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As things now stand it looks as though 1986 will take its place alongside 1888, 1894, 1929 and 1974 as one of the key years in the shaping of local government in this country. In 1888, 1894 and 1929 local democratic government was reshaped, and its powers and its franchise extended. In 1888 the new county and democratic county borough councils took over many powers formerly exercised by unelected bodies and justices of the peace, and the vote was extended to single women (albeit propertied single women) for the first time. The 1894 Act extended democracy to parishes and new district councils, and this time allowed women not only to vote but also sit for both. The 1929 Act continued the pattern, with local councils taking over the powers of the poor law guardians, and extending their powers in health, roads and planning. By this time all women over 21 at last had the vote, and had - at the local level - ever more to vote for.

What marks the two Tory reforms of the 1970's and the 1980's is that in both cases they took power away from the electors. In 1974 it was local health and water. In 1986 strategic functions will either vanish, or where they survive, be under the control of indirect joint boards or appointed bodies. To take London as an example, only 37% of the GLC's spending will pass to the Boroughs or Joint Boards, 13% will pass to quangos or the government, and 50% will be under the control of the so called Residuary Body, headed by a Tory, appointed by the Government to sell off public assets and destroy municipal initiatives against the wishes of the majority of the electorate.

1986 will go down as a year when there was a further decisive step towards unaccountable power: to a government that dare not listen, and a privatisation where it is money not votes that count. The abolition of 1986 is not about saving money, or expanding services, or improving efficiency. It will cost money, cut services, and is already causing administrative havoc in

the main cities of this country. Its main aim is to stifle democracy, to stop the new initiatives that elected Labour councils have been pioneering to improve transport, and planning, and to fight unemployment and discrimination. Losing at the balot box, the government tried to strike through the courts, and when that failed they resorted to the statute book, abusing their elected majority in Parliament and their unelected majority in the Lords. 1986 promises to be a dark year not just for the traditions of local government but for democracy in Britain as a whole.

But 1988 will I hope be different. One hundred years after the original Act of 1888, a new Labour Government will restore the principles of democracy to our cities, extending the powers of elected councils to meet the needs of their own people.

For me this is a deep point of principle. Socialism is not just about democracy. It is about local democracy. It is about decentralisation, about giving power to people over their own lives, not just on an individual basis, but as groups, in districts and towns, to act together, creatively, to improve the condition of life of themselves and of those around them. Of course many things have got to be organised centrally by the government and nowadays by governments acting in concert. But socialists should always be asking - could this not be done more effectively in a more local way? Can we not shift power nearer to people? And where we cannot, how can we make ourselves accountable to those whom we exist to serve?

This is not just an abstract principle. It is a practical one. For there is a long tradition in this country for innovations and initiatives by progressive local councils to be the basis for later national legislation. In the first decade of this century unemployment exchanges developed by local councils were the basis for the national system set up in 1909. In the 1920's the action of Labour Boards of Guardians such as those of Chester le Street, West Ham, and Bedwellty, played an important part in the struggle for adequate

minimum standards of support for the unemployed and for a national scheme of unemployment pay. In health the LCC was effectively running a municipal health service between 1935 and 1948, an experience which formed a practical bedrock for Nye Bevan's National Health Service in 1948. Many of the social advances in education - notably comprehensive schools - have grown out of municipal experiments such as those in Coventry. And the same is true in transport, in the utilities, in the arts and in housing.

In all these cases local government has been a seed-bed for socialist policies to be taken up and extended by Labour Governments. These Labour Councils established - by this multitude of initiatives - a propaganda of practise. They showed that socialist policies work.

In my view a strong and creative Labour Party nationally depends for its life blood on a strong and creative labour movement locally, geared into the running and delivery of services. The first elected Labour politicians were elected locally. Many of our greatest Labour politicians learnt their craft in local government. Local government should not be seen as a lower rank of government, mending the paving stones which Whitehall officials believe it beneath them to deal with. Rather local government, like local trade unions, are the starting point of our politics, in day to day contact with people and their concerns. The limits of local councils' power, like the limits of trade unions' power, means that the Labour Party was formed to fight for, and still fights above all for national power. But the national party must never forget its historical and present political roots.

What I have said could never be more important than it is today. We are in the seventh year of the most savage Tory government in the past 50 years. But there are still 7 million people living under Labour Regional and County Councils, 8 million people living under Labour district and city councils and for two months at least 15 million people living under Labour Metropolitan councils. These councils have been attempting to carry through Labour policies in the face of the most bitter opposition from Whitehall, facing cuts in finance, curbs on spending, and new regulations and laws aimed at shifting

public services into the private sector, or cutting them altogether. They have faced an autocratic centralism, determined to push through a coherent set of policies whose aim is to shift power and income to those who already have too much of both.

In spite of these attacks, Labour Councils, up and down the country, have vigorously defended local services, and continued the tradition of pushing forward progressive policies in their areas. In South Yorkshire it was cheap fares. In Sheffield, housing and employment. In Walsall (while Labour had control) it was decentralisation. Bradford, although hung, has taken the lead in introducing multi-cultrual eduction into schools, and many councils have been taking further the causes of women and ethnic minorities. These all address issues which must be central to any Labour Government programme, socialist transport policies, the decay of housing and our physical infrastructure, the need to make our large public bureaucracies more responsive and accountable, and the great question of discrimination.

But I want today to concentrate on one area of Labour council achievement, which I believe is of outstanding importance, and that is the saving and creating of jobs. Enterprise Boards have been a creation of local Labour councils in the 1980's. There were initially five of them - West Yorkshire, Lancashire, Merseyside, West Midlands and the Greater London Enterprise Board. Four of these were threatened by abolition, but I am glad to say that all four now look as though they will continue after 1 April - albeit with sharply reduced funding. A new wave of enterprise Boards is now in train - with Hackney and Haringey each starting one at London Borough level, and a number of other councils discussing them. Other Councils have intervened in their local economies directly - without an intermediary enterprise Board. Sheffield and Leeds have been most notable, but other councils like Leicester, Stevenage and Nottingham, have financed job schemes, fought low pay or expanded employment through the direct production of previously bought in supplies.

The achievements of these Councils have been modest in themselves. The five Enterprise Boards have together saved or created some 13,000 jobs, which even with equivalent indirect employment effects, would still be less than 1% of the number of job we need to create in this country in order to return to full employment. By their very nature, they have been forced to act as lenders of last resort, in industries under acute stress - the foundry industry, telecommunications equipment, motor components, clothing, and footwear. While some of their supported companies have failed, the fact that so many have succeeded is a remarkable testament to the commitment and ability of the Boards themselves, and to the possibilities which do exist to turn round manufacturing in this country.

These Boards have not been concerned to prop up lame duck enterprises. They all share a common aim of providing finance and hands on support to ensure that the supported firms can be competitive in the market. Sometimes this means finance for new capital investment, which banks are unwilling to give in the current depressed economic circumstances. Sometimes it means new management, with the Boards supplying the equivalent of company doctors. Sometimes it is a question of re-organising not just the firm, but a chain of production and distribution.

Take what happended in Lancashire. The port of Fleetwood was due to close. The Enterprise Board went in, took over part of the unloading facilities and the fish market, secured overland fish supplies to keep the market open during the slack season, negotiated a joint venture with a local fish wholesaler and trawlerowner (with the Enterprise Board keeping 51% control), took over a prawn processing factory, and later a fish finger factory, and then got the Lancashire County Council to open up the specifications for fish supplies for their school meals so that the local fish could be eaten by Lancashire school children. Without the Enterprise Board there would be no port in Fleetwood. They have shown that there is scope for a viable fishing industry in Lancashire if only the active planning of the industry is undertaken. They have ensured that good long term jobs can be sustained where jobs are needed, and have been so successful that even though Labour lost control of

Lancashire, and the Council is now hung, the work of the Enterprise Board continues.

Some have said that the government should keep out of production, locally and nationally. The job of a government, they say, is to get the general conditions in the economy right - the right level of public spending, the right interest and exchange rates, a suitable level of tarriff protection - and then let private companies and the banks get on with the business of production. And throughout this century this has been the Labour Party's traditional policy. The Labour Party started as a party of distribution. Later it became a party of reflation and of planning. But is has never been seen as the main party of production. Indeed the Tories have tried to make out that Labour threatens production, by its taxaton, and its regulations, and its public spending. They have claimed that they are the true party of production, as supporters of private capital and the banks.

The events of the last six and a half years show what a travesty is this claim. This government has decimated British maufacturing. Manufacturing output has falled by a tenth. Manufacturing employment has fallen by 1.7 million. A surplus of manufacturing trade of £5.5 billion in 1980 has become a deficit of nearly £4 billion in 1984. Many of the industries which remain have been taken over or subordinated to foreign companies and stripped of their technological capacity, as Westland will be stripped. Mrs Thatcher and British finance do not mind where their profits come from: whether it is hotel and property speculation in London, or financing our industrial competitors abroad. The Tory Party is the party of internaional finance and national industrial destruction.

The great challenge to the Labour Party over the next ten years is reviving production. The Tory Party has abandoned it. British institutions - from the banks, to schools and universities and even the CBI - have remained passive at its neglect. We must ensure that Labour becomes the party of production.

This is why I attach such importance to the work of the local Enterprise Boards. They have been involved at the coal face of the economy. They have been dealing with new machinery, product design, marketing, stock control, the quality of what we produce and the wages and working lives of those who produce it. They have set about reversing the British bias against production; which separates academic from technical learning; which puts law, and finance, and the media above engineering; which pays a young banker three times the wage of an industrial designer, which gives us a managerial class many of whom have had no experience whatsoever of the shop floor. The Labour Party has in its membership many of these producers - whether the engineering worker, the cleaner of the software engineer. What we have to do is not just to secure a better deal for them in relation to the 'paper enterpreneurs', but to develop a policy of production which builds on their knowledge and commitment, and which provides the basis for restoring the heart of the British productive economy.

On the basis of the experience of the local Enterprise Boards and the other local authority experiments in direct production, I want to single out ten features of such a policy.

First: our commitment to any sector has got to be a <u>long term</u> one. Financial structures in this country, from the stock market to the British clearing banks, emphasise short run returns. But to restore a declining sector needs long term finance, and commitment to stick with the key companies over a 5-10 year period. This is what the Japanese have done. When their small car failed in the United States, they didn't abandon the project. They took it back to the drawing board, analysed why it had failed, redesigned it and took a major part of the US small car market. For the Japanese failure was not an excuse to leave the industry. It was a key ingredient for long term success. Our Enterprise Boards must not fear failure. For they will have no long term success unless they take risks and learn how to learn from failure.

Second: any restoration of production needs a long term strategy for the industry. In today's economy, competitiveness depends as much on successful strategy as on cost reductions. The Japanese through their central planning ministry MITI, have the most developed system of state co-ordinated strategic planning among OECD countries. The sectoral plans provide the foundation for long term restructuring both within and between sectors, and are linked in to the provision of finance and foreign trade protection.

Local authority intervention has found it has needed such sectoral plans. The West Midlands have developed a strategy for the foundry industry, and have now invested in four foundries. Lancashire have produced detailed strategies for the engineering and footwear industires. The GLC has produced a London Industrial Strategy covering 22 sectors, which analyses the grain of change in the industry, the alternative ways in which restructuring is possible taking into account the needs of workers and consumers, and where is the most effective point of intervention for local and national government.

These strategies go beyond those developed by Neddy and the little Neddies. The Neddy studies have been separated from public and private power. They have as a result had little effect on enterprise decision making. They have not by and large considered alternative paths of restructuring. By contrast the locally developed strategies have been geared round particular investments, they have commonly involved local workforces and communities in their preparation, and have started from local resources and needs. In some sectors a number of local authorities have got together to do common work. Sixteen authorities have now formed a working group on the clothing industry, for example, to exchange experience of their policies towards local clothing firms, and to develop

concrete proposals for a national policy for a Labour government to implement.

Third: the sector studies need to identify the commanding heights in any sector, for it is to them that public intervention must be directed.

In furniture, and clothing, it is retailing and design which have been central, with factories increasingly reduced to the role of sub-contractors. Distribution is key in the food industry as it is in many of the so called cultural indistries, records, films, and television. In other sectors it is the capacity to develop new products which is important. In others, it is assmebly.

The point is that if we are to restore this country's industrial capacity we must secure the economic highlands, not the lowlands of sub-contractors and branch plants. A number of the enterprises supported by the local enterprise Boards have found themselves in the 'lowlands', squeezed by retailing giants, or by major multinational manufacturers.

So a production strategy should move beyond the debate about manufacturing versus services. In some sectors it is the manufacturers who are the key (as in the motor industry). In others it is services - whether software, design or distribution.

Fourth: we need to transform the supply of technology. We have a rich technological capacity in this country. Too much is locked away in the military sector. Too much is ghettoised in universities and polytechnics. Too much is first controlled, and then dismembered by foreign corporations. Too much is restricted within public corporations, when it could be shared. Too often new technologies are developed without the involvement and at the expense of the people on the shop floor or in the office who are required to work

them.

I am in favour of expanded public support for new technology. But equally important are mechanisms and conditions to ensure that new developments are diffused and applied.

Again the local authorities have shown what can be done. In the West Midlands, Lanchester Polytechnic has been linked into Enterprise Board job initiatives. Sheffield Council has developed a dehumidifier, which is now being produced by a local firm for use in the city's council houses. London has set up five technology networks, linking its three universities and seven polytechnics with GLEB supported firms, and new product initiatives. Each of these councils have emphasised that new technology need not be at the expends of skill but can build on it. Last week it was announced that GLEB was to be the prime managing agent for a £6 million ESPRIT contract to develop human centred lathes and computer controlled manufacturing systems, with rights to apply the developed technologies in its own enterprises.

Fifth: key sections of production in Britain are controlled by multinationals, some British, others with their bases overseas. Any policy for regenerating production in Britain has to have firm by firm strategies with respect to each of the multinationals concerned. In some instances, there are still UK producers in competition with foreign multinational plants, as in the chemical industry. In others there is no longer a UK alternative - in typewriters for example, or photographic film. What is then required is a policy to use public power - of purchasing, finance, and foreign trade and payments - to negotiate the sustaining of production and research capacity in this country. The unions in Kodak have been pursuing such a strategy at European level, as have

the unions in Ford. In both cases they have been supported by British local authorities. Indeed in the case of Ford, those local councils in whose areas Ford has a plant, have come together and financed a researcher to produce a plan that would secure Ford jobs in those areas, with the co-ordinated support of local authorities, trade union and central government.

Sixth: as socialists we have always been concerned with the quality of products and the meeting of social need. There are some areas of our economy where products have damaging side effects: additives in food for example or lead in petrol. In others it is a question of preserving variety and diversity. It is one of the achievements of Channel Four that it has done this in the cultural field. Might we not use such a model for ensuring variety in the daily newspaper industry, or in cinema films? There are similar needs for diversity in some of our public services: from housing to education and health. These issues of quality and diversity have become of increasing concern to ordinary people over the last twenty years. Choice should not be available only to those who can pay for it on the market.

Seventh: the need to restructure production applies to the public sector just as much as to the private. The present government is restructuring energy supply around nuclear power plants. But what are the employment, industrial, regional and pollution implications of this strategy as against the equally cost effective strategy of conservation and combined heat and power? Conservation - known as the fourth energy source in the United States, and promoted massively in France - needs to be greatly extended in this country. A number of local Labour authorities have been ahead of national policy in this field. Telecommunications and television are being restructured around cable. Cities are being restructured around roads. But in each case as with energy there are alternatives. Local authority experiments have shown irrefutably that public

transport can move people in cities more efficiently than cars. There are clear possibilities for shifting freight back from road to rail, given the necessary funds and planned co-ordination. At the level of districts, boroughs, counties and cities we should be preparing plans for our public infrastrucure and services, in terms of the changes that new tehnology makes possible, to expand services while maintaining jobs. This applies not just to local authority services and investments, but to centrally administered public services and utilities as well. A socialist strategy for the Post Office for example should be built around local needs and maintaining jobs using the developments in information techology to extend the services in local post ofices rather than closing them down. We must improve the accountability of our public services in terms of how they change as well as how they operate, in terms of the future as well as the present.

Eightly: A policy of production will require profound changes in both education and training. In both we must restore a respect for manual skills, for making things and not just thinking about them. We should not regard wooodworking, or design, as somehow secondary to academic subjects. We should restore our older traditions of learning through doing. We should provide means for people to extend or change their skills during their working lives, a kind of 'permanent education'. Above all, we should massively extend the facilities for education and training both for school leavers and adults. In Britain only one third of the workforce has a qualification equivalent to one O level, as against two thirds in West Germany and Japan, and 80% in the United States. At a time of ever increasing technical change, competitivity depends not on low wages but on skills: manual skill, technical skill, electronic skill, and the skill to initiate. It is in the skills of its people that real wealth and productive capacity increasingly

resides. Some modern corporations are developing accounting systems to reflect this. Our system of public accounts needs to do likewise.

Ninethly: Education is one part of the production of people, and people, as workers and consumers, should be at the centre of a policy of production. We need to move to a much more central place in our programme, the health and safety or people at work , the hours people work and how they fit in with non-working hours, the ability of women to join equally in the labour force, through more extensive childcare facilities, and changed employment practices. We should also be concerned with the nature of work itself, with the degree to which it can be satisfying. Why should socialists accept technical changes which take the skill out of work, increase its repetitiveness, and intensity, when technology can be developed in more human ways.

Tenthly: and finally, a socialist policy of production is also concerned with democracy. In the politcal field it took nearly a hundred years after the Reform Bill in 1832 to achieve universal suffrage with votes for all women in 1928. In the economic field we have not even had the equivalent of the 1832 Reform Bill. Most production is still locked in an age of private depotism. We need new forms of economic democracy. Co-operatives are one. Enterprise Planning such as that developed by the Enterprise Board in London is another. A greater say by all levels of elected authority in the long term development decisions of corporations, public as well as private, is another. An economic reform bill should democratise economic power to make it more responsible to the needs of those who work and of those who consume. The market is not enough, when the power of ownership is concentrated.

These ten aspects of a policy of production are some way from the conventional concerns of the economist and the banker. But they are close to the every day

concerns of ordinary people. Of course returning to full employment must be our overriding objective. But in the 1980's people have become concerned not just with jobs but the kind of job; not just with food but the kind of food; not just with transport, but its safety and its speed; not just with the surgeon's knife but with preventative health. A policy of production is about the material side of economic life, about its quality and not merely its quantity. As a party of production, we will be a party of quality as well as quantity.

We do not ignore economic quantities, the rate of inflation, the need for relflation, the value of the pound. They are the necessary complement to a strategy of production. But what we must realise is that by themselves traditonal macro economic policies will have only limited effect economically and politically. Economically, Britain's productive capacity has been so destroyed or taken over, that public sector led expansion will face the constraints of inflation and the balance of payments before a level of full employment can be reached. Politically, if we are to make Labour the party of the majority of people in this country, we must not only be a credible party of full employment, but a party of better employment, of fairer empoyment, of the quality of output and its distribution.

I am firmly of the belief that it is prodution which is at the heart of Britain's economic problems, and that these issues of production should be at the centre of our policies over the remaining fifteen years of this century. It will take time as a movemement to re-adjust ourselves. It will need a new economics. It will need a new breed of managers, capable as managers yet with a sensitivity to our goals. It will need a new form of planning, not so much the centralised planning of the railway timetable, but decentralised planning for firms and sectors. It will need new workers skilled in both hand and brain, and confident of taking part in the planning of his or her industry. It will need new concepts of public intervention and new ways of making more flexible and accountable our public utilities and services.

It also requires a significant extension in the role of local authorities in the economy. Through enterprise boards they will have the responsibility for local enterprise restructuring, for linking technology and local production, for developing enterprises to meet local authority and other public sector needs. In conjunction with other local authorities and economic ministries, they should contribute to national restructuring strategies for private and public sectors. They would have a central role in the expansion and restructuring of education and training, in the provision of childcare, and the transformation of their services to establish best practices for the local labour market, and to increase the flexibility and responsiveness of their own services.

Much of this would require a new approach to local authority management, one that encouraged innovation and experiment, less hierarchical managerial structures and decentralised teams, and a capacity to compete with private firms in the market.

This is the spirit and these the mechanisms I have detected in the Enterprise Boards and the Employment Departments of our local authorities. Denied the traditional economic instruments available to national governments:- the capacity to set tarriffs, to change their exchange rate, or to set a local interest rate - they have been forced to engage with the problems of production. Though abolition of the Metropolitan Counties and the GLC will temporarily set back this movement, already new initiatives are being discussed in city councils like Manchester, and district councils like Stevenage and Harlow. A Centre for Local Economic Strategy has been established in Manchester to service local authorities engaged in the employment field. District Councils in the South East of England are beginning to co-ordinate their work and their views on the needs of the regional economy. The London Boroughs are stretching themselves to the limit to jointly take on the core of the GLC'S employment work and GLEB.

With so much dependent on Section 137, it is ever more urgent that the ceiling of 2p be raised immeidately. Yet even with it fixed at 2p, district city and

country councils have shown how a little can go a long way.

So 1986, while in some ways threatening to be a year of unprecented government ferocity against Labour local authorities, is also promising new growth. I believe that when the history of the 1980's and 1990's comes to be written, Labour local authorities will be found to have played as important an initiating role in making Labour into the party of production, as they were in pioneering a new deal for the unemployed some sixty years before.