

BRITAIN BUSY DOING NOTHING



MICKEY MOUSE lives on. In a dramatic move, in advance of the annual meeting of shareholders, Walt Disney announced the deal which was to save EuroDisney from collapse.

It was the result of a lot of heavy duty bargaining and brinkmanship involving the Disney parent company, the consortium of 62 creditor banks and the French government.

The rescue package also reflected an interesting configuration of self interests - Disney did not wish to lose face; the banks did not wish to lose all their money; and the French government (itself a major investor) did not wish to lose the 40,000 jobs which are associated with EuroDisney.

All of the parties involved are taking a share of the short term losses in order to secure the long term prosperity of the theme park.

Disney will do without £220m of revenue over the next five years. The banks will waive some £180m in interest payments owing to them. And between them the banks and Disney will take an equal share of the £700m 'rights issue' which will re-finance the project. So what?

Well, let's look at this exercise, in the , context of our own major theme park — the Houses of Parliament.

During the same time period we have witnessed the shambolic sale of Britain's last independent car manufacturer — Rover — to the giant German BMW corporation.

It was shambolic, not simply because of the serious miscalculations about an assumed continuing interest by Honda, but because of the role that the British banks played in ensuring that Rover could not survive as a free standing British company.

As the full picture begins to emerge, the role of the banks becomes sadly clear. From early last year British Aerospace began to look around for a way of selling off Rover.

The rationale was simple. BAe didn't have the capital base to support the activities and development plans it had in the defence and aerospace industries. Rover itself had financial needs in what was already a prosperous car division.

Before BMW came on to the scene BAe and Rover approached British banks in an attempt to raise the loan capital that Rover would need as a free standing company.

The banks declined and what followed was the all too familiar story of another British company ceasing to be British. There is an irony that the best that the government can claim about their industrial strategy is that they have made Britain a place which is attractive to foreign buyers. It begs the question of why it's not attractive to ourselves.

The trouble with the banks is that! they have been driven into the mud of short-termism.

Lending has become obsessed with low risk, quick payback and high profit. Manufacturing is not an attractive area when compared to the lure of speculative exchanges or the money markets. There is now a serious disconnection between the needs of Britain's manufacturing industry and the priorities set by the financial institutions. And this is where government comes in.

It's no use John Major doing repeated impersonations of Baldrick in parliament, the government's industrial incompetence is killing the economy. Of course it has 'something to do with him'. Can you imagine a French, German or Japanese government saying the same thing when faced with threats to core parts of their own economies?

Japan has instructed its major 'high-tech' industries to collaborate on predictive planning for changes over the next 100 years.

France protects both its farming and manufacturing industries.

GERMANY exports coal, which it subsidises, to countries that could produce it cheaper. It has absorbed the East German mark at a massively uneconomic rate. Why? Because it has a medium and long term plan about expanding markets for German goods and extending German influence.

Governments elsewhere provide finance (or require it to be provided) for longer term ventures.

Meanwhile Britain fiddles around without a clue; more concerned with shuffling ministers between beds than money into businesses.

The fiscal rules of the country must start to penalise the short term and reward the long term.

More radically, we need to look at changing the ground rules which determine some of the big investment decisions. For 15 years or more the free movement of capital has been heralded as the saviour of Britain's economic prospects. The global paper chase which this gave rise to has left the economy perilously exposed and bereft of any coherent plan. Often, government exhortations amount to little more than that we should try to 'shop our way out of the recession', ignoring the fact that the goods we buy are no longer ones that we produce. Some of the biggest sources of finance which still remain in Britain are the pension funds, and it is these that the smash and grab raids of privatisation are really after.

So what about turning the rules around?

It really is time to redefine the status of pension funds. The law must recognise them for what they are — people's deferred wages. And the workers who put such wages aside should have the right to select those who administer the pension funds and to instruct them to invest in longer term programmes which secure jobs and prosperity in Britain.

Those whose lives remain rooted in this country and whose families and communities are dependent upon the jobs, prospects and stability that we bulk for tomorrow, would not have sent their assets in pursuit of short term interest rates that have so mesmerised the British financial institutions.

Other governments have recognised this need for directed self-interest, so why not Britain?

Perhaps this is the root of our problems — that Rover wasn't Pluto and that behind all the government

disclaimers of responsibility, Mickey Mouse rules!

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