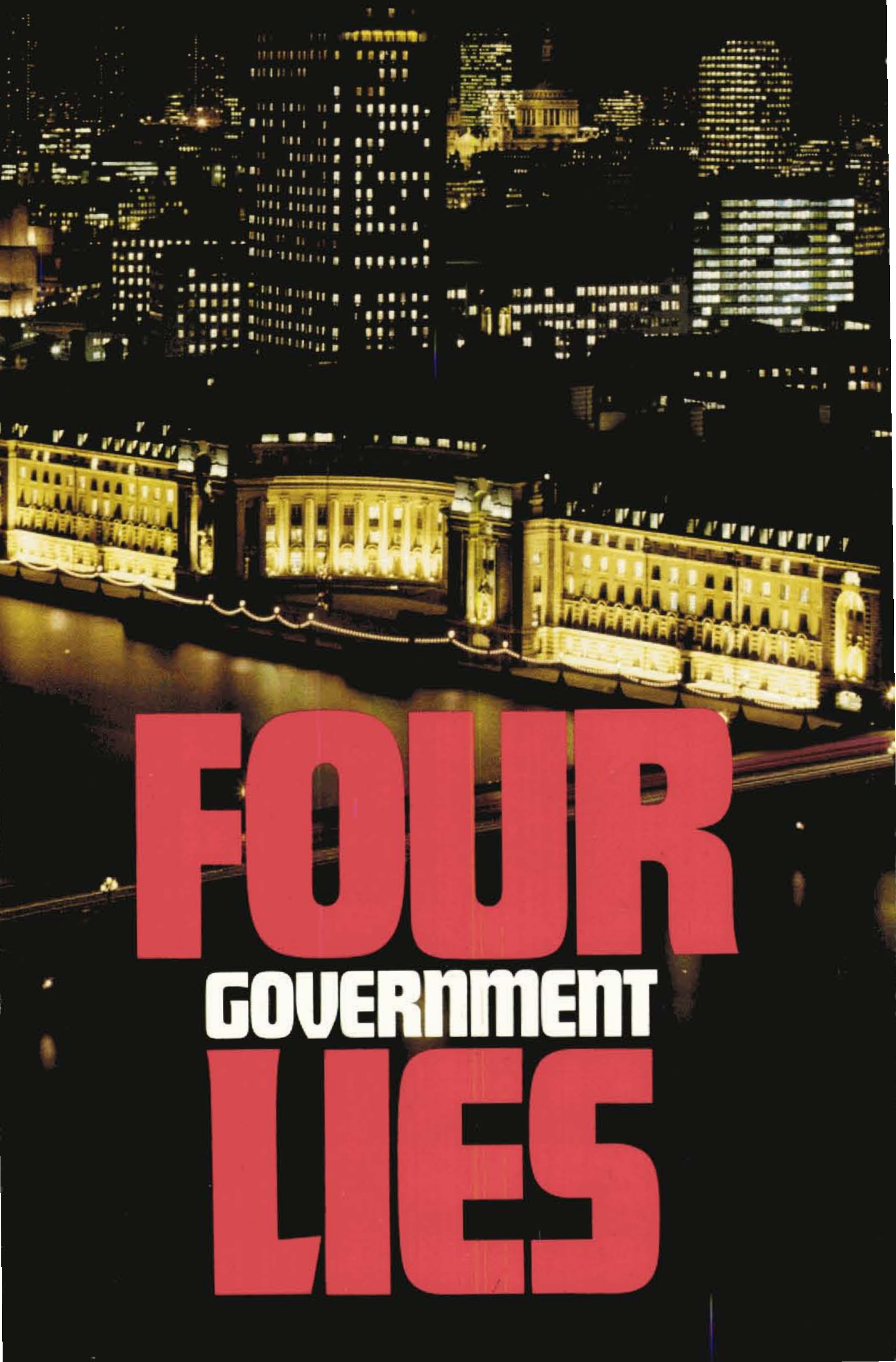
RATES · JOBS AND THE GLC



FOUR GOVERNMENT LIES

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RATES · JOBS AND THE GLC

FOUR GOVERNMENT LIES

The Government is telling you lies about the rates

This booklet is based on a report by the Leader of the Council, Ken Livingstone, submitted to and approved by the Greater London Council on 2nd November 1983.

1 The Government says that local government spending – including GLC spending – is out of control. They say it has been growing faster than the national economy, and faster than central government spending.

This is a lie

In real terms, local government spending has grown less than the rest of the economy – and it has grown *less* than spending by central government.

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2 The Government says that rate rises are caused by 'reckless' and 'spendthrift' council spending.

This is a lie

The truth is that the Government has been covering up its own increased spending – on defence and the dole – by shifting the cost of it onto the rates by withdrawing grants to councils.

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3 The Government says that rate rises and local Government borrowing 'squeeze' the private sector. Money that could be invested in productive industry goes instead to 'unproductive' local government. The result is economic decline and loss of jobs.

This is a lie

The services and jobs provided by local government out of the rates strengthen the economy rather than weaken it. Far from taking away from the private sector, they complement and assist industry. They mean more, not less, employment.

4 **The Government says that business rates are a 'tax on jobs'. If rates were cut, employment would increase.**

This is a lie

Business rates are a tax on rent and property, not jobs. If rates were cut, the result would be higher incomes for landlords and property developers. The benefits to industry would be minimal in the short-term, and nil in the longterm

This pamphlet examines these Government lies about the rates in detail

Some of what it says is particularly about rates paid by businesses. These are where most rate revenue in London comes from (65%). These are also where the argument about jobs is most relevant.

No one likes paying rates. Domestic rates take a higher proportion of income from poorer households than richer. The GLC itself has long argued that there are better ways of financing local government.

When it came to power in 1979, the Tory Government said it was going to reform the rate system – but it went back on its promise. Instead, it decided to introduce 'rate-capping' and to abolish the GLC and the Metropolitan County Councils.

This is a political con-trick designed to stifle opposition and give the appearance of tackling a problem when the problem is not in fact being tackled at all.

It is quite fair and proper to demand that rates revenue is spent effectively. It is not fair, and it is not proper, to exploit people's concern about rates to justify an attack on local government and the services local government provides.

That is what the Government is doing. And to make it look as if they are acting reasonably, they are lying.

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FOREWORD

by Michael Ward (Chair, GLC Industry and Employment Committee)

There has rarely been a moment in modern British history when the politics of local government have commanded so many national headlines. Nowhere is this more true than in the case of the GLC, whose very existence is seen by the present Conservative Government as a potent political threat, merely by demonstrating that there is an alternative to its policies.

Even such vital but, traditionally, uncontentious services such as refuse collection, the fire brigade or the administration of the London water authority, have provided the material for political confrontation, threatened as they are by the planned closure of the GLC. Less attention however has been focused on an area where there is obvious, visible and inescapable conflict between Government and GLC policy – the London economy.

Anyone passing over Westminster Bridge from the House of Commons to County Hall will be able to see the frightening statistics for London unemployment set out in their stark simplicity on the roof of the GLC headquarters. Behind these statistics is the reality of an economy which has been reduced in some areas of London, to an industrial desert. The figures also cloak innumerable personal and social tragedies of people and communities, thrown onto the scrap-heap of unemployment despite the enormous, and growing, unmet needs of Londoners.

The London Labour Party decided before the last GLC election that it had a responsibility to tackle this problem directly. We have done so in the past three years through the establishment of the Greater London Enterprise Board, charged with the creation of long term viable jobs for Londoners, through the operation of Popular Planning, through our defence of London's public services and through the massive extension of industrial training.

We have not ignored the question of how this is to be paid for. Our starting point is the recognition of the enormous costs in allowing industries to go out of business and skilled workers to be made unemployed. That cost rarely shows up in either *private or Government balance sheets but is one which is burdening the entire economy of the Capital.*

This pamphlet nails the lie that London's rates are responsible for the appalling level of unemployment. It shows that the rise in rates in London has been caused by deliberate Government policy to reduce taxes on the wealthy and to fund this by reducing the rate grant support to authorities like the GLC. Where cuts in local spending have followed the attack on the Rate Support Grant the result has been to directly destroy employment and not create it. Where rates have been reduced the effect has been to increase property prices.

By contrast the GLC is showing how it uses its all too limited powers to create, not destroy, jobs and to strengthen the London industrial economy using rate income. This pamphlet provides valuable information for all of those concerned to defend democratic local government against the threat which it is facing at present and which demonstrates the economic common sense in local authorities using what resources they can to intervene directly to restructure the economy in the interests of ordinary people.

None of us believes that, on our own, the GLC can solve the problem of unemployment or the threatened disappearance of London's industrial economy. But we are showing, by concrete and exemplary action, what should be done and, with drastic changes in Government policy and the wider economic system, what could be done nationally to put the people of Britain back to work.

As long as we stick to money accounting, we cannot fully get over these difficulties.

But we can make an allowance for the faster than average rise in local authority costs, by adjusting for inflation the costs of things local authorities buy. We can then compare that with the growth of national production, adjusted for inflation in all prices.

If we do that, we find that between 1964 and 1980, the national economy grew by 38 per cent, while local spending only rose by 14 per cent. The share of local authority spending in GDP fell from 15 per cent to 11 per cent in 1980. And between 1974 and 1980 local authority spending fell by 14 per cent in real terms.

The proportion of the country's real resources used by local government has in fact fallen by even more than this. To arrive at the total of real physical resources used, we would have to leave out debt charges, which in the current year make up 32 per cent of the GLC budget.

In 1980/81 prices, GLC debt charges rose from £157m in 1965/6 to £269m in 1980/81. Over the same period, debt charges for all local authorities in Greater London rose from £530m to £1,256m, a rise of 137 per cent. In other words a fifth of the increase of all local authority spending in London over this period was accounted for by rising debt charges. If we exclude debt charges, London Local Authority spending rose by only 45% over this period.

If council spending is rising because of the increased cost of borrowing money, that does not mean that councils are using more real resources – only that money lenders are increasing their returns at the expense of the rest of the public.

We should also leave the subsidies to London Transport out of the estimate of the GLC's direct use of real resources. These are transfer payments.

Between 1965 and 1975, total GLC spending in 1980/81 prices went up by 65 per cent. But if we leave out debt charges, the figure falls to 51 per cent. And if we leave out London Transport subsidy too, the increase falls to only 5 per cent. If we make a further allowance for the increase in the GLC's payment of employers' national insurance contributions, which are also another transfer payment, in this case to central government, we find that the GLC's use of real resources in that period hardly rose at all.

What is more, in the more recent period from 1978/9 to 1982/3 total GLC spending, adjusted for inflation according to the Department of the Environment's own local government pricing index, actually fell by 14 per cent. So far from being an overspender, the GLC has actually seen its total spending fall by one seventh while the economy has stood still.

Government arguments about 'overspending' are not only false in terms of real resources, they are even false in straight cash money terms. Without allowing for inflation, gross GLC revenue spending has grown by 88 per cent since 1978/9, including this year's increase in London Transport fares subsidy. This compares with a growth of 101 per cent in central government spending over the same period, and an increase of 80 per cent for local government as a whole

This means that after taking account of inflation GLC and local government revenue fell in real terms while central government spending actually rose. So much for the claim that local government spending is out of control. If anything it is the central government's spending that is out of control.

There is no more truth in the claim that local government has been taking a growing share of the national economy in the longer term. From the mid-60s local government spending rose more slowly than national production in real terms, and fell dramatically between 1974 and 1980. Between 1965/6 and 1975/6 the GLC's real spending stayed virtually stationary and over the last four years has fallen by 14 per cent. To argue that the growth in local authority services has been curbing the growth of the private sector is a piece of shameless monetarist audacity. Tricks of financial accounting cannot be used to justify cuts in real cash and therefore in real services.

2 'Rate rises are caused by reckless spending'

Summary

The rise in rates in London and other local authorities has been mainly a result of Government's decision to finance its own growing share of Gross Domestic Product by cutting rate support grants, and by selectively withdrawing grant from authorities like the GLC which they have arbitrarily decided are spending too much. Over the last three years London has lost £1,200,000,000 in grants.

The second of the Government's lies is to point to rising rates and say they have been caused by reckless – and rising – local government spending.

In fact, as we have seen, real local government spending has been falling. It is the central government which has been spending more, largely on defence, and on paying dole money and social security to those it has put out of work – social security payments have trebled in four years.

Government has paid for its increased spending not by tax increases but by cutting the rate support grant. Local councils have had to increase their rates even though their real spending was falling. Bradford Council, for example, are this year considering a cut in cash spending of 10%, but they will still have to raise rates by 47%. The government is in effect getting local ratepayers to finance increases in central government expenditure. The Government then suggest it is local Councils who should be blamed.

The figures bear repeating, for the period of the current government, 1978/79 – 1983/84: (note

Central Government	
cash spending	**up 101%**
perceived spending (tax)	**up 94%**
Local Government	
cash spending	**up 80%**
perceived spending (rates)	**up 125%**

that these figures do not allow for inflation as argued earlier.)

In this period the Government cut local authority grants and subsidies by £3,600 million. Without that, income tax would have had to be increased by 4p in the £, which would have meant an overall tax rise of 102% in line with the growth of central government spending.

London (and the metropolitan counties) have been hit particularly hard. Over the last three years London has lost £1,200 million in grant, and has had to raise the rates accordingly. When we add this to the declining rate base in some boroughs, and the resulting severer levies on those that remain, the principal cause of the London rate crisis is clear to see. The suggestion that London's rate rises are the result of Council overspending is the second great monetarist audacity.

Given the choice, most people would rather see their tax money go on caring services, than on bombs and the costs of forced unemployment. By shifting the burden of its policies onto the rates, the Government is trying to fool people into thinking that it is council services which are costing them more. It hopes this will result in pressure for cuts in caring services, rather than for a reversal in the costly and wasteful policies of central government.

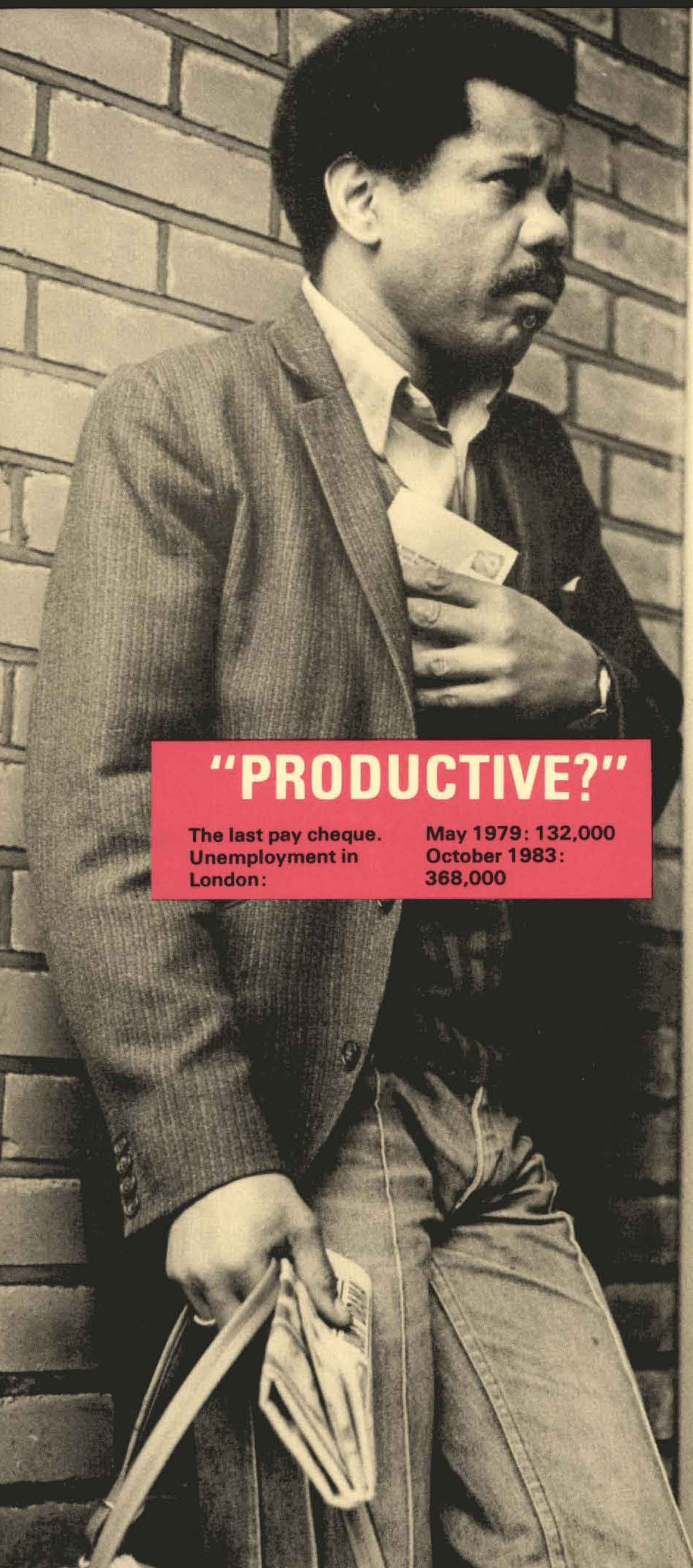
FOOTING THE BILL

While Government policies have destroyed jobs, Government spending has risen to pay for the dole and defence. Instead of raising taxes to finance this increased expenditure, they have cut funds to local government.

Local council spending has fallen – but councils have had to raise their rates to make up for the loss of Government subsidy.

So rate-payers have had to pay more to finance central Government policies.

The GLC's policies are to maintain local services and create jobs.



"PRODUCTIVE?"

The last pay cheque. Unemployment in London:

May 1979: 132,000
October 1983: 368,000

Credit: G. M. Cookson.

Wandsworth Photography Co-operative

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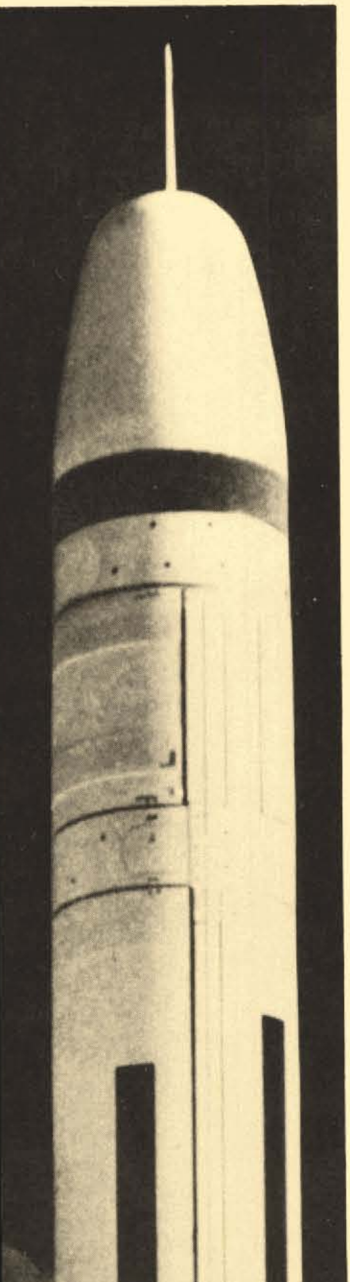
Credit: Chi Chan

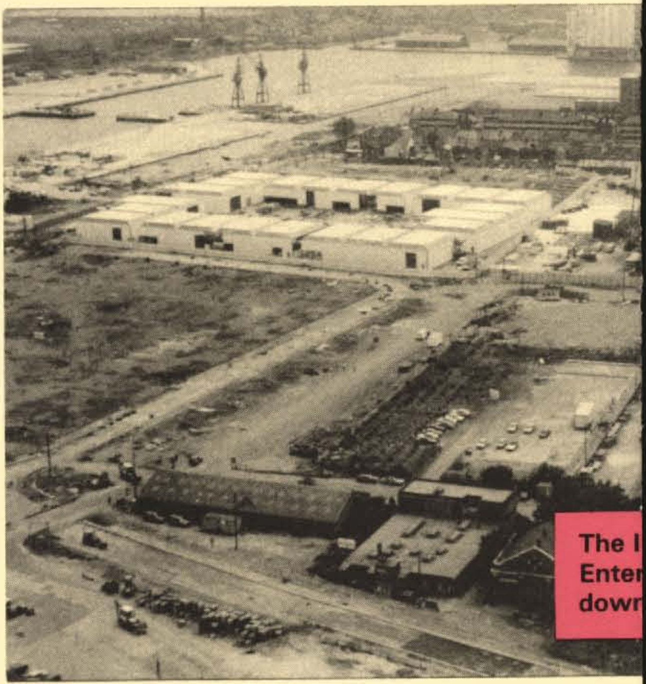
"UNPRODUCTIVE?"

Magnatex of Hounslow (car parts). 200 jobs rescued.

Total jobs saved and created by the Enterprise Board in 1983: 1473



Defence Spending rose to £1,600 million in 1983. Millions were lost in unscrutinised contracts



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New factory units
Bradfield Road
Newham. Part of t
GLC's £8 million
programme. 5,000
jobs.

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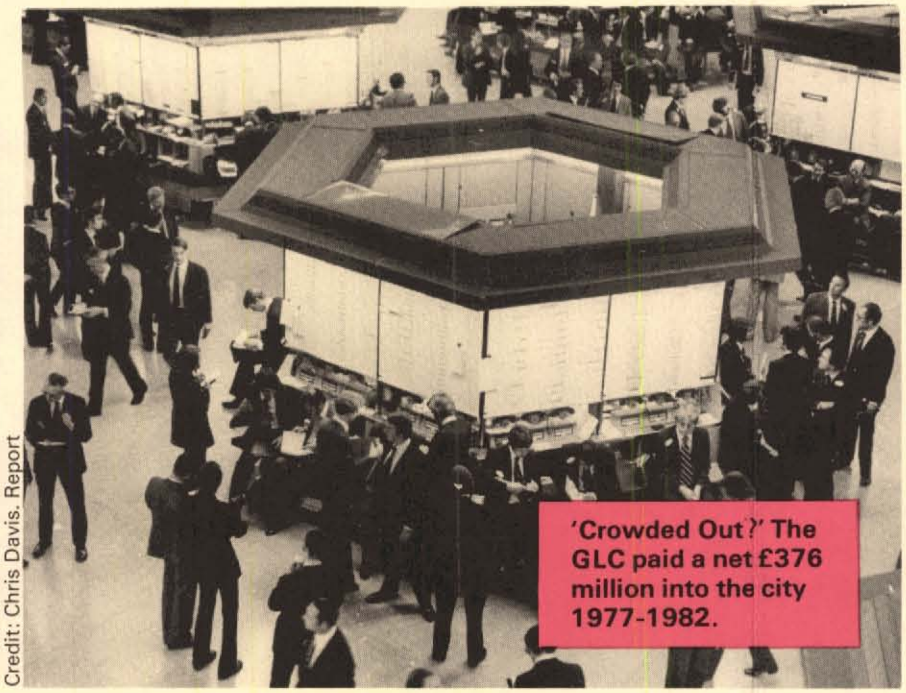
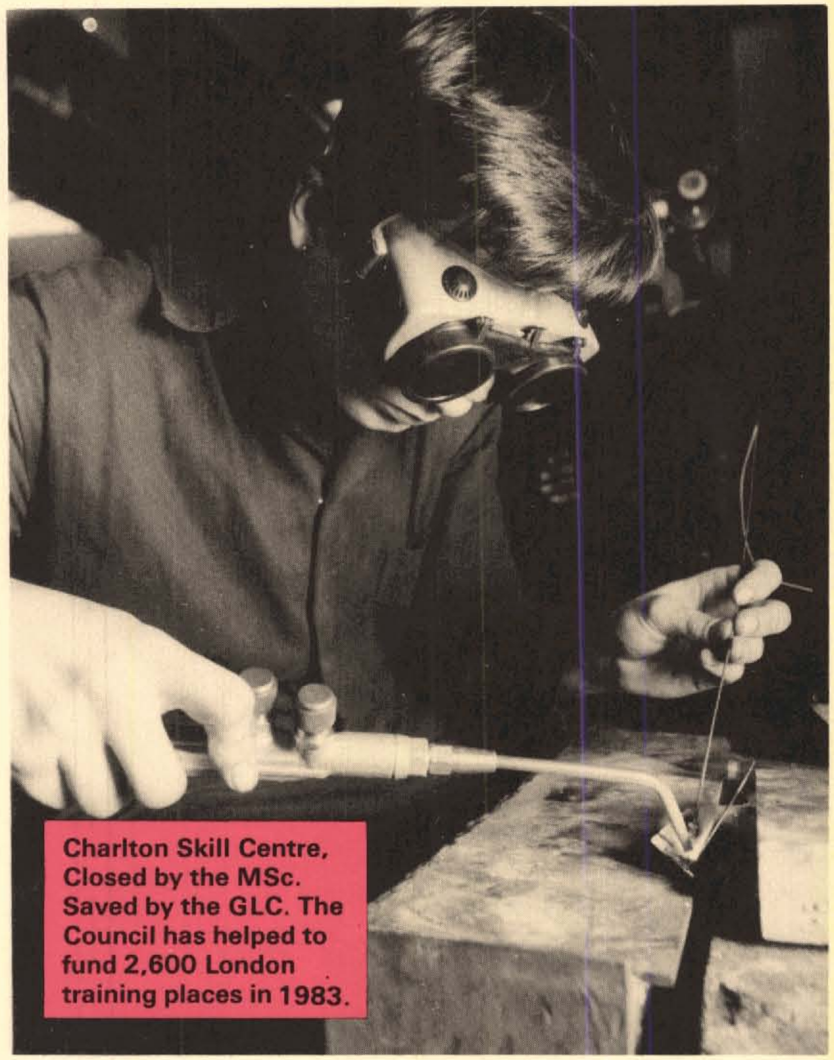
rise Zone. Rates
rents up.



Credit: Chris Davis. Report

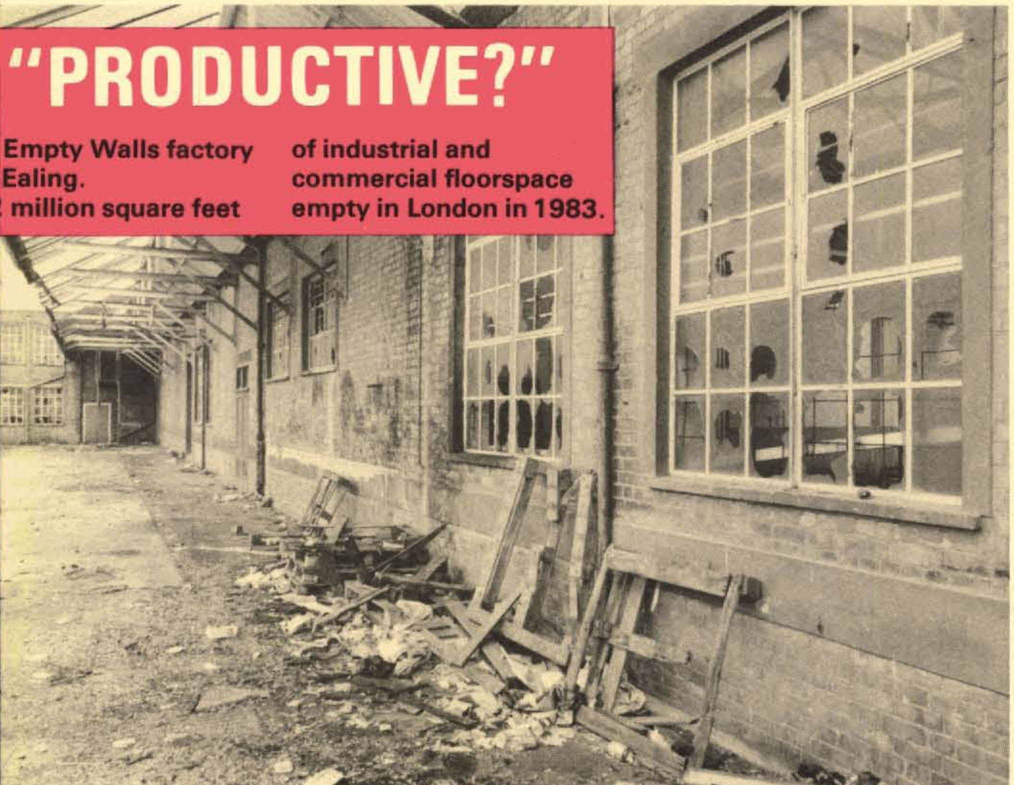
'Crowded Out?' The GLC paid a net £376 million into the city 1977-1982.



Charlton Skill Centre, Closed by the MSc. Saved by the GLC. The Council has helped to fund 2,600 London training places in 1983.

Credit: Neil Martinson

Putting money to good use.
121 childcare projects funded in 1983.



"PRODUCTIVE?"

Empty Walls factory Ealing.
million square feet of industrial and commercial floorspace empty in London in 1983.

"UNPRODUCTIVE?"

Firefighting. The GLC have employed 249 more firefighters to improve the service.

NPRODUCTIVE?"

the GLC's 667
g workers. 500 new building jobs announced for 1984.

"UNPRODUCTIVE?"

Bassetts of Bow. 100 jobs saved by the GLC's Enterprise Board. One of 30 worker owned firms backed by the Board.

3 'Rates squeeze the private sector'

Summary

There is no truth in the Government's allegation that rates and rate-borne spending 'crowd out' private enterprise and the 'productive' use of resources. Labour employed by local authorities, *is* productive and, in the present 'labour surplus' caused by the recession, effectively has very low real cost. Local government borrowing does *not* deprive industry of finance (which is plentiful at the moment, but being invested elsewhere as a result of low profitability).

The third Government lie is the great 'crowding out' fallacy.

At the core of the Government case is the claim that rates, like all taxes, are a threat to jobs.

They argue that rates paid by companies cut profits. This reduces investment, which in turn reduces possible new jobs.

If councils borrow, furthermore, this affects industry, for it leaves less for private companies to borrow, and interest rates are forced up. Companies might even choose to lend their money to councils rather than invest it themselves.

As Margaret Thatcher put it in 1978:

'We have to remember that governments have no money at all. Every penny they take is taken from the productive sector of the economy in order to transfer it to the unproductive part.'

*(*Hansard 25.7.78*)*

Like many monetarist claims, the argument appears a simple one. It assumes that there is a fixed amount of money available in the economy at any one time. So the more councils spend – and the more workers and resources they employ – the less there is available to the private sector. The result is that resources and employment in the private sector are 'squeezed' or 'crowded out'.

There are at least three reasons why this argument is a fallacy.

First, it is obviously not true that we live in an economy where there is a shortage of resources.

The four million unemployed, nearly 400,000 of them in London, know all too well that there is a labour surplus, not a labour shortage. In this context, it is grotesque to suggest that workers in local government services are depriving the private sector of their labour. The alternative to local government work for these people is not a job waiting for them in private industry – it is the dole.

Equally, with 15 per cent of industrial space empty, and machinery from bankrupt firms being exported or melted down for scrap, it is grotesque to suggest that London councils' spending is 'taking resources away from the private sector'. **The private sector already has a superabundance of resources which it is not using.**

The Manpower Services Commission (MSC) has estimated that every worker unemployed costs the Government more than £100 per week in benefits and lost taxes. If we take into account the lost production which those unemployed workers could be turning out, then the loss to the London economy of each worker unemployed is nearer £220 per week.

In providing people with public sector employment, local governments check this waste of money and resources. Far from 'starving' private industry, they employ resources which private industry is neglecting. In doing so, they increase social output – at comparatively low real cost.

Secondly, there is no shortage of money for industry to borrow for new investment: the problem is a lack of profitable outlets. So there is no way that council borrowing can somehow mean that there is less to go round for firms to borrow to build factories with. Private firms have benefited from being able to lend money to councils at a time when there were few other ways to earn a return on it. If councils had not borrowed it, the money would probably have left the country altogether, or been invested in property speculation. In any case, between 1977–8 and 1982–3 the GLC contributed a net flow of £376 million to the city (the amount by which its repayments exceeded its borrowings). This can hardly be seen as 'crowding-out'.

Thirdly, and most important, it simply is not true, as the monetarists assume, that council spending is not itself productive. Councils spend money on housing, education, road building and maintenance, public transport, traffic management, strategic land use planning, flood control, building control, and trading standards. All these are part of the economy and contribute to national productivity. Private firms soon find their profits falling when roads are congested or start to collapse: or when skills disappear. Council services that meet human needs are justified in themselves, whether or not they service the economy. But as it happens, most council services were put under public control precisely because the market was tried and found wanting.

The 'crowding-out' argument is without foundation. The real reason for the economic crisis is that profit rates are too low. For this the Government has a crude and simple answer – to cut jobs, wages and services in the public sector, so that taxes and rates on private firms can be reduced, and profitability improved. But even in its own terms, this will not succeed. **The only result of cutting services and jobs, or even abolishing the GLC, will be to make London's economic crisis even worse.**

4 'Rates are a tax on jobs'

Summary

Rates are a deduction from rent, not an addition to it. A cut in rates will tend to increase rents. Industry will be no better off. It is land owners who will benefit. Enterprise Zones provide a clear illustration of this mechanism.

As the crisis has worsened since 1979, business spearheaded by the CBI, has mounted a sustained campaign to blame high rates for the level of bankruptcies. They claim that high rates, in London in particular, are a major factor in the decline of jobs.

A recent CBI document (August 1983) amounts to a manifesto against the rates. It proposes a ceiling on business rates: partial de-rating of businesses: abolition of rating on empty premises: and 'mothballing' relief on partially-used premises.

The Government has taken this line of argument a stage further by creating 'enterprise zones' in which rates are abolished altogether as an incentive to firms to move into depressed areas, develop land and property, and create jobs.

But the facts disprove this rates hysteria. Data for 1974–9 show that rates were only 0.6 per cent of turnover in manufacturing industry, under 2 per cent of gross value added, and only 3 per cent of the total wages bill.

Between 1975 and 1981, rates on businesses actually fell by 20 per cent in real terms. Since then they have risen as a result of the Government's attempts to make ratepayers pay for its policies (see above), but their impact on business has been dwarfed by other decisions taken by central government: for instance the increase of VAT from 8 per cent to 15 per cent in 1979. The National Insurance Surcharge, which yielded £3.5 billion in 1980/81, cost more than all local authority rates on business put together.

Two recent surveys of major companies moving from London confirm that rates figured little if at all in their decisions. Far more important were the level of rents, and decisions to restructure their head office operations.

So why does the CBI make such a fuss about rates? There are two reasons. One is that it is politically acceptable to do so. Rents and central government decisions may be more important in the damage they do to firms and jobs. But the present government clearly wishes to do nothing about them. To blame the rates is to blame local councils, which are often Labour, and to ask central government to restrict their powers. By comparison with asking the government to cut VAT or control rents, that must seem like knocking at an open door.

The second reason is that the CBI speaks mainly for middle and small companies, who are the most vocal about rates. For medium and small firms, rates appear as an extra cost which they cannot simply pass on, and which they cannot avoid.

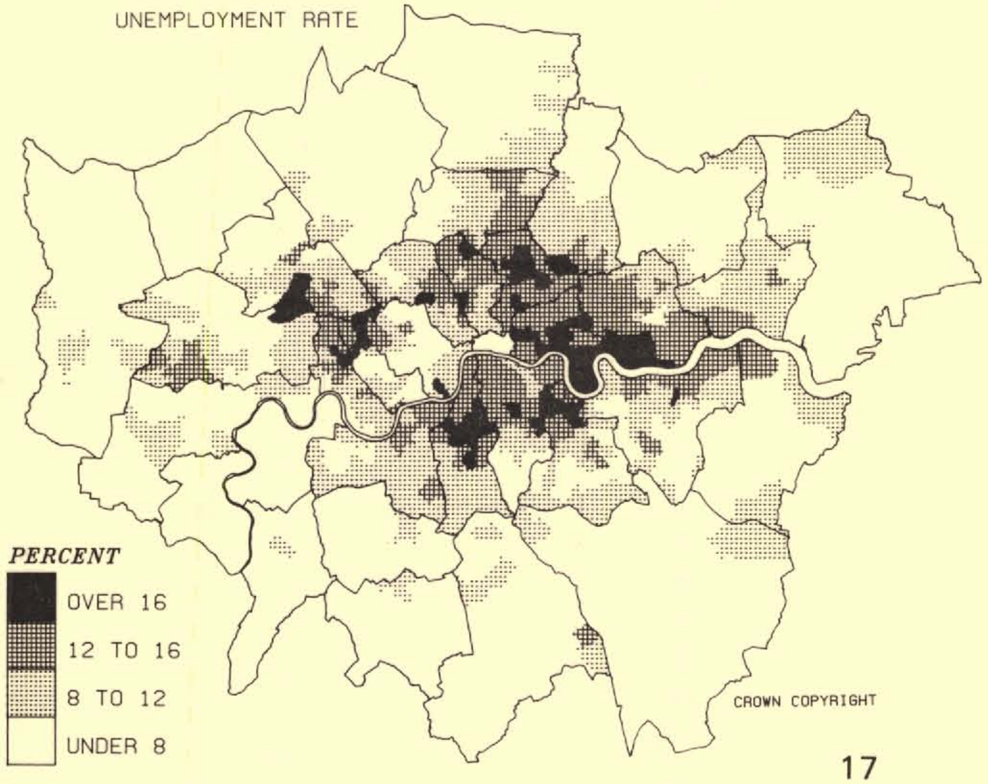
"Rates properly used increase jobs rather than destroy them. It is cutting rates which is the greatest threat to jobs in London." — *Ken Livingstone, GLC Leader's Report.*

But although rates appear to these firms as a threat to profits, the fact is that, at least in the middle and long term, they are actually a tax on property, and have their impact not so much on profits as on rent levels. This central fact is one that has been almost wholly ignored in the discussion of rates.

The market price of a given site is determined by the relative advantage of locating there rather than somewhere else. A tax on the site does not raise this market price: it just lowers the proportion of it which goes to the landlord, as the price which firms are prepared to pay for the site falls in proportion to the tax.

Of course, in the short run a business will lose if it has a lease with a fixed rent. But rent review periods have been getting shorter, and a rate increase should mean a fall in rent at the time of the next review.

Once we understand that rates are a tax on rent, not on businesses, we can see that the CBI's proposals would simply have the effect of increasing property prices or rents, rather than business profits.



This conclusion is confirmed by the experience so far of the Government's Enterprise Zone experiment. The official monitoring reports commissioned by the Department of the Environment clearly show that the main impact of the total abolition of rates within these zones has been to increase rents and land values.

In Wakefield for example rate relief was worth about 80p per square foot. Rents within the zone went up by 50p per square foot, the difference representing in part the site disadvantages of the zone. Rents outside the zone remained constant. Differentials of this kind have been reported from Clydebank, Dudley, Trafford, Corby, Hartlepool, Salford, Swansea, Gateshead, Belfast North Foreshore, and London's Isle of Dogs.

Most of the landowners inside the zones have kept their rent levels to rather less than would be justified by the abolition of rates in order to undercut the areas outside the zone.

As a result the developments which have occurred inside the zones have largely been at the expense of jobs in the areas around. The official report found that nine out of ten of the entrants to the zones had come from the same county, and 85% said they had no intention of going outside the region. So it has been a question of job switching rather than job creation, at an annual cost of £5 million (in 1981 prices) in lost rates.

Perhaps this is the reason why the Government has decided that no further official monitoring reports will now be commissioned.

Success for the Government and the CBI in their campaign to cut business rate levels would hit London jobs for three reasons. First, as we have seen, it would work against a fall in property prices and rent levels, which have been a major factor in job losses and closures in London, especially in manufacturing. Second, zero-rating of industrial property cuts the cost of holding empty premises, reduces the supply of premises on the market and their productive use. Third, rate cuts would hit at jobs in the public sector.

In theory, the windfall gain in the private sector, especially by landlords, that would result from a fall in rates, could create more local employment either through demand for local luxury goods, or through new investment.

In practice, private money has been leaving the country. Rate-financed local authority spending on the other hand is almost all spent locally. So rate cuts that shift money from local councils to the private sector will mean a net loss of jobs in London.

The real aim of the business rate-cutting lobby is to shift the burden of providing local services from business onto the shoulders of ordinary Londoners. As such it is part and parcel of the attack on living standards by this government, along with the attack on jobs, on wages, and on the welfare state.

Another way of shifting the burden and making ordinary people pay for the crisis, is by tax dodging. And that is another reason why business interests dislike the rates: they are hard to get out of paying. Indeed for many large businesses, they are the only tax they pay. Accountants can get big business off paying corporation tax, but they cannot work similar miracles for rates.

That is why the CBI estimates that in 1983–4 business in the UK will pay £6 billion in rates as against only £4 billion in Corporation Tax.

Conclusion

Summary

In current conditions of the waste and under-utilisation of labour, land, technology and capital, local state spending funded by rates will tend to increase employment, not reduce it. The GLC role includes the use of rates and surplus money capital to expand jobs in London and to restructure industries. This is already showing that there is a real alternative to monetarism. To press on with this work, the GLC needs not the destructive attack of Westminster, but support, the extension of strategic powers, and the ability to raise and deploy resources (including rates) to where they will be productive in generating jobs and needed services.

Spending on the rates is good for jobs. Rate cuts will cost jobs. But spending on the rates cannot in itself put London back to work. Council spending cannot directly provide enough jobs. On its own it will not solve the profits crisis in the private sector.

That is why the GLC is following a positive policy of intervening in London's economy to show how it could be refashioned in the interests of ordinary Londoners. And that is another reason why the Government is determined to destroy the GLC. The GLC has:

● ***Created more jobs to serve London's needs. For example another 249 firefighters have been hired since the present administration was elected. The council's direct labour department – London Community Builders – has been reorganised to work on London's worsening housing stock. We think it is outrageous that 32,000 building workers in London should be out of a job at a time when, according to a recent study, repairs worth £7,500m need to be done to bring London's housing stock up to decent standards. The Government thinks it is outrageous that we are trying to do something about it.***

We have also expanded employment for laundry workers and for childcare workers. The GLC Womens Committee has funded 121 childcare projects in 1983 alone. So far we have created an estimated 1200 jobs in producing services that meet direct needs. The direct cost of doing so is minimal when we take account of the cost of leaving people unemployed.

- ***Intervened directly to save and create jobs, by setting up the Greater London Enterprise Board. In its first ten months of operation GLEB has allocated over £12m to some 110 projects, 29 of them co-operatives, which will provide some 1,400 jobs, expanding to 1,750 over the next two years. Between them the GLC and GLEB have saved the Magnatex car components firm in West London, with over 200 jobs; Austin's furniture factory in East London with 120; and Bassetts clothing firm opened by GLEB with an original 26 workers, now reorganised, retooled and relaunched under workers' management, and employing over 100 in what is now one of the largest clothing factories in London.***

- ***provided jobs for over 1,000 building workers building or renovating industrial premises which will provide modern accommodation for more than 4,000 jobs.***

- ***funded trainees for over 2,600 training places on GLC-supported schemes – this when the Government and many firms are actually cutting down on good-quality training.***

So although our employment policy has been going for less than a year, we have saved, created, or otherwise provided for a total of 10,000 jobs, much of it financed, as in the case of GLEB, through loans or equity which we can expect to be repaid.

The Government's plans to cap rates and abolish the GLC will destroy all this. They will, it is true, also create some new jobs: but for bureaucrats and civil servants to staff their new unelected quangoes, not for directly serving people's needs.

The Government claims that the London boroughs will be able to use their existing powers to aid industry and employment in their areas. But they cannot operate on an all-London area, as the GLC can. Through its jobs plan and its industrial strategies, the GLC can take a London-wide view to put its detailed activities into a thought-out and planned perspective. No one in central government will do that – indeed the present administration would be opposed to the idea on principle.

Intervention to save jobs needs to be London-wide. A factory of, say, 200 workers may need well over £1m of investment. The funds available to councils at the moment for spending on industry and jobs are legally limited to the product of a 2p rate. The government says this could be raised to 4p after abolition. But the entire product of a 2p rate for, say Hounslow, is less than £1m. For boroughs with a number of medium to large plants, that means that nothing could be done to prevent closures.

The Greater London Enterprise Board has a budget of £30m, and a specialist staff of 60. Skilled staff are needed to put together a rescue package. If they were broken up – say two to each borough – the work would become impossible.

Maybe that is the whole idea. The Government's case on the economy rests on the illusion that 'there is no alternative' – no alternative to four million unemployed, no alternative to a rising tide of closure and job losses, and no alternative to the horrendous social consequences in boredom, illness and decay – no alternative, that is, except to blame the victims, and cater for the mess by increased spending on the forces of repression.

In a modest way, the GLC has begun to show that there is an alternative – that a democratic, planned use of public power can preserve and create jobs, in ways that meet human needs and increase the control of working people over their lives. It is that which the Government finds unacceptable.

It cannot bear the thought that MPs need only look across the river to see the living proof that there is an alternative. For they and the British people too, might begin to ask whether, if the GLC, with its limited powers and resources, can make a start, what might not be done by a government that believed in using its power and energies to get Britain back to work?

"In spite of the Government's restrictions and penalties, the Council has shown, brick by brick and job by job, what can be done with an interventionist policy geared to jobs and needs. But this is not enough. What it need now is not the destructive attack of Westminster, but support and the extention of its strategic powers." — *Ken Livingstone, GLC Leader's Report.*

Appendix

The Brent Local Economy Resource Unit recently published a report examining the reasons for rate rises in the borough of Brent. The report, **'Brent's Rates – where the rises have come from'** reached similar conclusions to those arrived at by the GLC. It found that Brent's Capital Programme had fallen since 1979/80, while the real value of Brent's Revenue Programme has risen very little over the same period. Rises in rates over this period were almost entirely accounted for by inflation and withdrawal of rate support grant. What increased spending there had been by the council (17% of the total cash rise since 1979/80) was largely accounted for by the need to meet statutory responsibilities like housing the homeless.

When the report was released, Brent Local Economy Resource Unit also published the following statement by Bill Robinson, Union Convenor at Johnson Mathey Metals on Wembley Trading Estate. Bill Robinson is the Chair of the Local Economy Unit:

"It is becoming obvious that there is an orchestrated campaign to put the blame for job losses on the rates.

There was even an article in the Financial Times on 31 October headed 'Government asks CBI to Campaign for Rates Plan'. But when you look at what has actually happened, there's no evidence at all that rates are to blame for job losses. Look at the two latest announcements of large scale redundancy in the Borough:

- ***Smiths at Cricklewood – 800 jobs going as the result of a merger between Smiths Automotive Products Division and Lucas Electrical.***

- ***Guinness in Park Royal – 600 jobs going due to automation.***

Neither of these has anything to do with rates.

In fact, **most** jobs losses have been in firms that haven't actually closed down, but have been 'thinning out' their workforces. That means that they still have their factories, and so they still have to pay rates. So if it **is** a response to high rates, it isn't a very intelligent one.

And where firms **have** closed down completely, it's almost always been to do with falling **demand** for their products. There are some cases of multiplant firms deciding to close their Brent operation, rather than close a site somewhere else. The bosses always blame the rates when they do this.

But the real reason is that property values and rents are much higher in West London than elsewhere, so they can make a killing by selling off their sites. And the reason for high property values is, above all, the pressure for warehousing space in the vicinity of Heathrow Airport.

The main impact of higher rates in Brent is to force the landlords of the factories to cut rents so they can compete with prices charged by landlords in nearby boroughs. There was a well publicised case of this happening at Staples Corner this summer. But the main point was completely missed: if they have to cut their rents to offset higher rates in Brent, it means that there is no disincentive for firms to come to Brent. The landlords lose out – but they can't move their factories, so the economy of the Borough doesn't suffer.

The motive of the Tories' campaign against commercial and industrial rates is to put a windfall into the pockest of firms and factory landlords – and to try to divert attention away from the REAL causes of unemployment. The British economic disaster has far more to do with the policies of the Conservative Government than it has to do with the actions of the Labour Councils who are trying to fight those policies."

Copies of the report, 'Brent's Rates – where the rises have come from', are available from Brent Local Economy Resource Unit, 389 High Road, Willesden, NW10 telephone: 459 6221.

Another study with similar conclusions has been done of local council spending in Brighton and East Sussex. The book "Brighton on the Rocks" by the QueenSpark Rates Group is available from 13 West Drive, Brighton, price £4.45p.

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