Britain's leading 'idiotic hysteric'

by Mark Burdman

British Prime Minister Tony Blair is a nervous man these days. This is quite a shift in mood from that prevailing after his "New Labour" won a landslide election on May 1, 1997, and Blair was confidently forecasting that he would lead a "center-left international." On Oct. 21, 1998, he addressed a group of Labour Party parliamentarians, advising them solemnly to "keep your nerve," and stick together at all costs, because "there will be more difficulties facing us with the economic slowdown."

The same day, in the British Parliament, Blair had to fend off attacks on what is happening to the British economy under his leadership. He got into a heated shouting match with William Hague, leader of the opposition Conservative Party, who charged that this was "the season of complacency" for the Blair government, in the face of record job losses sweeping Great Britain. Admittedly, Hague, the hand-picked protégé of former Prime Minister Margaret Thatcher, is hardly one to be pious on economic matters. Nonetheless, he hit a sore spot. Blair demanded a stop to the "idiotic hysteria" about the economy, and said that the minds of the Conservatives should be likened to "black holes."

In his Oct. 22 reportage of this exchange, London *Times* political correspondent Matthew Parris warned that the phrase "idiotic hysteria" could "come back to haunt" Blair, should economic conditions in Britain worsen. Given that a further phase in Britain's economic woes is a certainty, Blair should be a very haunted man indeed.

Of rising unemployment and bank bailouts

Blair's problems have been compounded by the recent antics of the Governor of the Bank of England, Eddie George. George might qualify for the designation "idiotic hysteric," because of his Alan Greenspan-like commitment to the financial markets at all costs.

During the week of Oct. 19, George met with newspapers editors from the northeast, a region that one financial expert characterized to *EIR* as "economically collapsing like ninepins." George was asked whether he considered it acceptable for there to be a rise of unemployment in the north, in order to keep inflation down in the south of Britain. He responded in the affirmative, sparking a national uproar, with politicians based in the northeast demanding his resignation, and newspapers running cartoons showing George inserting his foot into his mouth. In the face of all this, Blair defended the Bank of England Governor.

Earlier, on Oct. 15, George had testified before the Select Treasury Committee of the British Parliament, where a chief concern was the effect on Britain of the global financial shocks. He said matter of factly that businesses and households in the U.K. would have to foot the bill for losses incurred by banks due to falling equities, currencies, and bond prices. Banks would have to increase their charges, he affirmed, and recover their losses from their customers.

On Oct. 27, a member of the Bank's Monetary Policy Committee, DeAnne Julius, effectively confessed to the Bank's incompetence, proclaiming: "We have been a little late in recognizing that the economy has turned. We are now slowing domestically." She acknowledged that the "international situation is fragile," and hinted that the Bank would have to further lower interest rates.

There's not much more the real economy can be looted, to sustain the financial sector. On Oct. 15, the British Chambers of Commerce released a statement warning that "the danger of a manufacturing meltdown" had become "greater" than it was when the Chambers first warned about that danger last July. The Confederation of British Industry (CBI) Industrial Trends Survey, released on Oct. 27, reported that confidence among manufacturers had reached an 18-year low, i.e., the lowest since the depths of Thatcherite monetarist policies. An analyst quoted by the Oct. 28 London *Guardian* commented that "activity in the manufacturing sector has collapsed."

The CBI is warning that 100,000 jobs will be lost in manufacturing, under current trends. As we reported two weeks ago, employment in manufacturing is heading to levels last seen in Britain in the mid-19th century.

Hit particularly hard, is Britain's motor vehicle sector. The German BMW firm, which owns Britain's Rover car manufacturers, is threatening thousands of layoffs, most immediately 2,500 layoffs at the Longbridge plant in Birmingham. Blair and his ally Peter Mandelson, the Trade and Industry Secretary, are responding to the threatened layoffs by demanding "more productivity" from the workers.

At the same time, retailing across Britain is taking a bath. The London *Times* on Oct. 22 commented that "if retailing is a barometer of the economy, then Britain is in for a nasty blow." The unexpectedly sharp decline in this sector demonstrated a "considerable crisis in consumer confidence," the paper affirmed.

In the face of such woes, the British press has begun to warn that Blair is heading for big trouble. In the Oct. 19 *Times,* political editor Peter Riddell wrote under the headline "That Old Sinking Feeling": "The Blair government is at a turning point. The long post-election honeymoon is over, and it is looking less sure-footed." He stressed that a mood of "serious malaise" is spreading in government circles, and that "the biggest challenge" now facing Blair et al. is the economy. The Oct. 22 *Independent* was more dramatic. Its banner headline read: "Storm Clouds Gather Over Blair."