for Jobs

a new internationalism

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Unemployment is laying Europe waste. With twenty million people out of work, the number of direct victims has become intolerable: a common scandal. But there is every reason to believe that this number is growing steadily, whilst the direct sufferers already include whole populations. Yet there is no reason to believe that unemployment is unavoidable or fore-ordained. A mere fraction of the ingenuity which has transformed our technical capacities could re-arrange our social rules in a way which would guarantee a useful role for all our people.

Of course, action by Governments can improve or worsen this condition. If all or even some of the European Governments were willing to act together in order to reject mass unemployment, there is no doubt that conditions could be radically improved. But this is not a problem which can be left to governments. Because it concerns everybody, it needs action by all of us. The work which is necessary requires us to find ways of joining needs to resources, of restructuring institutions to regain the democratic initiative in the global economy. We must find ways to replace the policies of 'beggar my neighbour' by those which seek instead to 'better my neighbour'.
neighbour'.

ISBN 0 85124 428 9

Chapter 5

What are the Lessons from London?

Robin Murray

There are today three great issues facing the British economy: de-industrialisation, the economic collapse of Britain's major cities, and the conditions of life and labour of Britain's working people. They are not separate, but three alternative aspects — sectoral, spatial and social — of a common economic problem. In each case London has been at the eye of the storm.

Take de-industrialisation first. As the result of the growth of mass production from the First World War onwards, London became one of the principal manufacturing centres of the UK. In 1951 there were more than one-and-a-half-million people working in London's factories. In 1961 the figure was 1.43 million. By 1983 it has fallen to 594,000 and the prospects are that it will have fallen to 485,000 by the end of the decade.

A similar pattern of industrial loss has occurred in the national economy. Britain lost 25 per cent of its manufacturing jobs in the decade between 1971 and 1981. But the decline has been steeper and more widespread in London. In the same decade London lost 36 per cent of its manufacturing jobs and inner London 41 per cent.

Furthermore, while at the national level the growth of services largely compensated for the decline of manufacturing, the same was not true in London. With the exception of financial, professional and miscellaneous services — which showed a small growth — every major sector of London's economy lost jobs. Table 1 gives a breakdown of the figures. Distribution lost 70,000 jobs, construction 53,000, transport and communications 80,000. Even public sector employment fell and those losses have increased in the last two years. In all, between 1973 and 1982 more than half a million jobs were lost in the London economy.

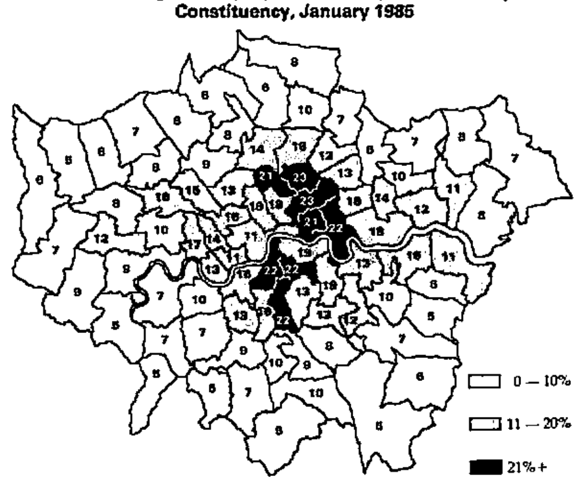
The result has been unemployment. Substantial even in the 1970s — the figure had reached 132,000 in 1979 — the registered total has trebled since then. In spite of a change in the method of

Table 1

Decline of Employment in Greater London 1973-83

Sector	*Numbers employed 1973*	*1983*	*% change*
Manufacturing			
Food, drink and tobacco	99,766	61,000	–39
Coal, petroleum and chemical products	60,860	44,000	–28
Metal manufacture	19,911	10,000	–50
Engineering and allied industries	404,871	266,000	–34
Textiles, leather and clothing	88,670	40,000	–55
Other manufacturing	250,008	173,000	–31
All manufacturing	924,086	594,000	–36
Infrastructure			
Construction	197,073	144,000	–27
Gas, electricity and water	56,156	41,000	–27
Transport and communications	419,672	340,000	–19
Distribution			
Distributive trades	528,939	459,000	–17
Other Services			
Financial, professional and miscellaneous services	1,397,716	1,468,000	+ 5
Public Administration and defence	344,700	313,000	– 9
All industries	3,872,739	3,366,000	–13

Percentage Unemployment Rate by Parliamentary Constituency, January 1985



calculation, in spite of the women who do not register for employment and in spite of the multiplicity of schemes to keep school leavers, students, and even those over 60 off the register, there were in March 1985 over 400,000 people registered as unemployed in Greater London. We estimate that there are a further 120,000 who are seeking work and would take paid employment if it were available. This is the largest urban concentration of unemployed people in the advanced industrial world. Our own forecasts suggest that registered unemployment in London will rise to at least 545,000 by 1990 if present government policies continue, as cuts in public spending, increased privatisation and the use of new technology bite deep into employment in once buoyant service sectors which alone have offered alternatives as manufacturing declined.

To describe de-industrialisation is to go to the heart of the second main economic issue in Britain, the economic decline of its major cities. In Liverpool, Manchester, the West Midlands, Tyneside, Glasgow, and Belfast the pattern and chronology of decline are similar. Between 1960 and 1981 London and the major conurbations lost 1.7 million manufacturing jobs, that is 79 per cent of the total national loss of 2.1 million jobs. The inner cities have become the newly depressed regions of the 1960s.

The acuteness of the urban crisis has been recognised sooner in the north than in the south. More recently the West Midlands has at last been made eligible for EEC regional aid. But London is still regarded as part of the prosperous south-east, whose pockets of decline can be solved by the trickle down of prosperity from neighbouring areas. The Department of Employment, for example, still insists that most of London should be treated as a single travel to work area and, as such, its unemployment rate of 11.5 per cent is below the national average.

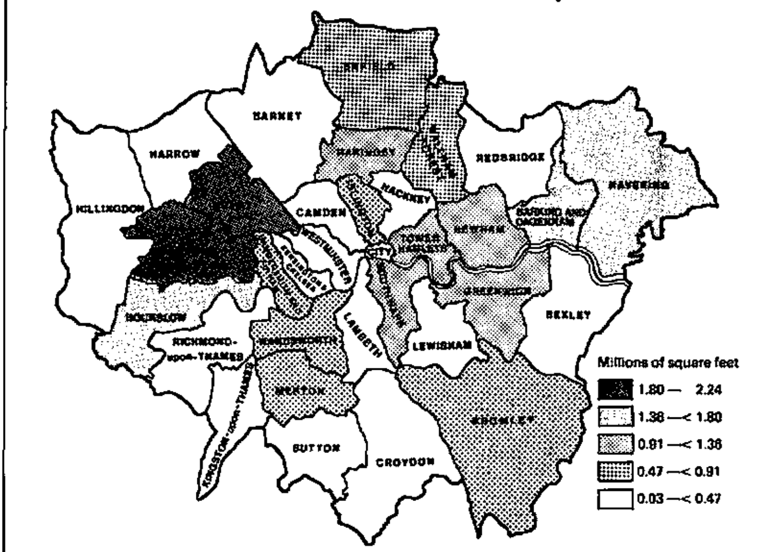
The economies of cities do not work like this. Depression takes hold of particular areas. From the second half of the 1960s until the end of the 1970s, London's de-industrialisation was concentrated in inner London and the east. Docklands was particularly severely hit. In the period 1971-78 east London lost more than 20,000 docks jobs and 53,000 manufacturing jobs. The great names of the past have almost all run down or pulled out: AEI at Woolwich, P&O, Turners, Vestey, Tate and Lyle, Unilever, Spillers, Courage and many wharfside warehouses. Some of these sites still stand empty and broken windowed. Others have been demolished. There are whole roads of corrugated iron and guard dogs. In all there are some 11 million square feet of empty commercial and industrial office space in east London. In Tower Hamlets registered unemployment is now 21 per cent, in Newham 17 per cent. Male unemployment in Poplar is approaching 30 per cent. There are similar rates south of the river, in Greenwich, Deptford, Peckham, Bermondsey, then on into Lambeth and parts of Wandsworth, as well as to the north along the old river and canal industrial belts in Islington, Hackney and up the Lea Valley into Waltham Forest. Depression takes hold of particular sections of the population and particular areas. Inner London has an unemployment rate twice as high as outer London (16.7 per cent compared with 8.3 per cent). Black youths tend to experience as much as twice the level of average unemployment, with levels as high as 50 per cent in some areas.

The 1980s have deepened the economic crises in these areas, but they have also seen the spread of similar destruction to west London. In Hayes and Hounslow, Southall and Park Royal, a once thriving economic landscape has become like an industrial cemetery. The AEC bus factory, for example, which once employed 4,000 workers, has been razed to the ground. The household names of the long consumer boom, Hoover, Pyrene, Macleans, remain as no more than signposts above the old factory doors. The Firestone factory, like Hoover, one of the art deco creations of the 1930s, has gone altogether, demolished at night before the preservation order could be served.

Further west, Heathrow has lost 13,500 jobs in four years between 1979 and 1983, and further losses are forecast following the privatisation of British Airways. The result has been the emergence of rising rates of unemployment in west London: 12 per cent in Southall, 15 per cent in Brent, 15 per cent in Hammersmith and Fulham.

The jobs in the new warehouses and hotels in west London are not sufficient to provide employment in their immediate neighbourhoods, let alone for those in Docklands and London's inner ring of decline. From studies in these areas, it is clear that many workers are restricted to their neighbourhoods — by their dependence on council housing on the one hand and their lack of time and money to travel longer distances to work on the other. London is not a single labour market, but a set of overlapping ones: wider in range for the better paid, for men and those without domestic responsibilities (there are still more than one million commuters into central London every day), narrow for manual workers, particularly women, and many of London's 314,000 black workers. There is no clearer example of the distance between them than in Tower Hamlets. There, the council tower blocks stand facing the commercial skyscrapers of the City: the one representing

Available Vacant Industrial Floorspace



one of the most depressed areas in Britain, the other sited in one of the richest square miles in the world. It is a contrast that has been seen before in London's past. It is well known in the Third World. But lacking a modern Mayhew or a Charles Booth, it still today awaits some wider recognition.

Charles Booth undertook his great study of London Life and Labour nearly a century ago to answer a challenge put to him by Henry Hyndman to explain why were the poor. He hoped, with the full confidence of Victorian empiricism, that the facts would produce the answer and he ended his 17 volumes disillusioned that they had not. But what he left was a description of Londoners at home and at work at the end of the 19th century which was far richer and more suggestive of alternatives than those same lives and experiences expressed through statistics alone. To work with statistics can give us the impression that we have grasped a problem and pinned it down. Certainly the fact that, for example, one-third of London's parliamentary constituencies have unemployment rates above the national average has a force and a meaning but it is only the beginning of the work. It does not show what skills exist, what hopes, how life has changed for those in work, as well as for those without, how fast the production line is moving, how shift work grows, how part-time labour and casual work replace the steady jobs on which a lifetime can be built. When we come to these questions we soon find the statistics are inadequate, or not available for London, or out-of-date. Or that some more qualitative forms of enquiry are required — beyond the sample survey and the counting from above.

All this is relevant to the third great issue — the changes that have taken place in the conditions of London's life and labour. We know from innumerable sources — from word of mouth, or writing in community and trade union papers, or adult education classes — that conditions at work have for many people worsened over the last five years, that budgets are tighter, that local services have been cut and queues lengthened. But that statistics about these changes are still imperfect. We know that shift work has risen: 24 per cent of manual men and 17 per cent of manual women in London earned shift premiums in 1982 as against figures of 17 per cent and 9 per cent respectively in 1974. Casual work has increased in many sectors; in local authorities, the health services and in the many ancillary services that have been privatised in the past three years. Part-time work has spread in the retailing sector (Sainsbury employ some 60 per cent of their staff on a part-time basis) and in the catering trade. Industry studies also suggest an increase in sweating, with an estimated 30,000 homeworkers in the clothing trade and worsening pay and conditions in hotels, cleaning, food processing and branches of the retail trade. We also know that there has been a marked increase in inequality in London, both in income and in the availability and scope of jobs. The GLC has just sponsored a study to chronicle these changes in more detail. Already we know enough to say that London's economic crisis is a crisis for its labour force as well as its industry, for those in work as well as the half million who are seeking it.

These three issues are recognised and debated. There are conferences on the inner city and on Britain's industrial decline. Large sums of public money are spent in countering the problems, in regional aid, in urban aid, in support for small businesses and in unemployment and social security pay. London's depressed districts received £296 million (in 1982 prices) from the urban programme between 1979-80 and 1983-84. London's unemployed receive an estimated £600 million a year. The MSC spends £70 million a year in London. The great proportion of this spending is elastoplast aid. It does not address the causes of London's decline, nor offer any general way forward out of that decline. It largely funds current spending not investment — and with the exception of some infrastructural aid — is explicitly separated from the 'productive economy'. Such patching is already utterly inadequate and will become more so as London's unemployment increases.

Traditional Strategies

There have been two traditional strategies relevant to the London economy; the monetarist and the Keynesian. The first is based on a cheap labour policy, enforced through market competition. It has been vigorously pursued over the past five years, has been disastrous for the London economy, and in our view offers little hope for full employment or adequate jobs over the next decade.

The second argues for deficit finance by the government, a managed labour market (through incomes policy), and controlled markets for foreign trade and payments. Its re-introduction could at most be expected to reduce London's unemployment by a third. In what follows we summarise our views on the limitations of the two traditional approaches, and in the following at the GLC and which if adopted nationally would, we believe, offer some more substantial hope for London's sweated workers and the unemployed.

Monetarism

For the monetarists, the main means of solving unemployment is for Londoners to price themselves back into work. If British industry is losing out to overseas competition, there will be some wage rate (and work rate) which will restore competitiveness. If the sunset industries are past recall, then new industries will emerge to take their place. Tourism — founded on cheap labour — is significantly growing in London, while furniture and food processing are not. If Ford has cut its London workforce by a third over the last five years (from 25,129 to 16,839) this is because London's workers have failed to match the levels of productivity achieved on the Continent, or the wages set in Brazil. The price of labour and its effective use become the main levers of economic policy.

The government has argued that the state should stand back from the private economy. In fact, it has been highly interventionist with respect to its goal of weakening labour. There have been the following main strands to this policy:

a. *Private sector monetarism.* On the surface the aim of the government's restrictive monetary policies was to control inflation. But as its theorists made clear before the 1979 election, it had a deeper goal of contributing to the cheap labour policy. The mechanism was as follows. To cut the money supply, the government raised interest rates. This attracted money from abroad and drove up the exchange rate (from $2.07 to $2.40 in 18 months). Exporting became harder, importing easier. Domestic profits were squeezed, forcing some firms out of business and the remainder to shed labour and resist wage demands in order to survive. It was an explicit policy and it was put into effect with remarkable success in the private sector. It did not cause the recession of the early 1980s — let alone the decline of London — but it doubled its severity, according to the OECD. In London more than 500 major redundancies and factory closures were announced between 1979 and 1982. Unemployment trebled. By the time the exchange rate fell in 1983, manufacturing jobs had declined by nearly a quarter (23 per cent) and industry appeared so traumatised that an upswing was slow to emerge. From the quarterly reports of the London Chamber of Commerce and Industry, the prime benefit of the recession for the employers had been the discipline that large-scale unemployment had exerted on those at work.

b. *Public sector cuts and privatisation.* In the public sector the strategy faced greater difficulties. The government attempted to cut back jobs in public corporations and in central and local government by a variety of controls: changing capital structures, cuts in government grants and budgets. But these tactics met with more unified resistance than had been possible in the private sector; both from users and national unions. In the case of local government, the rapidly changing systems of penalties became ever more complex and contradictory. It was matched by some councils raising rates to maintain services and cutting capital investment and bought-in materials rather than direct service labour. In London, local government employment fell by only 6 per cent between 1979 and 1982. After the 1983 election, the strategy changes to a much greater emphasis on privatisation and on the direct control of local authority rates (through rate capping) together with the proposed abolition of the metropolitan counties and the GLC. Privatisation in particular has led to cuts in jobs, a worsening of conditions at work and a switch from service-oriented to profit-oriented public provision. British Telecom alone is expected to lose 15,000 of its 82,000 jobs in London as the result of privatisation.

c. *Anti-trade union legislation.* The Employment Acts of 1980-84 are best known for the outlawing of secondary picketing and the insistence on formalised balloting as a condition for legal industrial action. In London these have had some effect (the latter in relation to action in the Post Office for example) but they have had less impact than in some other parts of the country, in part because the scale of job loss has itself profoundly weakened London's traditional manufacturing unions. The National Union of Tailor and Garment Workers has declined from a London membership of 20,000 in the 1940s to approximately 3,000 today. The furniture union FTAT has suffered a similar decline, as has the docks section of the TGWU and the AUEW more generally. The unions in retailing, in finance, in hotels and catering have always faced difficulties and have been further squeezed by the recession. More significant for many sections of London labour have been the clauses in the acts which have increased the possibilities of unfair dismissal, weakened trade unions in smaller firms, and removed the requirements for paying union rates in non-union firms.

d. *The internationalisation of the economy.* By removing exchange controls the government allowed large quantities of capital to move abroad, part of which might otherwise have been invested and provided employment at home. It has also allowed increased domination by multinational companies of the UK economy. The importance of the latter point is less about ownership than about the tying of UK production into an international division of labour. This has taken place at Kodak in Harrow from 1976 and at Ford, where the integrated plant at Dagenham has been run down, process by process and replaced by investments elsewhere serving the whole of the European market. The multinationalisation of production is the step which allows workforces in London to be played off against those abroad as Ford has done in the body plant and on the Escort assembly line. More generally, of London's largest 75 factories in 1982, 73 were owned by multinationals and many were open to this form of multinational production that had been made easier by an open exchange policy.

e. *The assault on skill.* The main strand here of the government's policy has been to cut apprentice training. In 1981 it abolished 17 of the Industry Training Boards (leaving seven in operation) and withdrew grants for apprentice training in 1983-84. Apprenticeships in London fell sharply. The intake of engineering apprentices in 1984-85 was the lowest on record (500 apprentices in an industry which still employs 170,000 workers in London). The number of apprentices in road transport has fallen by a half between 1978-79 and 1982-83, mainly in the vehicle retail and repair. In construction the number of apprentices has fallen by 20 per cent between 1980 and 1983 and already skill shortages are re-emerging in spite of the depressed state of the market. What is behind these policies is first a downgrading of skills — the YTS schemes for example specify 13 weeks off the job training, as against the 24-40 weeks received by apprentices on ITB schemes. Secondly, the government wanted to shift control of the training that was necessary unequivocally to the employers. It was this which lay behind the abolition of the ITB's which had trade unions represented upon them.

The results of this assault on labour have been economically disastrous. The policies have contributed as much as 150,000 to the unemployment totals in London. They have deepened the desolation and eliminated a whole swathe of London industry which is unlikely ever to appear again. The growing inequality in London can be seen to be a result of conscious policy — providing incentives to the industrial 'head' and discipline to the unskilled 'hand'.

Even in its own terms, of market profitability and private capitalist growth, the cheap labour strategy is demonstrably not working. The reasons emerge from sector studies. Take furniture for example. In 1951 there were 62,000 people employed in London's furniture trade, some 40 per cent of the UK total. Today there are 12,000. Imports which were 7 per cent of the national market in 1973 are now 27 per cent. The main cause of this drastic decline is not the cost of labour. It is that the new growth sectors in furniture are based on design, flexible production and an integration with retailing. London's main mass producers have lost out because they have failed to respond to this trend. They compete at the cheap end of the market in which there is over-capacity. The great names, with the longest runs and greatest efficiency, Harry Lebus, Schreiber, Beautility and Cabinet Industry, were too inflexible to cope with the recession. The workings of the market therefore hit the most efficient. They did not lead to a new system of production as developed by the Italians and the Germans. Design remained largely unapplied, in spite of the strength of the London furniture design capacity, since design investment is so easily copied by competitors. The entry of the Scandinavian retail giant IKEA into the London market, drawing on continental supplies, threatens to weaken further what remains of the London-based industry.

There is a similar picture in the motor industry. Ford has argued that its rundown at Dagenham has been the result of lower productivity levels than in Europe. Apart from the problematical nature of the comparisons (Dagenham tended to be run at a lower capacity than the European plants) and apart from the fact that Dagenham's wages were amongst the lowest in Europe, an internal

Ford document which compared Ford Europe to Toyo Kogo (Mazda) in Japan, showed that differences in work intensity accounted for only one tenth of the difference in manufacturing cost. "More than two-thirds of the excess cost compared to TK are the product (not the sum) of design, build complexity, schedule instability and consequential low level of mechanisation and automation." Ford, in short, had been under pressure from the Japanese not because of labour cost or labour effort, but because its management had been less efficient in production engineering and less responsive to market variations.

Furniture and motor vehicles are both sectors where a cheap labour policy can run directly against the requirements of modern flexible production, with its need for skill and stability. Clothing is another, where there is recent evidence that the London clothing industry has been losing orders because of the quality control problems of sweatshop work. Instead of innovating, London clothing manufacturers have been forcing down wages, and worsening conditions in order to remain competitive.

In other sectors where British industry is competitive in production, it is the limited size of the internal market which has laid it open to destructive competition from abroad.

Software is one example, television another. In each the large fixed costs of production are more easily covered in their home market by US rather than British firms. In each, the sector studies suggest London production is unlikely to be able to compete against US imports priced in relation to marginal rather than average costs.

For the monetarists, such destruction of London industry is not of immediate concern. For them, international economic welfare will be increased if US firms dominate the software market or the supply of programming to cable TV. The displaced workers in London will be attracted to other trades in which they are relatively more efficient; tourism once more. The problem with this argument is that it presumes that there is enough work to go round and that the question is one of how to distribute it appropriately. But what we now witness is ever-growing unemployment on a world scale. Those thrown out of work in one place may never get another job. This is the clear experience of London over the last decade. The doctrine of free trade, as the Cambridge economist Joan Robinson once put it, is the 'mercantilism of the strong'. It is an argument put forward by the strong to justify the lowering of trade barriers by the weak. The difference in contemporary Britain is that free trade is being promoted by a government of the weak, as part of its cheap labour strategy.

In summary the cheap labour strategy is unsatisfactory even on its own terms:

— it emphasises labour costs when the key issue is the size of markets and/or the switch towards flexible specialisation;

— it provides no mechanism for the restructuring of fragmented industries;

— by cutting labour costs it is also cutting demand and therefore the size of the home market;

— it runs down skill at the moment when an extension of skill is needed;

— it fails to protect industry in the process of restructuring and has thus caused the disappearance of large slices of manufacturing from Britain;

— it fails to acknowledge that there is now and is likely to be for the foreseeable future, a massive labour surplus internationally even at a subsistence wage. The labour market cannot 'clear' itself. The trend in London has been for new industry not to emerge in sufficient strength to compensate for the destruction of the old.

It has been a tradition of private capital when in crisis to turn first against its own labour force. The present government's policy represents this response at a national level. Industrialists, though squeezed themselves by this policy, have remained loyal to the government because of its effect on labour and the labour market. What they cannot see, any more it seems than the government itself, is that this policy is destroying the domestic economy to a point from which important parts of it may never revive.

The Keynesian Alternative

The second major strategy is centred around Keynesian policy. It is the strategy which was followed in the post-war period until 1979. Whereas monetarism uses macro-economic policy to influence production — mainly by disciplining labour, Keynesian policy separates macro-economic management from production and deals almost exclusively with the former. For Keynesianism, if the general macro-economic conditions can be got right — the level of consumption and investment, of interest and exchange rates — then production will look after itself. Like monetarists the Keynesians concentrate on the world of markets but they see the role of the state not as using the market as a discipline but rather as providing the conditions within which enterprise can grow. Montetarism sees the state's prime task as removing the obstacles (including itself) from the free operations of the market. Keynesianism sees the task as intervening in markets to ensure they work well.

For Keynesianism the main answer to de-industrialisation and recession is to reflate the economy and to protect the new growth of industry from foreign competition. Within this broad framework there are different tendencies in policy. Some would reflate by tax cuts, others by expanding public spending. Some would devalue, others would use import controls. If investment does not respond to the improved conditions, then more radical measures are needed: measures to repatriate British capital from abroad; to ensure pension funds are invested in long-term growth rather than distributed as dividends. There are variations along all these lines between the left, right and centre of the post-war consensus. But the key point is that all shades of the consensus work within the common categories of the Keynesian world.

For London the Keynesian solution is wholly inadequate. De-industrialisation set in from the mid-1960s principally because of corporate restructuring and competition from abroad. Unemployment rose during the 1970s period of Keynesian strategy and would have continued to rise in the 1980s at perhaps half the rate it achieved under monetarism. There would still be some quarter of a million people out of work in London if Keynes and not Friedman had won the general election in 1979.

The limit of Keynesianism is that it does not address the main issues in production. For the Keynesian, production is like a black box with investment going in and goods coming out in search of a market. The organisation of production, what is produced, under what working conditions, with what technology, in alliance with whom — all this is left to the capitalist. In a period of expansion this limitation is not so apparent. London's consumer goods factories were producing things which had a wide and unsatisfied market. Their expansion fed back into demand for machines and materials. This allowed an increase in wages, as labour's share of growth. It led to requirements for new infrastructure, financed out of public funds. But when the upward curve of demand for the new goods approached saturation, when international competition sharpened for the demand that remained and when outlets for new profitable investment failed to appear, then profitability, investment and the rate of growth all fell. To maintain profitability, manufacturers tried to speed up and increase the intensity of labour. They sought cheaper sources of labour in smaller towns and the peripheral regions of Europe and the Third World. The banks, both directly and through funding state spending and consumer credit, provided the finance for potential growth. But such credit could not reverse the decline of profit whose prime causes were located in production. With insufficient profit, the debt payments on credit could only be met through inflation, which had the effect of preserving the money value of assets, while undermining their real value. Keynesianism sees credit expansion as a source of demand, and demand as the key condition for expanding production. It is certainly true that credit is a necessary condition for expanding production. But the approach fails to deal adequately with the more important question of profitability, and whether conditions are favourable for profitable production. This is not primarily a matter of effective demand. Economic crises occur even when demand has been inflated — as it was in the UK in 1973.

Traditionally capitalism has responded to crises of profitability in ways which are both sharp and brutal. Bank crashes and widespread bankruptcies mark down the value of capital and thus reduce the base against which profit is measured. Secondly, these slumps increase unemployment and the pressure on labour. Thirdly, they speed up the switch to new branches and methods of production. Monetarism has attempted just such a strategy through a consciously engineered crisis — but it has found that mechanisms of earlier capitalism no longer work for an economy which is already weak and backward.

Keynesianism on the other hand suspends these mechanisms without offering an alternative. It bails out the banks and the major corporations. It provides padding for demand but no necessity to encourage restructuring. It also finds that its traditional instruments of international control are weakened in an age of multi-nationals and that both industrial and financial capital are seeping away to areas where production is stronger and profitability higher.

Most seriously, the failures to deal with production and the continued slump in profitability, led Keynesianism to turn on the foundation of its consent. Cuts in public spending and increased control of wages, appeared as inevitable to those caught in the categories of Keynes and the institutions which had been formed around Keynesian policy. But they neither limited inflation nor stimulated profitability and instead paved the way for the introduction of monetarism.

The post-war consensus believed that the production of income and its distribution could be separated. Income distribution either socially or geographically, could be tackled independently. There had long been a tacit pact. Private enterprise should be allowed to run production and the state could look after redistribution, the one efficient, the other fair. By the mid-1970s this pact had collapsed. Private enterprise in Britain was clearly not efficient, while wage controls and state cuts meant that the state was seen as very far from fair.

The separation of production and distribution had a parallel in regional policy. The 'Inner City Problem' as it became known was tackled largely financially. The Urban Programme applied tasteful financial first aid to the worst sores on the urban body politic: grants were given to 'social' projects, defined as quite separate from the market economy. Later the programme was extended by adopting instruments used in regional policy in support of the market grants to firms, industrial promotion, incentives for small firms, and property development. Urban problems were acknowledged by a redistribution of funds. But none of the expenditure touched even the first base of the central problems of urban industrial production.

The point about the Keynesian strategy is not so much that it is wrong but that it is inadequate. Any strategy will have to have a policy on interest rates, on the exchange rate, on investment and the level of demand. These are real parts of the economy which like markets, cannot be ignored. But they are bound by what happens in that other sphere of the economy — in production. It is production that in the present system determines the limits of distribution, that is reflected in the level of the exchange rate, and in the level and form of demand. So while a measure of reflation, of public works and protection may all be necessary, they can only make long-term sense if they are part of a wider strategy centred on the material, and not merely the financial, aspects of the economy.

In summary a Keynesian reflationary strategy is inadequate because:

— it is concerned primarily with the general level of spending in the economy (the demand side) rather than the detailed economics of supply;

— having no strategy for production, it has no long-term answer to overseas competition nor the low level of profitability;

— its instruments for insulating the national from the international economy are increasingly limited in a period of multinational corporate control of production and finance.

— in recent years it has subordinated the public economy, full employment and the direct provision for social needs to the requirements of profitability in the private sector: hence the tendency to limit wages and cut state spending in order to encourage the private sector.

Reclaiming Production

Monetarism and Keynesianism have been the two poles of mainstream economic debate. Yet in many ways their similarities are more striking than their differences. Both are preoccupied with markets, and with removing or counteracting its imperfections. Theirs is the world of the stockmarket, the foreign exchange dealer and the retail price index in whose terms we see traced out daily the economic fever chart. Both strategies rely on interventions in these markets to restore our economic health, yet both have virtually nothing to say about the other part of the economy on which that health is based — namely production.

Ignored by economists, production has been left as the province of the engineer, the production manager and the industrial relations consultant. They have a dual concern; first with the physical process of production, with the layout of the plant, the smooth running of the machinery and the quality of work; secondly with the economics of production, with how fast the work is being done, how hard people are working, how quickly a machine can be reset to meet changes in demand. New technology is introduced to meet both concerns, to improve the speed and synchronisation of physical production on the one hand, and to increase managerial control over labour on the other. Wages and recruitment systems are designed to similar ends.

These issues, which vary from industry to industry, are at the core of any economy. It is in the process of production that competitivity and profitability are determined. It is the conditions in production which explain the long-term movements in the indices of the fever chart, the value of the pound or the city's closing prices. It is decisions about production — what is produced, in what quantities, and by whom — which determine the extent to which an economy meets the needs of its people. Mainstream economics believes all these can be adequately influenced from outside by adjusting the market. The growth of unemployment, and unmet need, the decline of private industries and public services — all indicate a deep failure of such policies. What is required is a change of direction in economic strategy, towards direct intervention in production.

We need to go further than this. For once we step from the City's world of abstract numbers to the concrete detail of the factory floor, it is clear that there are alternative policies towards production: that of the manager is very different from that of the machine worker. The former is concerned with speed and control in order to increase profits, the latter with maintaining some control over how the job is done, with the use of skill to produce useful products, with a working life that enhances rather than degrades. There is also an interest of users in the quality of products, in the overall balance between sectors, and between what is produced for sale on the market, and what requires an alternative public provision. At the moment overriding priority is given to private market production and to the military sector, to increased intensity of work within the factory, and the technological replacement of awkward labour. We can call this *militarised market production.* It represents the economics of capital. There is an alternative which we shall call *socially useful production,* which takes as its starting point not the priorities of the balance sheet, but the provision of work for all who wish it in jobs that are geared to meeting social need. William Morris referred to it as useful work rather than useless toil. It represents the economics of labour.

The importance of this alternative perspective is not that it promises an easy technical solution to the current economic depression. Rather it raises a whole set of issues which have been kept on the sidelines of political and economic debate. Few major politicians and fewer economists have given the quality of work any significance in their analyses or programmes. Yet it remains a grim truth that the majority of Londoners spend their working lives in jobs which have been designed to dispense with human skill, and under a domination which stands in profound contradiction to the principles of all political democracies. The social control of what technology is developed and how it is used; the control of products which threaten health (in the food industry, through leaded petrol, or pharmaceuticals); these, like the quality of work are all issues which arise from the material character of production and its outputs, and which are quite lost to an economics that is limited to the play of the market. They are more difficult for a government to manage than the traditional instruments of the Chancellor's budget and the Bank of England. They involve a contest of two opposing economic forces at many levels. Unless they are addressed the deep rooted problems of the British economy and the quality of ordinary people's working lives cannot be expected to improve.

Not for a hundred years have want and waste stood so clearly facing each other in London as they do today. There are half a million people in London wanting work while there are families in need of food, elderly people in need of heat and care and the London's infrastructure requires £12,000 million worth of investment to restore it to even a modicum of repair. This is the central irrationality of our present economic condition. It arises from taking the needs of the financial mechanisms of the economy as a priority. The market, money and profit which were intended as servants to bring want and work together, have become the masters and are now keeping them apart.

There is an alternative — that starts directly from production and from need — which has a different priority and offers a different vision. It is this alternative which the GLC has been attempting to put into practice over the last four years.

In what follows we outline our experience of that strategy as it applies to the three main spheres of the London economy, the household, the public sector and the private market economy. In each of them production takes place and the fruits of that production are financed and distributed in quite different ways. Between them and within them we find a conflict of priorities, of understanding and of power. New social forces — in the trade unions, in local communities, among women and black people — have forced their alternatives on to the political agenda. What has yet to happen is the consolidation of these alternatives into a new national economic strategy.

Productive Intervention in Practice: Popular Planning

A central task for the *London Industrial Strategy* is to increase social control over the process of restructuring. By and large, the immediate power to restructure has been in the hands of private companies and public sector managers. Trade unions have had to concentrate on defensive campaigns. In the nationalised industries industrial restructuring has been extensive but it has largely been dominated by commercial criteria. In the large public corporations, managers are usually recruited from the private sector and are neither encouraged nor inclined to involve workers and consumers in reorganising public enterprise. The battle that the GLC had in bringing London Transport under control exhibits the difficulties faced by any strategy of 'restructuring for labour'.

One of these is that commitment by politicians and planners to alternative strategies is not enough. They lack the range of knowledge that is necessary to survive, let alone transform, the complex commercial world of marketing, technology and finance. It becomes necessary to depend on managers and experts who, in general, are unsympathetic to alternative forms of restructuring and economic control. How can this be changed?

The development of an alternative investment institution is a necessary first step, staffed with people who understand the practices of management, and the principles of the alternative. This is the purpose of GLEB. But our experience has shown that new public investment institutions like GLEB are not enough. They and the political authorities to which they are accountable need the power and the knowledge of both trade union and community organisations if they are to carry out restructuring for labour. Without them, the GLC with its limited resources, and a handful of GLEB managers, will be quite isolated and forced back into a dependence on traditional managers. They will end up against all their good intentions, restructuring for capital.

The manifesto embodied that understanding, and in doing so reflected the new directions in trade union action that had grown in the 1970s. As industrial restructuring gathered pace from the late 1960s, trade unions developed fresh forms of action. Between 1969 and 1972 there were over 100 occupations against redundancies in the north-east alone. In the traditional but declining industrial conurbations, for instance Merseyside, Tyneside and the West Midlands, shop stewards, trades councils and various trade union resource centres tried to develop a more strategic, less reactive trade unionism in defence of their communities. In London, the Lucas Aerospace stewards in west London played a central part in developing an alternative corporate plan with which to resist management's redundancy plans. In east London the fight to save the upper docks took a more offensive form as the 1970s progressed. In the public sector there were many hospital occupations in the late 1970s, and both NUPE and the NCU (previously POEU) have taken up and adapted themes developed in an industrial context — early warning through investigating employers, alternative plans and public enquiries — as a focus of campaigning. They have emphasized the involvement of users and the community.

These new kinds of trade union and community initiatives have come up against limitations through lack of political support. For groups in London the GLC's industrial strategy has provided the opportunity to achieve this support and the resources and platform it entails. On the other hand for GLEB and the GLC the new developments in trade unionism have provided a vital, albeit precarious, base within production.

It is a new development in economic strategy for a local authority, or indeed any state body within the UK, to base its industrial policies on support for the initiatives and organisations of labour. The only other move in this direction was the drastically foreshortened attempts of Tony Benn and others at the Department of Industry in 1974-75. Normally the resources and the powers to plan have remained at the centre within the state or shared with management. Worker or community involvement has taken on a secondary consultative form commenting on plans drawn up within the public authority. Popular planning by contrast involves sharing power, empowering those without official power. The end result on many occasions, for instance the People's Plans in docklands and Coin Street, the campaigns against hospital closures, and the alternative plan at Ramparts engineering, is an alliance around policies worked out together. Such alliances allow more power than either the GLC or the trade union and community groups would have on their own.

These alliances have taken a variety of forms. The Industry and Employment Branch has financed a network of trade union resource centres based in 20 different areas and different sectors of London. The Industrial Development Unit has been set up to work with trade unionists to anticipate management's redundancy plans and prepare strategies for resistance and alternatives. The Popular Planning Unit has provided support for trade unionists especially in the public sector. The unit has worked closely with shop stewards in multinationals seeking to establish international links. Trade unions have been involved in the conferences, public inquiries, hearings and working groups which are reflected in many of the chapters in this volume. There has been a close working relationship with the South East Region of the TUC. GLEB, whose chair is a noted London trade unionist, has developed enterprise planning through a support team drawn largely from the trade unions. There has been a programme of work around the use of GLC purchasing power (contracts compliance) and also trade union discussions fighting discrimination against black people within the workplace and within trade unions — discrimination which has often served to weaken the trade union movement.

This work has taken place against the background of recession. Industrial decline has seriously reduced the numbers and political weight of shopfloor organisation in manufacturing. Large sections of workers in London are in unorganised workplaces or, if formally recognised, are not actively organised. In many areas the destruction of industry has gone so far that, in Docklands for instance, people's livelihoods depend not on the future of the factories — there are none left — but on the future of the land itself.

For these reasons the original tools we inherited — enterprise planning, early warning, popular planning — have had to be modified. Enterprise planning has often been concerned not with extending the scope of collective bargaining but with establishing a framework for collective bargaining in the first place. Work on early warning has rarely been about anticipating crises. More usually it has been about bringing together the power of the GLC and GLEB with that of the trade unions to save something out of a crisis. The idea of alternative plans has been taken forward most in the public sector where sections of the trade union movement have been able to maintain a strength to mount positive campaigns and bargaining positions, rather than in the manufacturing sector where it first began.

In spite of these difficulties, the steps that have been taken both by the trade unions and the GLC have been of importance in developing the ideas and perspectives that are reflected here.

A second perspective of the manifesto was the importance of linking users and local communities with trade unions in the making and practice of strategy. The significance of this has been brought home in the public sector campaigns against the cuts. Unions in Direct Labour Organisations and tenants organisations, for example, have often been in conflict with each other. The same divisions existed on London Transport, or among caretakers and tenants on council estates. There have been notable achievements in overcoming these divisions in the past few years. The campaign against STOLport was one instance. The Hayes hospital occupation another. There has been slow but significant progress on some estates with tenants groups working out compromises with local DLO organisations. There has been some coming together of transport workers and users in the campaign against the government takeover of London Transport. Where these links have taken place it has greatly strengthened the campaign for maintaining and improving jobs and services.

A number of the public sector ventures raise and reflect these problems. But it is important for a number of private sectors as well. The movement for the conversion of the arms industry to peaceful purposes is one example, the food industry another. In terms of employment GLEB has concentrated on meat products, wholefood and ethnic minority food. On the user side, the GLC has funded a Food Commission to work for the improvement of food products, while the ILEA has adopted a new food policy for the school meals service.

Another way in which the interests of people as workers and users has been linked is through industrial area initiatives — in the King's Cross area, in the Hackney Road, in the Royals, in south Docklands, and west London. Here sites have been developed which provide local housing and local work opportunities together (this is the aim behind the Coin Street and the Courage developments on the south side of the river, and in the Battlebridge Basin area in King's Cross). In other places, the area offices support community enterprises, and provide premises and services for local industries which use local skills.

There are two basic points underlying this part of the GLC strategy. First, no alternative plan for an industry can be developed adequately without the central involvement of workers and users in that industry. Second, any strategy must not only address the question of alternatives. It must also take account of how such alternatives can be brought about. It must deal with the question of power as well as direction.

The struggle between the economics of capital and the economics of labour has taken place within each of the three main sectors of the London economy. It has also taken place over the boundaries between them and their relations one with the other. At the present time, the government is attempting to reduce the public economy, pushing labour back into the home and colonising areas of public production by private capital.

A strategy for socially useful production would aim to reverse this movement. Its first task is to re-assert social control over the public economy itself, and having done that to use this base to strengthen those forces that are arguing for an economics of labour in the private economy. There are a number of ways this can be done:

— by extending direct labour to produce goods and services required by public bodies and their employees;
— removing restrictions on public producers which prevent them from selling in the private market. In the public market, direct labour organisations should be assessed against private competitors employing workers on parallel wages and conditions to those of public sector workers;
— the planned consolidation of the public economy to extend the public sector for direct labour production and increasing the bargaining power of public sector bodies with the external market. In 1979 public corporations alone spent £12,500 million on goods and services from the private sector. At the moment there is severe fragmentation in the public sector. Different public authorities run their own laundries, canteens, maintenance departments, purchasing organisations, with no reference to others. Why should not the GLC Supplies Department purchase as full a range of products for the NHS as the LCC did when it organised most of London's hospitals through the 1930s and 1940s;
— purchases from the private sector should be restricted to firms on an approved list who adhere to a code designed to maintain fair wages and equal opportunities on a par with requirements prevailing in the public sector;
— taking back into social control those public enterprises and services which have been sold off to the private sector,

particularly the transport and telecommunications networks;
— insisting on public ownership of technological innovations funded by the state;
— ensuring that any public funds advanced to the private sector carry with them a share in the equity of the receiving firms. This is particularly important in the case of interventionary rescues;
— selected interventions in key parts of industrial sectors to ensure a programme of effective restructuring.

Much of the discussion of British industrial policy has centred on institutions: public ownership, a national investment bank, a national enterprise board, and so on. From the perspective of alternative production all these are necessary but they mean little if not geared to a strategy. How would Unilever be different if it were taken under public control? What would restructuring for labour mean in that instance? What is the key point of control in the food industry — research and development, the supply of materials, food processing plants, marketing or retailing? Which is the relevant public instrument will depend on the strategy to be pursued. There is no point in extending public power for its own sake, particularly if that power is not organised to support trade unions and users in developing alternative strategies in the industry.

There is one more general point about the public sector which relates to employment. There is currently little prospect of a return to full employment through the expansion of private sector jobs. The attack on the public economy has reduced employment and the provision of necessary services. Its expansion could improve both. The basic principle of the public economy is to employ labour to meet specific needs. The barrier to providing work for all who want it in the public sector has faced one overriding barrier: that it would have to be financed from taxation and thus in part from withdrawal of funds from the private economy. According to Keynesianism, the return to full employment would expand national output so that the funds would effectively generate themselves. We have seen that there are limits to this. Nevertheless, if new jobs were provided both to expand services and to contribute to the productive restructuring of both private and public economics, the inflationary effect would be reduced. We should remember that two-thirds of the increase in service sector jobs in western Europe in the post-war years have been in the public sector.

In summary, an interventionist strategy based on production has the following main features:
— an emphasis on long-term strategic production planning of industries;
— a concern that restructuring in all sectors of the economy should

be carried out in the interests of those who work in the industry and use its products;
— a commitment to the development and application of human-centred technology;
— a strategic concern with improving the conditions and hours of work in the domestic economy, and with improved means of integrating domestic work with other parts of the economy in order to improve the living and working conditions of women;
— a priority to extending social control over the public economy through increasing political, trade union and user control;
— a commitment to popular involvement in all aspects of strategic policy making (popular planning) and in the operation of enterprises (enterprise planning).

In both the monetarist and Keynesian strategies there is little room for local government in the development and implementation of economic strategy. For monetarists, the main task of local councils is to reduce their interference with the market and, where they do intervene, ensure that this intervention removes barriers to the market. In the property market, they argue that councils should put surplus sites on the market and that planning restrictions should be eased. Enterprise Zones are an example of the monetarist strategy of restoring employment through reducing controls.

The most important monetarist employment policy for local government is the cutting of rates. The CBI has for long said that it is the rates which are cutting employment in London and have used this as their principal argument for supporting proposals for the abolition of the GLC.

Recent research undertaken for the Department of the Environment has now effectively undercut this argument by showing that there is no evident relationship between the levels of rates and employment. This is confirmed by the GLC's own research, which suggests that the main effect of a rate rise is to reduce property prices. In the short-run small firms may have to bear the cost of this increase until their next rent review, but even if they do go out of business, new firms will start or old firms expand to take up the gap in the market. For these sectors are predominantly local. In the case of larger firms with national and international markets, rates are a trivial portion of total cost and are not cited as significant in the large firm surveys that have been conducted.

The argument can be extended to support the proposition that financing employment through rates is likely to expand overall employment in London. If rates are lowered, property prices rise and with them the rents received by property owners. Some of this increased rental income might be spent locally — on the consumption of services or on local investment. But there is likely to be a high leakage out of the local economy, both through consumption on imported goods and on investment outflows. The same sum if held by the local authority through a rate increase would be largely spent locally. A local council's propensity to import or transfer funds out of London is almost certainly less than that of the owners of property and the recipients of rent.

Part of the evidence for the inverse relationship of rents and rates has come from the Enterprise Zones. The rate exemptions in the Zones have meant that property prices and thus rents have risen within the Zones, so that much of the incentive for new development has been lost. Certainly the Isle of Dogs Enterprise Zone has created few new jobs in its initial years of operation, apart from the impact arising from the large public investment in its infrastructure.

The urban property market is inherently imperfect. Reductions in rates or the offer of other incentives attached to land (such as are found in the Enterprise Zones and Freeports) merely serve to increase land prices and provide windfall gains for property owners.

This is the basis of the case against monetarist policy on the land market. But there is a more general point. The reliance on the market by local authorities cannot be expected to expand employment, since London's present unemployment is the result not of the market working imperfectly, but of it working too well.

Keynesians too have given little place to local councils in broader economic strategy. For them the problems of London require national reflation rather than local intervention. Local councils have only marginal significance. They should step in where local markets fail — in the training of labour for example, or the provisions of small industrial premises, business advice or economic information. Again, as with the monetarists, the emphasis is placed on getting the market to work, and as with the monetarists, the weakness of the strategy at a local level is that it has been the market that has been the bearer of London's recession.

With an interventionist approach to production, however, local authorities have an important place in national strategy. They are in a position to support changes in the domestic economy and to consolidate their own public economies. They can extend the influence of their public economies, through municipalisation and the use of purchasing power and pension funds, and intervene in the private economy through direct investment. Furthermore, if strategies and institutions are to be built from below then local councils form one of the principal building blocks.

It has been in part the economic initiatives taken by local authorities over the last four years that has focused interest on the production-led approach. The emphasis has varied. Sheffield has sought to extend direct labour production to provide goods previously bought from the open market. They have also emphasised the improvement of the working conditions of women, at home and in wage work, and on extending democratic control within the public sector. Lancashire has developed through their Enterprise Board an industrial complex centred on the fishing industry in Fleetwood. The West Midlands have concentrated on measures to provide long-term funds to medium and large firms, linked into a restructuring plan for key segments of the engineering industry. Leeds have developed a substantial programme of co-operative development and training. In London, the GLC and, now, Hackney and Haringey have set up Enterprise Boards, and have been pursuing similar policies. In each case these councils have refused to remain on the sidelines, offering a grant here, running an advertising campaign there. They have entered directly into production and, in doing so, have shown the potential and the difficulties of this approach in practice.

What emerges from these experiences is that the local and the national are not alternatives, with local councils extending municipal production while the national government takes care of reflation. Rather, in case after case, it has been clear how local initiatives need the power and scope of national government to be fully effective. With multinationals, for example, alternative strategies can be developed by the unions working in conjunction with relevant local authorities. But it needs the power of a central government to bargain with Ford over its location of investment and its access to both national and public sector markets. With cable, energy, software, food, airports and the docks, national policies are immediately called for as the result of the studies of these sectors in London. In some cases it is a questions of finance, in others one of tariff policy or national regulations. But beyond this in almost every private sector we have studied, the extension of social control for the purposes of restructuring requires intervention at the national level.

These studies indicate that a national public investment body is needed with the powers, the staff and the funds to control the commanding heights of the main sectors of the economy. In one sector it will be a strong social presence in distribution. In another it might be in research and development. In a third, the best approach will be the takeover of a leading firm that integrates different parts of the sector. In each case a strategy of public intervention will need an understanding of the structure and direction of the industry, in order to identify the key points for social control.

We would see a national production board standing in a federal relation to local enterprise boards, providing a forum for the co-ordination of local municipal initiatives and a framework for linking national and local interventions in the same sector. The same would be true of the development of sector strategy, for if a national production board is to avoid a discredited planning from above, it must build on the work that emerges from below. Learning from the experiences of GLEB it would be important to devise appropriate forms of democratic control based on parliamentary accountability, a strong trade union input and a federal relation to local and regional enterprise boards. It would provide a framework for linking national and local interventions in the same sector. It would develop sector strategy in a way that built on plans put forward by trade union organisations and local authorities. It would be part of a newly constituted Ministry of Industry. It would co-ordinate sectoral policy and implementation, linking with unions, local councils and a co-ordinated public sector.

Traditionally local government has been seen as performing tasks delegated to it by national government. But the approach of popular planning suggests a different model, one that starts from the local and ends with a role for the national by virtue of its power over law, tax, money and the foreign exchanges.

Work towards this has already begun. Local authorities who have been concerned with the clothing industry are meeting to develop their local strategies into a national one. There have been similar meetings on food, and on a number of multinational firms who dominate particular sectors. These discussions need to be extended, so that over the next three years a set of national sector strategies emerge from municipal, trade union and user initiatives.