

The Tories' slump?

The graphs tell a simple story. Since the summer of 1979 there has been a drastic and accelerating economic slump. It started at almost exactly the same time as the Tories took office.

So is it all the Tories' fault, pure and simple? Not entirely. The most important economy of the capitalist world, the USA, hit serious trouble in autumn 1978. The value of the dollar, as against other currencies, started sliding faster and faster. To stop the slide, the US government imposed tight-money policies — squeezing credit, restricting demand. Industrial production started turning down in summer 1979, vacillated for some months, and then finally lurched into slump in the spring of 1980.

And there has been a downturn — milder or more severe — in every major capitalist country. Steel consumption in the Western economies was about 5½% down in 1980. Industrial output in West Germany fell 5% between spring and autumn 1980. In Japan the high point of industrial output was February 1980; since then it has fallen 5% and is now stagnant. In France and Italy, too, industrial output is declining (the latest figures show a 2% drop between October 1979 and October 1980).

Britain was especially vulnerable to the world recession. Its recovery from the 1974-5 slump was weaker than any other major capitalist economy's. Investment (gross domestic fixed capital formation) in 1979 was actually lower than in the slump year of 1975, a slight increase in private investment being more than offset by the cuts in public investment.

The Tories did not create the slump. But their policies have made it sharper. For they calculated and expected that something like "three years of unparalleled austerity" (in the words of Tory Treasury Minister John Biffen) would be the result of their policies. Even before the 1979 election, Keith Joseph was insisting on how vital it would be for the next Tory government to stick to its policy despite "apparently high levels of unemployment".

They have made credit difficult and they have cut back state spending, especially construction and other 'capital spending'. They think, or hope, or suppose, or pretend, that this will purge the economy of inefficiency and create a leaner, more dynamic, less inflationary economy at the end of a period of hardship. But for here and now they know their policy will help the bosses black-jack the working class and raise the rate of exploitation.

And seriously raising the rate of exploitation, thus boosting profits, is the only way out for the British capitalists.

For the Tories' desperate efforts mesh into a long-term decline. Crude steel production in Britain has been on a downward trend since 1970 and is now running at barely 40% of its 1970 level. In another central area of modern capitalist industry, car production is now likewise only just over 40% of its highpoint (1972).

Employment in manufacturing industry is now 75% of its top level, which was in 1965. Apart from the temporary bonanza of North Sea Oil, no major new industries are arising to replace these older ones in mortal decline.

Profit levels in Britain are low by international standards — and declining. The pre-tax rate of return on capital is estimated to have slipped steadily through the 60s to 9% in 1973, 5% in 1974-6, a bit more in 1977-8, and perhaps 4½% in 1979 and 3% in 1980. When it was 7% in 1973, the comparable figure for West Germany was 14%, for the US 21% and for Japan 22%.

In combination with this long-term trend, the Tories policy produces devastation of basic industries (metal manufacturing output dropped by over 25%, just from 1979 to autumn 1980), further shortfalls in investment (instead it goes abroad), an endless vicious circle of cuts where declining expenditure on ever-more decrepit services constantly seems "too high" a proportion of declining

national income... and working class misery.

The high level of the pound against other currencies, and capitalists' efforts to clear stocks, have reduced inflation slightly (November 1980 retail prices were 15.3% above November 1979 prices). But these factors are only temporary. There is no guarantee that inflation will not accelerate again very soon. Certainly the big rent and rate increases currently on the agenda will mean a big leap in the working-class cost of living.

What is the outlook? The world recession will certainly continue through most of 1981. It may even make a new plunge into slump if, for example, Chrysler and Massey Ferguson finally go bust. Britain's slump will continue at least as long as the world recession. Any recovery will be late and partial, like after 1975. Painful and accelerating decay is the longer-term prospect — that, or a successful drive by the working class to overturn capitalism and restructure the economy on a rational basis.

