

# MP says Britain is 'in a terrible mess'

by Mark Burdman

"People don't realize how bad the economic situation in Britain really is. . . . What happened with the pound sterling on Sept. 16 was the worst humiliation in the economic history of Britain," British Conservative Member of Parliament Sir Teddy Taylor told *EIR* Sept. 21. Ironically, before the dramatic Sept. 16 move by the British government taking the beleaguered pound out of Europe's Exchange Rate Mechanism (ERM), Taylor had forecast to *EIR* a pound sterling crisis of a magnitude similar to the September 1931 removal of the pound from the gold standard, but he had forecast that that would happen "within 2-3 months." The reality of the world economic depression has caught up with Britain faster than even the more intelligent Britons could foresee.

Taylor's comments point to the disarray that leading British establishment policymakers find themselves in. There is no option to reverse the economic collapse, unless the British were to dump all forms of monetarism, whether of the Keynesian or Thatcherite variants, and to adopt a "Hamiltonian" dirigist policy of directing credit for productive investments.

## 'The damage has been enormous'

Taylor underscored the depths of the crisis hitting Britain: "Thankfully, we're now out of the ERM, but the damage that has been done to us in the interim has been enormous. There is a great discrepancy between government spending and the low income, so we've been borrowing like crazy. It's all of this, and not some outside factor, which led to the appalling humiliation we suffered this past Wednesday, Sept. 16. . . . And look at the markets today. The pound is collapsing. We're in a terrible mess. In the best of all options, things may *look* better for us for the next 2-3 months, but the fact is, that there are the most *horrific* cuts in government spending coming. The real figures showing the gap between income and expenditure are not being published, the government is withholding them from the public. . . . The next big problem we will be hit with here is alarm about unemployment. Unemployment will increase quite sharply, and that is going to cause a big reaction here."

Taylor hoped for a "really sharp reduction in interest rates" to reverse the "artificially enforced depression." But whether that occurs or not, "the government badly needs an escape route. They will have growing political troubles, and what I've told them today, is that if they want to rejoin the

ERM, they have to agree to submit this decision to the House of Commons. I'm also demanding a free vote for a referendum on Maastricht."

Taylor took the John Major government to task for seeking scapegoats: "The saddest thing about what the British government is now doing, is the great deal of attacks it is mounting on Germany. It's all a load of nonsense! The government is looking for a scapegoat. The first scapegoat was France. . . . Next came the Americans, who were blamed for the weak dollar. Then the dollar went up, and that line was withdrawn. Now, German gossip is being blamed for our problems. But when you have a trade deficit of £900 million a month, as we do, it's obvious that that is worse than German gossip. What the government is doing is very nasty, arousing hatred *for others*, finding scapegoats for bad policies that have simply blown up in their faces."

Taylor, who is among Britain's best known opponents of the utopian Euro-federalist schemes embodied in the Maastricht Treaty for European Union, stated, "I've always been against the EEC, but I have a high regard for the countries of Europe. I admire the Germans and the French, and I want good relations with them, but as nations. By the way the British government has acted, in contrast, they have just made themselves look foolish."

He responded favorably to the proposals made by *EIR* founding editor Lyndon LaRouche in response to the Sept. 16 developments in Britain. "A lot of what Mr. LaRouche says has merit," he noted. "Nations must again learn to act in their own interest."

## Layoffs and scandals

Within days, parliamentarian Taylor's warnings about unemployment were borne out. On Sept. 23, British Aerospace announced 3,000 job cuts at its plant in Hatfield, after having reported about \$200 million in losses for the first half of this year. Within 24 hours, Rolls Royce, a subsidiary of Vickers, announced almost 1,000 layoffs. Both British Aerospace and Rolls Royce/Vickers are among the keystones of what still remains of manufacturing industry in the U.K.

Amid these reports, the Parliament was meeting in emergency session to discuss the Major government's handling of the economy. Although a minority has begun to demand some form of "industrial policy" to revive manufacturing and the technological base, Major seems determined to pursue his Thatcherite monetarist schemes.

For how long, is another question. A set of scandals has erupted around Minister of National Heritage David Mellor, which are being likened to the "Profumo Scandal" of 1963, which brought down the Harold Macmillan government. There are also calls, typified by a Sept. 24 editorial in the pro-Tory *Daily Telegraph*, for Major to dump Chancellor of the Exchequer Norman Lamont. Should one more fiasco hit the government similar to that of Sept. 16, Major could find himself out of a job.