of the Western world's most important concentrations of advanced industrial production facilities to the savages of this "privatization," only means that France stands to be rapidly transformed into the same kind of deindustrialized junk heap which Britain has become under the "Thatcher revolution."