Britain: Demands for nationalization of banks from sections of big business

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The Labour government's latest bailout of Britain's banks has been greeted with widespread scepticism in leading financial and business circles.

At an estimated cost of more than £350 billion, the yet to be finalised package centres on the state insuring banks losses on bad debts for up to 90 percent. City Minister Lord Myners said it could be in place for up to nine years.

It is the second bailout announced in less than four months. In October the government handed out "aid" worth £500 billion, buying up bank shares and providing loan guarantees and credit facilities.

The latest package was announced as shares in Britain's banks collapsed, following the expiry of the ban on short-selling. But the bailout failed to stabilise the markets.

The value of the Royal Bank of Scotland (RBS)—which earlier posted the largest corporate loss in UK history—fell to less than £4 billion, down from £78 billion in 2007. Lloyds fell almost 50 percent at one stage, while Barclays was down to under £6 billon, from £58 billion in 2007.

Sterling fell to its lowest level against the dollar in almost eight years, hitting $1.3860. The pound has lost one-quarter of its value since mid-2007.

On Friday Britain officially entered recession, as figures showed the economy had shrunk by 1.5 percent in the fourth quarter of 2008. Share prices fell again on the news.

The government claimed to have European Union backing for its latest measures. But an EU Commission report released Monday expressed concerns at the growing level of Britain's national debt.

The UK's public sector net cash requirement is now the highest on record, at £44.2 billion. Almost half of this consists of the earlier bailout for RBS. Forecasting that UK GDP would fall by 2.8 percent, almost double that predicted by the Brown government, the Commission said it expected Britain's national debt to rise to 72 percent of GDP (£1.06 trillion) by 2010.

"The likelihood that economic activity in 2010 will be weaker than envisaged by the UK authorities also carries a risk that the fiscal tightening measures announced for 2010 will not be fully implemented," the report stated.

Speaking following an EU Foreign Ministers meeting, Germany's Peter Steinbrueck said there was "great anxiety" over the situation and that he was "sceptical the national scheme [announced by the government] will work."

In the City, Graham Turner of consultancy GFC Economics said, "The market rightly fears the long-term fiscal costs of a collapsing banking system." Miles Templeman, head of the Institute of Directors, stated, "We support today's announcement with a heavy heart, given the massive exposure for the taxpayer, and the fear that if the guarantees are ever called there could be a fiscal catastrophe."

Economic commentators are now querying how long it will be before Britain follows Spain, which this week became the first major country to have its credit rating downgraded by the Standard & Poor's ratings agency due to "structural weaknesses".

Amid talk of potential national bankruptcy, Chancellor Alistair Darling was forced to refute claims that the government would have to turn to the International Monetary Fund for assistance.

The latest bailout exposes Brown's earlier boast that his government had "saved the banks". Vast tranches of public funds have been handed over to the banks, without any consultation, let alone agreement, from the millions of working people whose money it is.

Now the public is being told that all this money has apparently evaporated, without any explanation and with no one being held to account. Yet the same people responsible for the failed initial bailout, and those who were its recipients, are insisting that billions more is again handed-over while threatening economic armageddon if their demands are not satisfied.

That the financial crisis threatens a social catastrophe is already clear in the rising levels of joblessness, wage cuts and house repossessions. But the latest bailout will do nothing to prevent this.

The government is incapable of providing a solution to the crisis. Hostile to any measures that impinge on the interests of the financial aristocracy, nothing is to be done to safeguard the millions of working people struggling to keep their heads above water.

A spokesman for Brown said that the government was aware of "public anger at the banks". Writing in the *Financial Times*, Philip Stephens said this depiction was an understatement.

"Unbridled rage would have been a more accurate description of the national mood", he wrote.

Given that the government intends to increase its stake in RBS to 70 percent, and controls 43 percent of Lloyds, outright nationalisation is not such a great leap, he added. "I cannot think of a more popular policy than shooting the bankers and nationalising the banks. It might even win Mr Brown an election. Come to think of it, it could also be the way to get us out of this mess," he concluded.

The calls for nationalisation are growing louder, and from the most unlikely sources.

The following day's *FT* contained an article co-authored by Labour MP John McFall and private equity expert Jon Moulton, arguing for the nationalisation of Lloyds and RBS "for the sake of financial stability".

"Things are bad—unprecedently bad--so we need to consider radical actions and actions that would have been thought lunatic a year or so ago," they wrote.

"Let us get it over with--nationalise the pair of them."

Things have been "unprecedently bad" for working people for a very long time. The explosion of financial parasitism which has been exposed in the credit and banking crisis was predicated on the dismantling of large sections of industry, the destruction of decent paying jobs, and overturning the rights and conditions of the working class.

McFall and Moulton are directly implicated in these developments. Now chairman of the Commons Treasury committee, McFall supported Labour's junking of its previous social reformist agenda and its transformation into an open representative of big business and has loyally signed up to every attack mounted by the government subsequently. As for Moulton, a Tory supporter, his fortune was made through asset-stripping, leading the *Independent* newspaper to state that the phrase, "the unacceptable face of capitalism" could have been coined specifically for him.

In 2006, he told the *Guardian* newspaper, "Fundamentally, I like really awful times as the collapse of the UK economy is ideal for me and my business."

Now that things have become "really awful" for the super-rich, Moulton and McFall want action. By off-loading failing banks onto the taxpayer, they hope to "ease uncertainty as to their future" and buy them time to "cleanse their balance sheets of toxic assets and bad loans".

"Over a few years, it would be possible to clean up and simplify these banks and return them to private ownership in a good state," they argue.

Thus far the government has rejected such calls. Adair Turner, chairman of the Financial Services Authority, insisted that "commercial and privately owned banking... remains the best system to generate and sustain wealth, jobs and prosperity in our economy."

City Minister Paul Myner stated, without any trace of irony, "The capacity for soundly managed banks and markets to support the generation of wealth in the economy could never be matched by the public sector... British banks are best managed and owned commercially".

As the latest bailout fails, however, as it inevitably will, the demand for nationalisation by sections of big business will grow louder. But this is not intended as a departure from the ownership and control of the economy by the ruling elite, but its continuation by different means and at the expense of working people.

Those who were entrusted with safeguarding the life savings of millions have gambled them away, while growing fabulously rich in the process. It is not a question of rescuing these corporate criminals, but protecting millions of working people and small investors from the result of their actions.

The banks should indeed be taken over, but not their debts. These should be repudiated, while the assets of the financial oligarchy should be expropriated, returned to those they have robbed and defrauded and put to social use.

This cannot be accomplished through the state takeover of the banks. It demands an independent political movement of working people for the re-organisation of social and economic life on entirely new and socialist foundations.