



Devaluing the Pound —and Labour

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THE DEVALUATION of the British pound was all the more painful for the fact that it had long and clearly been foreseen. The only plea for extenuation the government sheepishly made public was that the reduction in value by 14.3 per cent was ultimately attributable to the international monetary community.

In a series of conferences beginning in mid-November with the regular session of the Bank for International Settlements at Basle, continuing with the OECD meeting in Paris, and ending there with the consultations of the "Group of Ten" (representatives of ten highly industrialized nations), the international monetary community reportedly refused to grant a billion-dollar loan to Britain without attaching conditions of international surveillance and internal auditing.

The reason for these strictures was the consistently disappointing performance of the British economy, specifically the chronic deficit in the visible trade balance, averaging more than \$1.5 billion a year in the last decade. Very much to the point, the latest round in the periodic search for new means of shoring up the British economy coincided

with the need for credits to repay a previous loan from the International Monetary Fund. That loan had been negotiated by the Labour government at the end of 1964 when it assumed power and upon its assurance that the loan could make the British economy solvent. But the International Monetary Fund, by the terms of its charter, provides a progressively conditional source of liquidity for its members. To the purported surprise of the Labour government, in mid-November there developed on Labour back-benches a strong opposition to loans attached with what were called "conditions of such unprecedented severity."

More suprisingly on the face of it, there developed a strong urge to violate the great taboo of British politics against devaluation, to commit the country to a course that had been denounced in the most categorical terms on no less than twenty public occasions in the last three years by various Labour leaders, particularly by the Prime Minister himself. The ostensibly sudden urge to devalue proved to be so strong that both Chancellor of the Exchequer James Callaghan and Prime Minister Wilson were swept into a kind of progressive acceptance

even as they continued their protestations that they would *never* accept—a process that began long before the sessions in Basle and Paris and lasted long enough to set the stage for rampant speculation on money markets throughout the world. Estimates of what was lost through speculation on the last two days of the eight-day devaluation procedure vary from \$300 million to \$1.3 billion.

While devaluation was still up in the air, Labourites and Conservatives alike privately excoriated the machinations of President de Gaulle, who, all were agreed, had attacked the pound sterling chiefly because it was the first line of defense of the dollar, his avowed main target. But these were accusations that could not be voiced while British petitioners were canvassing European capitals. Instead they concentrated on extraneous circumstances to bolster their assurances (for the fourth time in three years) that a balance-of-payments surplus was just around the corner.

The circumstances they cited were the steady rise of world interest rates throughout the fall; the Arab-Israeli war, which closed the Suez Canal and forced up transport charges for British imports from East of Suez and antagonized Arab oil sheikhs into withdrawing their holdings from British banks by the tens of millions of pounds. There was also a general slump in international trade, they pointed out. But despite these arguments, one of the elements that loomed largest in the minds of the international bankers and convinced them that strictures must be applied was a record \$300-million deficit in the balance of payments for October. This new record was the direct result of a dock strike, then entering its eighth week.

Impotence . . .

The London dock strike, in fact, gives a telling insight into the most virulent of the chronic ailments of the British body politic. It was "unofficial"—that is, it was one of the wildcat strikes called expressly against the orders, directives, and instructions of the unions by "unofficial liaison committees" whose chairmen are usually Communists. In the case of the dock strike the chairman concerned was Jack Dash, a Communist

whose name and methods have provided Britain with a new term for an old disease: Dashism. Over the past sixteen years, more than ninety per cent of the strikes and slowdowns that have helped make Britain's increase in rate of productivity by far the lowest in Europe were due to Dashism. Of the 4,681 workers in London's royal group of docks, only about six hundred had returned to work at the end of eight weeks. Even these were so intimidated that they requested employers not to assign them to any of the seventeen ships in the docks.

The dockers' and seamen's unions are the nerve centers of Britain's export trade. In a masterpiece of selective concentration, they have been thoroughly infiltrated by Britain's small and electorally impotent Communist Party. I asked a leading member of the Labour government why, since the matter was so crucial, the army was not sent in to move the goods—long contracted for and months overdue—into the ships. The gist of his answer was that this was something a Labour government would be extremely loath to do because such a move would run the risk of exacerbating controversy between the government and the Trades Union Congress (TUC) to the extent of bringing on a general strike—and this was a prospect no Labour government could face. Rather than risk such a catastrophe, the government tried to win the dockers' loyalties away from Dash through coordinated action with the unions—an agonizingly slow process that (according to the official explanation of the background of the October deficit) had already set Britain's economy back some \$300 million in the form of goods not delivered and cost it an incalculable loss of good will on the part of disappointed customers, many of whom had ordered the goods accumulated on the docks for Christmas delivery.

... and Paradox

Why can't the unions themselves enforce discipline on their members? The lack of such discipline is the main immediate reason why the performance of the British economy does not match its capacity, and still less develops its potential. The root cause of the unions' impotence is the

very identification of the Labour Party with the labor movement: the unions make up the bulk of the Labour Party's paying membership. At the heart of the TUC's inability to cope with its dissident membership is the fact that the British labor movement has been traditionally and violently opposed to management "at all points," as the phrase has it. Thus, whenever the Labour Party takes over the government, the TUC is faced with a situation in which permanent labor representatives themselves become "top management"—and hence the formal enemy of the workers whom they were elected to represent. This is the essential dilemma: Labourites must try, as the *Times* has put it, "to steer a wholly untenable course between satisfying their Labour Party followers and the demands of economic solvency." In short, in a basic sense, the party splits whenever it comes to power.

This situation accounts for the succession of flatly contradictory measures that have been put through. It explains why the number of gov-



ernment employees has increased by forty thousand in the three years of Labour's tenure, giving Britain by far the highest incidence of supervisory personnel in the western world. As one observer put it, "Half the population is watching the other half and neither is doing anything." It accounts for the hesitancy of the government to "side" with management against the labor force. It is why the government failed to impose economic restraints quickly enough in 1964 and 1965 to give its National Plan a chance of working, and why it was then forced to act too severely in 1966 with the wage freeze—thus effectively blocking the incentive of the workers after having

already blocked the incentive of management with a confiscatory tax structure over the £5,000-a-year salary level. The government maneuvered itself into a position where it was forced to sacrifice planned growth in order to defend the sterling exchange rate—in the end only to be forced to sacrifice the sterling exchange rate in the hopes of achieving planned growth.

In a Sieve They Sailed Away

The doctrinaire core of the party has not been alone in its progressive obstructionism. Nowhere is there a more curious confluence of opposite political extremes than that in Britain between right-wing Conservatives and the left-wing Labourites. A striking example was the fiery opposition to Britain's entry into the Common Market as epitomized both in the Beaverbrook Press and in the socialist weekly *Tribune* edited by leftist ideologue Michael Foot. Each group was convinced that the Commonwealth was highly preferable to Europe as a source of economic advantages—the arch-Tories because they hoped to preserve Britain's world position within the context of a latter-day "empire," the left-wing Labourites because they feared that any surrender of sovereignty to Europe would frustrate the cherished dream of creating a consummate British welfare state—a vision of the New Jerusalem that has been denounced by Roy Jenkins, who succeeded Callaghan as Chancellor of the Exchequer eleven days after the devaluation, as "an isolationist contracting-out attitude to the world."

These disparate but complementary influences were enough to launch aid, trade, and investment policies—particularly in the newly independent countries of the Commonwealth—that were foiled at virtually every turn and at horrendous cost. The Commonwealth neither produced the requisite wealth in terms of deposits in British banks nor offered the markets that had been hoped for. Instead the "developing countries" proved to be bottomless pits into which billions of pounds in grants and developmental investment were poured. It was the debacle of British Commonwealth investment policy that finally prompted the belated about-face in the Labour Party's

attitude toward British entry into the Common Market. And the right-wing Conservatives were almost equally successful in hamstringing the Macmillan government's negotiations to enter the Market.

It is the same meeting of minds from opposite social poles, an incongruous coalition of snobs and snubbed, that has written the unvarying epitaph for all Britain's economic experiments since the war: "Inertia Prevailed." Measured against the requirements of modern industrial society, these parallel rear-guard actions in defense of the class system and the outmoded trades unions have resulted in the perpetuation of two equally irrelevant "elites" at either end of the social scale and a mass of uninstructed incompetents in the middle. This involuntary conspiracy has preserved the redolent mustiness, the almost graceful sluggishness of the invincible English phlegm apostrophized and satirized by Gilbert and Sullivan. It has resulted in a national debility, the dimensions of which are difficult to appreciate because it is so rooted in the institutions of the country.

THE FLIGHT of British management, both in quality and quantity, is a direct result of the anachronistic state of British education and particularly of the university system. There are various reasons for this: the hangover cult of the amateur, the insistence in the ideal of the "whole man" and the consequent disdain of the specialist, the time-honored taboo against the parading of knowledge that has made neglect of its acquisition socially acceptable. The result is that Britain has steadily fallen further and further behind its chief international competitors in the preparation and training of both its labor and managerial forces. The United States, which has less than four times the population of Britain, has thirty-one times the number of students at general university level.

In terms of technological education the case is still worse. There is only one technical university in the country, begun as late as 1965, although several colleges of advanced technology are in the process of attaining university status. Moreover, the distrust of the specialist has thwarted the development of mana-

gerial talent just as low wages and lack of prospects have provided continuing causes of the "brain drain."

There is an instinctive distaste for intensive commercialism that has its roots in the national ethic. It was this basic Anglo-Saxon attitude that until lately resisted the establishment of business schools in Britain. In his book *Gold and World Power*, Dr. Sidney Rolfe quotes from a recent pamphlet by a leading young Conservative, David Howell. The question was why the majority of British firms have not accepted and adopted modern American production methods in the face of the "remarkable productivity increases" by the minority that have done so. "It is not," writes Howell, "just that the effort of it all—notably, the frustration of trying to soothe the fears and suspicions of labor leaders—has seemed too much of a deterrent. Beneath that lies the nagging doubt whether higher productivity and greater efficiency are the kind of goals after which decent people should be chasing anyway. Scratch an Englishman and you find underneath, not an anti-American perhaps, but certainly a man who feels that the American life is a materialist, ulcer-ridden hell. . . . In no quarter has it [this view] been advanced, developed and accepted more enthusiastically than in and around the British Labour Party."

THE inherent split in the Labour Party widened on the devaluation question within a week after the party assumed power in 1964. Since then the intraparty polarization on this issue has been constant and crippling. Nor did the final victory of the dissidents in this case portend the resolution of the party's or the nation's problem. "This devaluation," a Labour Party leader and prominent economist told me, "was a revolt against the disciplines required to achieve success within the old parity. It is basically a protest against the disciplines involved. It was explained that these disciplines were not achievable because we were pegged to a parity that made them unreasonable. But these are disciplines by deception. This is not an opting in—this is an opting out of the disciplines within the parity, and I mean any parity."

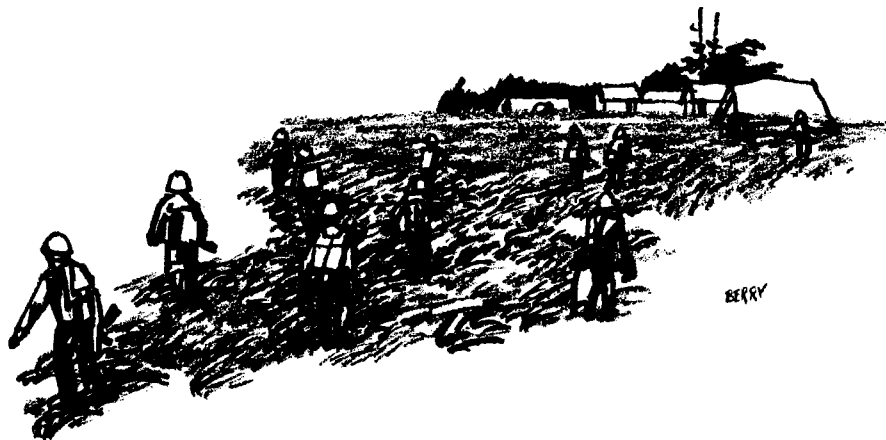
This outburst summed up the Labour Party's disarray and its prospects at present of seizing and exploiting the various technical advantages offered by devaluation. It is everywhere apparent that the government's relations with industrial leaders, particularly the Confederation of British Industry, are at an all-time low. If "labour" (meaning the unions, not the government) is in a mood to challenge employers and management "at all points," it is no longer evident. Today "labour" doesn't seem in a mood to challenge anybody at any point—except perhaps Rip Van Winkle.

The historical need for structural change has been complicated and compromised almost beyond recognition by the struggle between capitalism and socialism, a struggle that in Britain is peculiarly insidious and characteristically muddled. It has been rendered especially desperate by its emergence in the middle of an international battle royal. "Devaluation," said a French government spokesman, "is not the end of a downhill road for Britain's balance of payments, but the beginning of an acute crisis in the international monetary system."

Both major parties were convinced—the Conservatives long since, the Laborites belatedly—that Britain could not effectively restructure its economy until it had entered the Common Market; France has decreed that Britain cannot enter the Common Market until it has restructured its economy. The main point of unanimity in Britain now is that its chances of entering the Market in the foreseeable future are nil.

But the nation could not remain stolidly immobile after such a shock. The question is whether the shock of devaluation was great enough to rouse enough people to the point of taking action and then sustaining it. One day late in November, a dock-er's wife climbed onto Jack Dash's outdoor podium, slapped his face, and cursed him out. This was a small enough incident but it got maximum publicity. Five days later the dockers' strike collapsed.

There has been another positive contribution: the Labour Party has finally revealed itself for what it is—and done the state some service in so doing.



Vietnam: The Need For a Loyal Opposition

DENIS WARNER

MANY MAN-HOURS have been devoted to the study of the military strength of the National Liberation Front. From 1960 through 1966, the assessment rose sharply year by year from around five thousand to a maximum of about 285,000, the latter figures including approximately fifty-five thousand North Vietnamese. Since the intelligence services in the early years of the war were woefully inadequate (some twenty tons of captured documents were found to be unsorted and unclassified in 1965), the annual increases were in part illusory: though the Vietcong clearly grew very quickly, some of the apparent growth was attributable to improved intelligence and not to a dramatic rush to the Vietcong colors.

Captured battle orders and other documents have continued in the past two years to reveal many secrets. One of these is that throughout the war there has been a constancy in the ratio of North Vietnamese to Vietcong forces deployed in South Vietnam. This has led Sir Robert Thompson, a British counterinsurgency expert with long experience in Malaya and Vietnam, to conclude that there is an inevitable relationship between these two strengths. The insurgency, in his view, can support a maximum Northern presence of only about

twenty per cent of its indigenous strength. Reduce the Vietcong, and the North Vietnamese forces in South Vietnam must either be withdrawn proportionately or left dangerously exposed.

On the basis of the three-level campaign of co-ordinated action by regulars, regionals, and guerrillas enunciated first by the late General Nguyen Chi Thanh and since approved by General Vo Nguyen Giap, Hanoi also subscribes to this view of the war. Moreover, the failure of the NLF to increase the number of its forces this year and the apparent leveling off of North Vietnamese forces in the South (but not in the neighboring sanctuaries) also lends credence to the Thompson theory that the Vietcong can support more Northern troops only by expanding, a task that now has proved beyond their competence against the weight of the American involvement. This is in itself a cause for modest celebration. We have passed through the period in which the growth of the Vietcong forces sometimes seemed to be a geometrical progression based perversely on the numbers of their troops killed in action.

That the dangers inherent in this situation are apparent to the NLF was reflected in the new united front platform de-emphasizing the role of the People's Revolutionary Party. Unless the NLF can widen the areas

of its authority and support, and thereby provide growth potential for the Vietcong and its ability to support a larger influx of North Vietnamese forces, a protracted war must lead to the Communists' disadvantage.

Fundamentally, therefore, the problem is political rather than military. If the size of the Vietcong establishment determines the level of North Vietnamese forces that may safely be deployed in the South, then equally the Vietcong's battle order must depend on the size of the NLF's political base. "Ho Chi Minh values his two cadres [political agents] in every hamlet more highly than ten military divisions," says President Nguyen Van Thieu, with a keen understanding of what the war is all about.

Behind the Front

Until recent months, an accepted and seemingly acceptable figure for the number of Front cadres operating in South Vietnam was about thirty-five thousand. More recent information suggests that the real figure is about twice that size. However, the cadres and the armed Vietcong are only the bones and muscles of the Communist base: it is fleshed out by an army of civilian helpers whose strength must be largely a matter for conjecture. If the Malayan experience can be used as any sort of yardstick, the civilian support is liable to be at least ten times the size of the indigenous armed force. In Malaya at no time during the Communist insurrection were there more than ten thousand guerrillas under arms. They were supported by a *min yuen*, or civil support group, of at least a hundred thousand. These were people ready to take risks and to work actively for the struggle. If that proportion is anything like faithfully reflected in South Vietnam—and it is difficult to believe that the tempo of the Vietcong operations could have been maintained with less—then the Front may be reasonably said to command the support of some 2.5 million South Vietnamese. Allowing for a number of Front supporters in government-controlled areas, this rough estimate is not disputed by the latest computerized calculations issued by MAC-V in Saigon to the effect that