# Britain: Brown's £16 billion asset sale a vain effort to appease big business

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Prime Minister Gordon Brown unveiled an "asset sale" worth £16 billion on Monday. The announcement was an attempt to answer criticisms that his government is paralysed in the face of a burgeoning public deficit and continued economic recession.

With a General Election due in May next year, Brown's standing is at an all-time low in the polls. More importantly from the standpoint of New Labour, the government has lost the backing of Rupert Murdoch and wide sections of big business. After 12 years of bolstering Labour, the *Sun* newspaper has switched to the Conservatives based on the insistence that Britons must prepare for austerity measures, including wage freezes and a hike in the retirement age.

The asset sale includes the government's 32 percent stake in the uranium processing company Urenco, the Channel Tunnel rail link, the Thames Bridge and tunnel crossing in Dartford, and the betting company Tote, as well as the £18 billion student loan book—i.e., the debts incurred by students as they try to finance living costs and tuition fees in higher education.

Brown claimed that this could raise £3 billion over the next two years, which could be used to "plug" the public deficit expected to reach £175 billion.

The government is also set to push for a sell-off of local government real estate, intended to bring in a further £13 billion over the same time frame.

However, the government has been accused by much of the media and the opposition parties of cheap political manoeuvring. It has already included the proposed sell-off in last year's budget and was simply trying to present an existing plan as a fresh initiative, they argued.

Under the headline, "Gordon Brown's car-boot sale," the *Financial Times* editorialised October 12, "Another day, another fiscal canard. This time, Gordon Brown re-announced his intention to sell £16bn of public assets—a decision first unveiled at the Budget in April—and the process has been repackaged as part of Labour's plan for fiscal retrenchment."

This was "nonsense," it said, as "asset sales are simply swapping one item on the government balance sheet for cash. They affect the assets and liabilities of the state in roughly equal measure, and so, by definition, can do nothing to help cope with the UK's fiscal problem."

The prime minister needs to "be honest with the public, and not waste time spicing up irrelevant Budget details. A crisis calls for honesty, not Mr. Brown's old tricks," it lectured.

In an effort to revive its political fortunes the government is certainly being disingenuous, but not merely by repackaging an earlier proposal. Brown portrayed the sale as an alternative to the Conservative agenda of public spending cuts of at least 10 percent. "The important thing is we will maintain frontline public services," through the asset sale, he claimed. "[T]hat is the big division between us and the opposition."

Business Secretary Peter Mandelson also asserted that the sale of public assets was "a much better thing to do than savagely cutting public expenditure."

Writing in the *Guardian*, Energy Minister Ed Miliband argued that Conservative leader David Cameron stood in the "right-wing ideological tradition" of former US President Ronald Reagan for his assertion that "whatever the issue, government is always the problem not the solution."

"We need to be pragmatic not dogmatic," he wrote. "We need to understand the role and limits of government, understanding where markets fail, where government can help, where it can't."

Given that the New Labour project was based entirely on refashioning social democracy in the tradition of Reagan, and more particularly Margaret Thatcher, Miliband's charge against the Conservatives is entirely self-serving.

He represents a party that sought to prove its reliability to the City of London by formally adopting a version of "Reaganomics" based on deregulation of the stock markets, privatisation of nationalised industries such as steel and telecommunications, and the undermining of workers' wages and welfare rights.

Labour continued this with its Private Finance Initiative and Public Private Partnership schemes, through which large sections of education, health and other public services have been outsourced to the private sector.

Brown’s “asset sale” stands firmly in this tradition. Described as the largest sell-off of state assets “since the 1980s privatisations under Thatcher,” the sale marked the start of a “radical programme” to identify “non-core government business activities” that could be taken over by the private sector, the prime minister explained. No area is considered out of bounds. Further sell-offs could involve “not just central government but local government as well, where there are business parks, industrial estates, leisure centres—even local airports.”

The government is currently preparing the sale of the Royal Mint, which officially manufactures UK coinage. A Treasury-commissioned report by Sir Michael Lyons has already earmarked a further £30 billion in asset sales, almost half of which was to come from the privatisation of existing council housing.

The Conservatives and Liberal Democrats are not opposed to the sale in principle. Vince Cable, Liberal Democrat Treasury spokesman, said, “given the state of the public finances, asset sales, at least in principle, make sense.” The Tories concurred that they were “probably necessary.”

Their objection is that the government has previously attempted to sell off several of the items now listed, including the student loan book and the Tote (the Horserace Totalisator Board, which owns betting shops), but was forced to retreat due to poor market conditions. It was forced to temporarily shelve plans for the privatisation of Royal Mail on the same grounds.

More fundamentally, they complain that short-term political opportunism means that Labour is guilty of avoiding stating explicitly the scale of spending cuts demanded by the International Monetary Fund, amongst others.

Brown has conceded that the “growth of overall spending” must be reduced after April 2011, by “cutting back on low priority programmes, increasing efficiency and productivity and unwinding the programmes that have been put in place to support demand over the last year.”

Nonetheless, it has again sought to portray last year’s £500 billion package of bank bailouts, guarantees and other such schemes as an act of public altruism. Brown claimed that “the fundamental divide in British politics at the moment” is that “some people would stop quantitative easing today and that would imperil the recovery.”

Miliband concluded his op-ed piece by stating, “Cameron is in danger of looking very last century.” “We found with the economic crisis that government had to step in to save capitalism from its worst excesses.”

While the *Guardian* and others have sought to dress up as tantamount to “old-style” social democracy, in truth, Brown and Miliband are simply following Labour’s time-worn insistence that when it comes to protecting the wealth of the financial oligarchy, it is working people that must be made to pay.

Far from being driven by a concern to safeguard jobs and living standards, “quantitative easing” represented a massive subvention of public monies to the major corporations and super-rich, which was agreed to by all parties. As a result, the stock market has enjoyed a feeding frenzy at taxpayers’ expense, with the FTSE 100 index closing at its highest level for a year earlier this week.

Commenting on rising shares on Wall Street and the City of London in the *Financial Times* on September 25, John Arthurs cited the description of one leading hedge fund manager that it was a “bubble” that had been “sponsored by [Her Majesty’s Government].”

“Everyone should enjoy it,” while it lasts, he continued. “They should do so now,” he said, because if some commentators were correct, the coming “denouement will be painful.” His article concluded that we were witnessing “the last game of pass the parcel.” Now that the government had assumed responsibility for bad debts, when the bubble finally bursts, taxpayers would be left holding the bill.

The Bank of England is reported to be considering a further “stimulus” package in November, egged on by the British Chambers of Commerce (BCC). David Kern, chief economist at the BCC, called on it to “increase the quantitative easing stimulus to £200bn and to take other measures aimed at increasing bank lending.”

Behind the public pronouncements, there is complete unanimity that, at some point, this must be clawed back through a major offensive against working people. Various reports, analyses and proposals are being drawn up to prepare for this.

The latest by accountancy firm PricewaterhouseCoopers states that fiscal tightening “will need to be more aggressive than anticipated” by the government in its last budget. It proposes tax hikes of £26 billion per year or a 17 percent reduction in public spending.