

**no cuts,
no rates or
rent rises!**

Phyllis Dunnipace
Rob Jones

25p

Socialist Challenge

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The Tories and their cuts can't be wished away...

'THESE are services that the country simply cannot afford... Private industry is making sacrifices in order to put its house to rights — so must the town halls.'

As more and more local services are slashed by the Tories, we hear the same refrain from every minister in Thatcher's government. And their message is dutifully repeated by the mass media.

Labour councillors and MPs all condemn the severity of the Tory cuts, although it's a pity they didn't raise their voices when Denis Healey was wielding the axe in 1976.

Labour politicians, nationally and locally, call for unity in the fight against the Tory bulldozer, but there is little agreement on *when and how to fight*.

The aim of this Socialist Challenge pamphlet is to argue that the fightback has to be launched now; to indicate some of the main problems, and to point out the possibilities for taking on the government and winning the battle to save our services.

We believe that public services can only be saved from further destruction by a fight to remove this government at the earliest possible moment through united industrial action by the whole working class movement.

The response of the Tories to the threat of an all-out miners' strike was to scrap their plan to close 50 pits and make 30,000 miners redundant. Such action is the only way to make the Thatcher government change its mind.

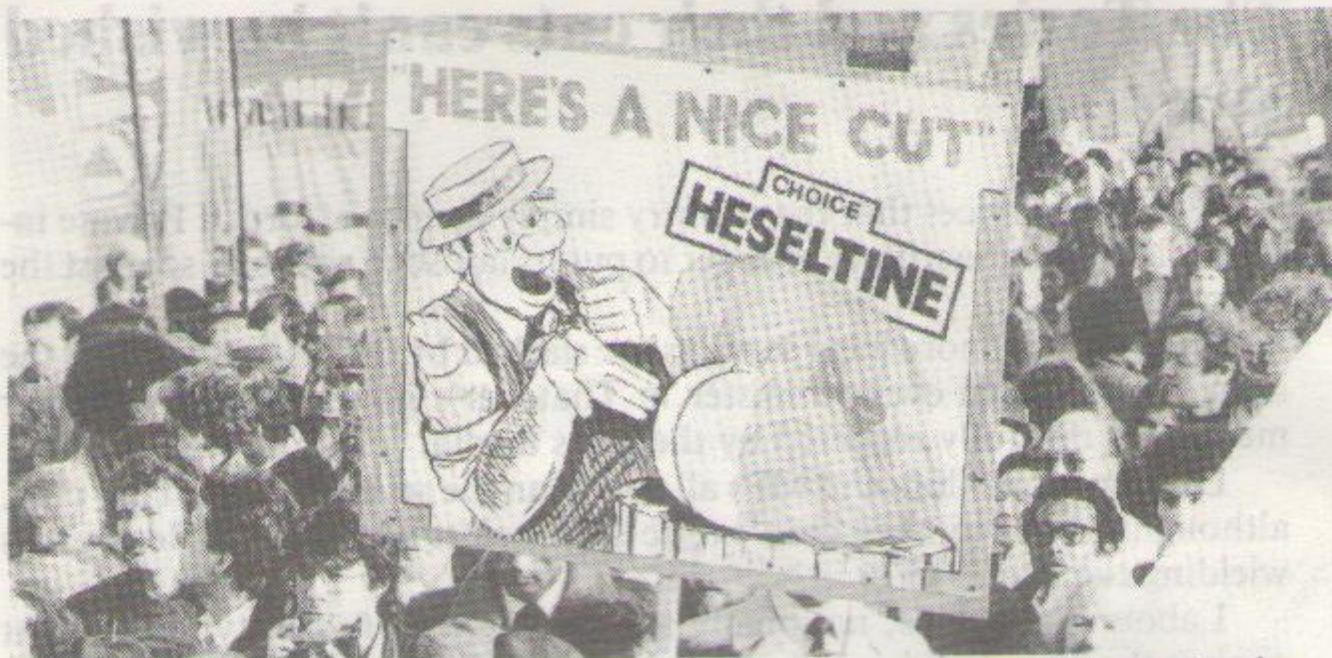
The Tories have made a choice. In alliance with President Reagan, the British Prime Minister is set on making this island an unsinkable launch pad for cruise and Trident missiles and the neutron bomb.

In 1980 Britain spent over £12.8 billion on defence. On top of this annual expenditure the Trident programme will cost a minimum of £6 billion, an increase of £1 billion on the original estimate before construction has even begun. *For the price of every Trident submarine — and the Tories want to buy five or six — it would be possible to build 100 new hospitals, 200 new schools, or 50,000 new houses.*

The Tories' attempt to revive the economy means tax cuts for the rich and even greater financial incentives for private industry, while working people are faced with wage cuts, soaring prices, mass unemployment and massive cuts in public expenditure. Working people are making the sacrifices. Private industry and the banks are reaping the benefits.

These are the facts. Four banks together declared a total profit of £1,562m for 1979. British Petroleum declared £1,600m profit. Shell notched up a world record profit of £3,000m for the year. On the other hand cuts scheduled for 1981/82 will mean £3,600m less spent on public services than was planned by the last Labour government.

The battle to kick out the Tories must also be a fight to return a Labour government committed to socialist policies. But the Tory majority at Westminster cannot be wished away.



Cutting Heseltine and the Tories for good must be the aim of action by the Labour Party and the unions.

The buck stops with the numerous Labour councils elected in May 1981. This pamphlet argues that Labour councillors face a choice. Will they continue to administer the Tory cuts, as they have for so long, or will they start to act as elected representatives of working people? They have certainly not been put into office to help slash the welfare services that the labour movement fought for and won over the years.

Most Labour councils have sought to avoid a confrontation. To keep most services going — at a price — they have introduced a package of cuts together with massive rates and rent increases. But Michael Heseltine, the Tory Environment Secretary, can now penalise a local authority for excessive rates rises. Putting up rent and rates can only postpone the day when services and jobs are threatened, and such an anti-working class measure is no way to mobilise for a fight against the government.

Many Labour councils have joined the campaign against the missiles by declaring their boroughs 'Nuclear-free zones'. They will oppose anything to do with the missiles affecting their areas. They should take the same attitude to the Tory cuts and declare their area 'No cuts zones'.

Council services and why we need them

NO-ONE would claim that the services we receive from the council are perfect. Council house repairs never get done. Public transport is too little and often late. Many inner-city areas are blighted by acres of wasteland that never seem to get cleared. And there aren't nearly enough nurseries, community or day-care centres, or facilities for the elderly.

In the last century and up to the end of the 1930s working people in our towns and cities received none of the services that make it possible to avoid grinding poverty, disease, high infant mortality and a short-life expectancy.

In the new slump of the 1980s the public and welfare services are vital to those thrown on to the dole heaps: to the one-parent families; for the

physically and mentally handicapped, and for everyone who wants their children to go well-fed and clothed, along clean, well-lit streets to modern, properly equipped and staffed schools.

Local councils provide a wide variety of services and give employment to hundreds of thousands of workers. In many areas the council is the biggest employer. They provide local social services such as meals-on-wheels, home helps, luncheon clubs, pre-school facilities, and training centres for the handicapped. Local authorities are also responsible for schools, school meals, libraries, parks and cleansing.

The Tories want massive cuts in local government spending. The axe had already started to fall under the last Labour government, and in 1980-81 the Tories tried to cut back local authority expenditure by over 5 per cent compared with 1979-80. And for 1981-82 they demanded further cuts of 3 per cent in current expenditure, 3 per cent in housing investment, and 7 per cent in other capital spending on new building projects. Even staunchly Tory councils in places like the London borough of Wandsworth, where they tried to sack 700 council workers at a stroke, have been unable to make this level of cuts without decimating services, so they have raised the rates to pay for services.

Most Labour councils have given into government pressure and acted according to a simple formula: if income is reduced, then services must be reduced; or if the cost of the present services rises above income, then services must be cut. The only item which is never slashed is the payment of debt charges to the banks and finance houses.

Council services are essential to all working people, and cuts most severely affects those who are weakest and most vulnerable. The old are neglected, children and the handicapped do not receive proper care or education and council tenants suffer through cuts in services and large rent and rates rises.

Where the money comes from

COUNCILS receive most of their money from two sources: from rates and charges for services, including rents; and from central government grants. To finance building programmes and to pay wages and salaries, local authorities borrow from central government and the City. In 1980-81 loan charges were expected to be 10 per cent of total outlay by local authorities.

Since the Tories were elected in May 1979 they have cut the money available to councils and shifted resources from inner-city areas to the rural shires — the bastions of Tory support.

The Thatcher government has changed the law to increase its control over local councils spending. The Local Government and Land (No.2) Act introduced a block grant which has replaced the rate support grant system. Until 1980 central government met roughly 60 per cent of total local government expenditure. As well as exerting more central control, the Tories have cut to 59 per cent the expenditure which they meet.

Under the old system, local councils were given grants for specific purposes, such as the police, transport, education, and rent and rates rebates. The rate support grant was discretionary, but it was made up of three elements — needs, an area's resources, plus a subsidy for domestic ratepayers.

The new block grant system for the year ahead is based on a crude measure by the government of the previous year's spending and inflation. The Act enables Westminster to keep a tight control on council spending. The government directly controls capital expenditure, so that councils which overspend are liable to penalties either through cuts in grants or a surcharge on individual councillors.

The Tories have chosen to buy a new generation of weapons of nuclear destruction rather than build houses for the quarter of a million people on the council house waiting lists. Councils which the government says have overspent will have their grant cut, and if they raise the rates to save services they will be penalised even more heavily and may receive no grant at all.

Councils and the bankers

THE MONEY spent by councils to help the sick or elderly or in building homes is not the whole story. Vast sums of money which could be spent on improving or expanding our services never reach the people who most need it. Instead it goes straight into the pockets of the money lenders.

What happens is roughly this. Each council divides its expenditures into two sections:

- Capital spending — money borrowed to pay for the building of homes, youth clubs, nurseries, old peoples homes, sports and leisure facilities, and so on.

- Revenue spending — money needed to cover daily running costs, such as wages, maintenance on buildings and equipment, *plus* interest charged on borrowed money.

Capital spending

Along with the block grant this is the second area where the government holds the purse strings. All borrowing for a council's capital spending programme must be approved by the government, even though the money is borrowed from many different sources.

Only about 40 per cent is borrowed directly from central government, at slightly below the market interest rate. The rest is borrowed on the open market, from finance houses, insurance companies, pension funds, and by the sale of council bonds — *all at the going rate of interest.*

The higher the interest rate the more profit the banks make, and ever since Thatcher's election interests rates have reached record levels. Councils pay interest charges from their revenue budget.

Revenue Spending

Having to pay interest charges out of the revenue account means that any increase in interest rates will automatically eat into the amount of money

available for council services.

The situation of local authorities has worsened because continually rising interest rates and increased council borrowing — to deal with housing need, for example — has left councils with huge debts. The effects of this can be seen from what has happened to council housing over the past few years.

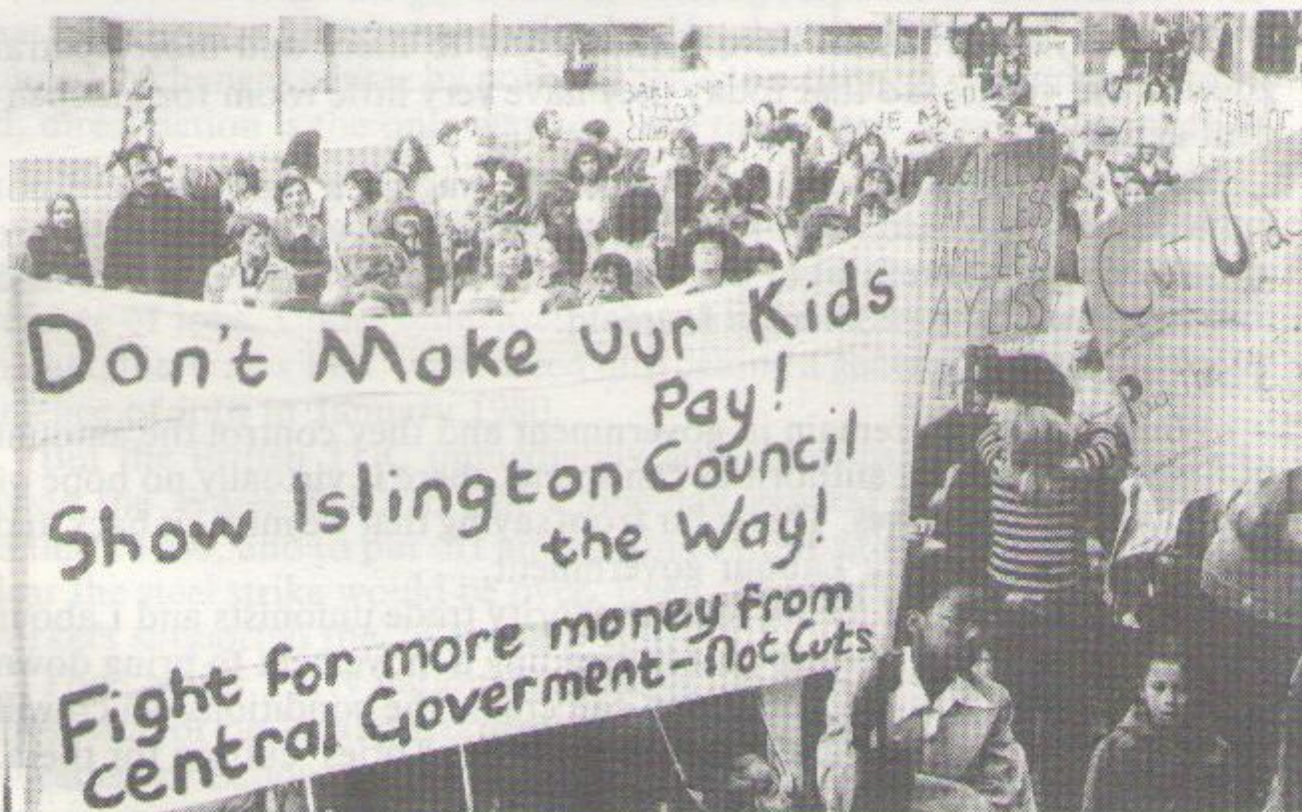
In 1968-69 it cost a council just over £25,000 to provide a home; that is the cost of building work plus interest charges on money borrowed to pay for it. By 1974-75 the total cost had rocketed to an incredible £120,000 — 88.3 per cent of this being interest charges.

Another aspect of the ever-tightening grip of the banks and the City on local authorities finances is the fact that the authorities must raise short-term loans to pay wages and to meet the cost of current building projects. One of the factors determining the size of these loans is the local authorities' rates income. As a result of the recession many authorities are owed millions in unpaid rates and rents.

The largest defaulters are private businesses, not council tenants. In order to pay their bills and wages the authorities have had to go to the City for short-term, high interest loans.

The Tories have tightened this loophole as well. The new legislation has reduced the time that a council can take to repay loans, and they are now legally obliged to levy a sufficiently high level of rates to cover the amount on loan. Yet the Tories will and have penalised authorities which put up the rates to a level which the government says is too high.

So having forced the authorities to go to the City in the first place, by not giving them enough cash, the Tories then limit the amount they can borrow by preventing them from raising the rates so as to keep up the services. Thatcher's government is thus using the City as well as Parliament to force authorities to cut services and jobs.



Women are hardest hit by the cuts.



'Don't rock the boat' or how to let Thatcher in. Roy Hattersley, Labour Cabinet minister, addressing a Hyde Park anti-cuts demonstration in 1976 and Alan Fisher,

Councils will be required to regularly cut services to pay for ever increasing interest charges unless the next Labour government is forced to cancel these debts. Such a move would just be a first step towards nationalising the banks and finance houses along with firms like BP and Shell under workers' control so that their resources can be used to launch a nation-wide programme of building houses, hospitals, and schools, which would also do much to eliminate unemployment.

Is there a way out of the Tories' trap?

OVER the years councils have been subject to more and more central government control so that today they have very little room for independent action.

But the problems faced by socialists in waging a fightback are not limited solely by the actions of the state and the finance companies; we are also faced with the refusal of our leaders in the labour movement to lead that fightback. The problem is fourfold:

The government

While the Tories remain in government and they control the amount of money which local authorities can spend, there is virtually no hope of maintaining our services. This is far from saying that we must sit back and wait for the return of a Labour government.

On the contrary, it means local authority trade unionists and Labour Party members playing their part in building a movement to bring down the Tories. Only this kind of action can create the conditions which will prevent new Callaghans and Healeys doing the Tories' cutting for them.

The banks

Like most large organisations, local authorities depend heavily on



General Secretary of NUPE doing the same in 1979. Hattersley voted for Labour's cuts and Fisher marched the troops up the hill and down again.

money borrowed from the banks and finance houses to pay for the day-to-day running of our services. The scale of the loans and the vast interest profits which the banks receive from councils give them a very tight hold on local authorities.

Any attempt to loosen that hold especially through hitting profits, will inevitably mean quick reprisals from the City. In these circumstances nothing short of nationalising the banks or borrowing directly from government will ease this dependence.

The Labour Party and union leaders

It is evident from the government's strong response to the timid moves that have been made by trade union leaders that the Tories will not be persuaded to change course by polite appeals to reason. As the miners showed, direct action is the only way to make the bosses' government change course.

Despite the widespread hostility to this government there have been no attempts by the TUC to organise and co-ordinate national action in defence of jobs. Under immense pressure from striking steelworkers and miners, the Wales TUC was forced into calling a general strike in Wales in defence of jobs in January 1980.

But the British TUC immediately and vigorously intervened to persuade the Wales TUC to call a one-day general strike instead on 28 January 1980, and to put off an indefinite stoppage to a date when it was clear the steel strike would be over. Even so a quarter of a million Welsh workers supported the 28 January call.

The Labour Party national executive has performed no better on the rates issue or on local government cut-backs. The NEC called a meeting of leaders of Labour groups on 6 December 1980 which was not built with any great enthusiasm but was still attended by some 200 Labour group leaders. All that emerged was a statement calling on councils to preserve

as much of the services as possible — by putting up the rates.

No fighting strategy of any kind was put forward.

The councillors

For Tory councillors there are no problems. They simply implement the cuts. For many Labour councillors the situation appears hopeless.

Yet the reason for this apparent hopelessness is that for years Labour councillors have regarded their role as an administrative one, a civic duty to oversee the functions of local government on behalf of the whole borough — whether it be Tory business people or Labour workers.

This is a nonsense, especially when a Tory central government is out to slash the services. Tory business people are fully in favour of keeping the rates down and slashing the services, counter to the interests of the working-class people in the borough.

Labour councillors are not elected to be administrators or local managers. Their job should be to take forward the fight for socialism. The question then becomes: How can councillors use their position to give leadership in the fight against the cuts?



Ken Livingstone, newly victorious left-wing leader of the Greater London Council at London rally for the 200th edition of Socialist Challenge. Linking up with the rank and file can defeat the Tories and the right wing union leaders.

Fighting the cuts

WE HAVE argued that Labour councillors should defy the Tory cuts and the Tory laws. But for many of these councillors old habits die hard. Many have spent 30 years or more in the local corridors of power administering the local budget.

In East London, for example, the Labour vote has been guaranteed for so long that the former Labour MP, Elwyn Jones said that local Labour votes weren't counted — they were weighed.

This is what one Labour council leader in London said about a proposal that the response of Labour local authorities should be to refuse to put up rent and rates:

'The strategy of no cuts and no rate rises can only lead to the council trying to pass a rate resolution which does not provide for enough money to finance the planned council services. Such a resolution is illegal and the council's officers are bound in law not to implement it.'

'If the councillors did try to implement such a policy there would be no legal rate resolution and the council would run out of money very quickly.'

'I will not dwell on the danger and the penalties to councillors of such a resolution because I am sure that those who propose it will have taken this into account and anyway we should be mainly concerned with the people to whom we provide services and to our employers...'

'The government has no power to appoint commissioners to run a council's affairs but could get a court order instructing us to obey the law.'

'If such an order was made and defied, councillors might go to prison and whilst they would be fed and housed there and could luxuriate in the political satisfaction of being 'martyrs', someone would have to get fuel to council housing estates, food to our homes and pay to our employees...'

This approach accepts the Tory rules. Instead of the Tories being blamed for the shortage of money, it is those who propose a no cuts, no rates or rents increase strategy who are blamed for a shortage. Moreover, it accepts without question the provisions of the Tories' new legislation.

At the present time, unfortunately, the majority of Labour councillors follow this path. A minority do not and they have argued and voted against rent and rates increases. What are the options of a Labour council faced with Heseltine's cuts in their budget allocation?

The choices facing Labour councils

1. No cuts and very high rate increases. This approach of 'socialism on the rates' is no solution at all. It includes an acceptance of previous cuts and is based on the assumption that the answer to local needs lies in the pockets of working class people.

2. A package of cuts and rates rise. This is the option which the vast majority of councils have accepted. It means knuckling under to Tory policies — an encouragement to central government to push its luck still further next time.



15,000 striking local government workers demonstrate in Edinburgh on 30 June 1981 supporting the Labour group's stand in Lothian against £53 million Tory cuts. They are refusing to pass the cost on to workers and their families.

3. No cuts, no rate rises and a fightback. This is what we say should be fought for. Is it possible to wage a fightback against the Tory cuts and go ahead and put up the rates in the meantime so as not to endanger services and jobs? Many supporters of this approach genuinely want to protect services and jobs and also get rid of the Tories at the earliest opportunity.

They also recognise that one authority on its own cannot defeat the Tories on this central plank of their strategy, any more than one pit could have effectively defeated the Tory proposals to close the mines.

In 1980, ruling Labour group in Lambeth, led by Ted Knight, decided that it must build a national response and a conference was held on 1 November. This was attended by over 600 organisations, representing trade union branches in the local authorities, constituency Labour Parties, and Labour groups. A fighting programme to combat the cuts was agreed. The main points were:

They agreed that local authorities should take an uncompromising stand against government policies, and commit themselves now to:

- *No cuts in jobs and services; no running down of direct labour.*
- *No rent or supplementary rate rises this financial year, and no rent or rate rises to compensate for government cuts.*
- *Reversal of decisions to sell council houses or housing land.*
- *To work with local anti-cuts committees and community groups to build local support among residents.*

This should be carried out in conjunction with trade unionists taking action to:

- *Defend jobs and services by opposing redundancies, redeployment, natural wastage etc. by any action necessary.*
- *Hold strikes and occupations as soon as any Labour council faces receivers or commissioners, or is surcharged for making a stand on cuts.*
- *Refuse to co-operate with government legislation such as council houses sales, and with management whenever cuts are involved.*

The conference also resolved to call on the Labour Party national executive and the TUC for support for this campaign.

It was agreed to hold a further conference, but before this could take place the Lambeth Labour group agreed to levy a supplementary rates increase which meant an average rise of £4 a week for each household. This was followed by proposals for rent and rates increases for the year starting 1 April 1981 averaging an extra £10 per household. The Lambeth Labour group had chosen not to be bound by the decisions of the conference it had called.

It is the case that no other Labour group had indicated that it would refuse to put up rates or rents. But then, as indicated earlier in the pamphlet, there is no good reason to rely on the majority of existing Labour councillors.

What the Lambeth conference in November 1980 revealed was that there were a large number of trade union branches, constituency and ward Labour Parties which were prepared to adopt and fight for a no cuts, no rent or rates rise position, and that they were looking to Lambeth for a lead.

Such a lead would have greatly increased the opportunities to win

widespread support for no rises in rates or rents in the context of building solidarity with Lambeth council against the Tories and the City. That task remains an uphill one.

In Lambeth itself the understandable resentment against the new rates and rent demands allowed the Tories and even the National Front to organise a sizeable campaign against the rates increases, fully supported by the local media.

These right-wing campaigns, which are calling for the cutting of thousands of jobs instead of rates increases, are unlikely to win over significant numbers of trade unionists and Labour Party voters. Yet the failure by a majority Labour group to organise resistance to the cuts means that tens of thousands of council tenants and rate payers are supposedly 'represented' by Tories and fascists instead of being organised by their elected Labour Party representatives for mass demonstrations and possibly rent and rate strikes against the City financiers and the Thatcher government.

So the task remains to organise resistance through the trade unions in the local authorities and in the local Labour Parties to any proposed cuts or rent and rates increases. This fight needs to be carried into the national union conferences and the Labour Party conference.

A future Labour government has to be committed to the restoration of all the cuts made since 1974; the cancellation of all debt charges; the nationalisation of the banks and finance houses without compensation and under workers' control, and the launching of a massive programme of new public service building. However, this programme can only become a reality with a fightback starting now against the cuts and their effects.

At the moment the counter-struggle to the Tories is defensive and organised by minorities in the trade unions and the Labour Party. For this struggle to be effective it will need to be organised in such a way that it can go over on to the *offensive* as the resistance broadens. The miners' strike was after all in defence of jobs, but once it was clear it was becoming a national struggle the Tories had to retreat.

Resistance to the cuts will largely depend on the intransigence and determination of the unions. But the Labour councillors and groups must be brought to account. Trade union branches should take up their affiliations to the Labour Party and organise together with those local councillors who are in favour of opposition to the cuts and rates increases.

In the run up to the Lambeth conference, and since then, supporters of this position in the Lambeth Labour Left have organised in both the unions and the Labour Party. Similar groups have been set up in other London boroughs and elsewhere in the country. Such groups should ensure that when Labour councillors come up for re-selection those who have supported rates and rent increases are replaced by those pledged to fight to protect jobs, services and workers' living standards. For unless we begin to fight now and put forward alternative policies in practice every day, there is no guarantee that there will be either a Labour council, left or right, or a Labour government at the next elections. If we don't begin a fight now which mobilises the masses of working people, we can't expect to win.

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