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Air Traffic Control Fiasco

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Scott Ritter Speech

Invasion dressed up as inspection

As the time of writing, the US and Britain are pressing to get UN Security Council authorisation to make war on Iraq, war which this time will not end without the regime in Baghdad being overthrown.

The original excuse for war – Iraq's alleged possession of non-conventional weapons, and its refusal to allow UN inspectors access to seek out and destroy them – disappeared on 16 September when the Iraqi Government offered UN inspectors access into Iraq on the terms of the existing Security Council resolutions, and subsequently on 1 October agreed arrangements with the head of the UN weapons inspectorate, Hans Blix. At that point, the *causus belli*, as stated consistently by the British, was gone: there was nothing to stop UN inspectors being on the ground in Iraq in a matter of days. But the US Government had made it clear long before 16 September that it had no interest in weapons inspection, its aim being to overthrow the Iraqi regime.

The people in Whitehall who were clamouring for the immediate admission of inspectors to Iraq a few weeks earlier are now refusing to take "Yes" for an answer. They follow along behind the US Secretary of State, Colin Powell, who declared that the US would take any measures necessary to stop inspectors going into Iraq. And having been called in by Powell, Blix has now accepted that he is a servant of the US and not the Security Council and called off inspections.

The excuse offered by Britain for preventing the inspections they were previously demanding is that there must be a "tougher" inspection regime, which demands that inspectors be allowed to go anywhere anytime, and which carries with it the threat of military force in the event of Iraq failing to allow such access.

UNSCOM successful

The unstated assumption here is that the old inspection regime failed to get the job done. In fact, the previous UNSCOM weapons inspectors were very successful, and would have completed their job long ago, had they been allowed to remain in Iraq and carry out inspections in the manner agreed with the Iraqi Government, in particular, for sites deemed "sensitive" by the Iraqi Government. These included the so-called "presidential sites".

For reasons unknown, the head of the UN weapons inspectorate at the time, Richard Butler, refused to allow the agreed procedure to be applied to the Ba'ath Party headquarters in Baghdad in December 1998, whereupon the inspectors were refused access. This was used by Clinton and Blair as an excuse to bomb Iraq beginning on 16 December. The Judiciary Committee of the House of Representatives had voted its final impeachment article against Clinton on 13 December. The inspectors were withdrawn, without the permission of the Security Council, prior to the start of the bombing – and have not been back since. The bombing itself was not authorised by the Security Council.

Clinton and Blair are responsible for UNSCOM failing to complete its inspections in Iraq.

Logical course now

It goes without saying that if the disarmament of Iraq was the name of the game, and if this was an urgent necessity to prevent Iraq's acquisition of even more weaponry (as was being said a few weeks ago), the logical course of action would have been to get the inspectors in as soon as possible – and to "toughen" the inspection regime later if and when the experience of inspection demonstrates that it is necessary to do so.

Why was the return of the UN Inspection Team responded to as a hostile act by America and Britain? Not only because it would get in the way of an Ameranglian war, but because of the danger that Blix would conduct it honestly and report that the hysterical Ameranglian scaremongering of recent months was groundless.

The game is no longer the disarmament of Iraq. If further proof were needed that this is so, one has only to read the draft resolution which the British and US governments are seeking support for in the Security Council at the

time of writing. If passed, this would give any permanent member of the Council authorisation to invade Iraq on the pretext of carrying out weapons inspections. In particular, it would authorise the US and Britain to invade.

Draft resolution

The key provisions of the draft resolution (which is available in full on the MSNBC website) are that:

- (1) "any permanent member of the Security Council may request to be represented on any inspection team with the same rights and protections accorded other members of the team"
- (2) "teams shall be accompanied at their bases by sufficient UN security forces to protect them"
- (3) "[teams] shall have the right to declare for the purpose of this resolution no-fly/no-drive zones, exclusion zones, and/or ground and air transit corridors, (which shall be enforced by UN security forces or by member states)"
- (4) "[teams] shall have the free and unrestricted use and landing of fixed and rotary winged aircraft, including unmanned reconnaissance vehicles"

Iraq is required:

- (1) to produce, within 30 days of the approval of the resolution, a full inventory of its weapons programmes and current stocks
- (2) to provide UNMOVIC [United Nations Monitoring, Verification and Inspection Commission] and IAEA [International Atomic Energy Agency] with "immediate, unconditional, and unrestricted access to any and all areas, facilities, buildings, equipment, records, and means of transport which they wish to inspect", plus "immediate, unimpeded, unrestricted and private access to all officials and other persons" whom they wish to interview (and who can be removed from Iraq along with their families for this purpose).

Iraq is required to state its acceptance of the terms of the resolution within 7 days of its approval by the Council. If Iraq refuses to accept these terms, or subsequently fails to co-operate to the fullest degree, the consequences are drastic "false statements or omissions in the declaration submitted by Iraq to the Council and the failure by Iraq at any time to comply and cooperate fully in

accordance with the provisions laid out in this resolution, shall constitute a further material breach of Iraq's obligations, and that such breach authorizes member states to use all necessary means to restore international peace and security in the area."

In other words, the US (and any other member state of the UN) would be authorised to "use all necessary means", including military means, against Iraq immediately any omission or lack of co-operation is reported to the Security Council, without any further authorisation by the Council.

An unacceptable offer

Clearly, the name of the game is to make Iraq an offer it cannot accept – and then have an immediate pretext for making war on Iraq. At the time of writing, France and Russia have not agreed to support this resolution even in a modified form, or to refrain from vetoing it. But the likelihood is that the US and Britain will eventually get their way, and a resolution will be passed, which demands inspection conditions that are tantamount to invasion – and that Iraq will understandably refuse to surrender before a shot is fired. There will then be an immediate pretext for Blair and Bush to make war on Iraq with the approval of the Security Council – which is what they wanted to do in the first place.

The draft resolution does not mention regime change in Iraq. Nominally, therefore, Security Council approval for war would extend only as far as stripping Iraq of its non-conventional weapons, and the means of delivering them, in accordance with Security Council resolutions. But it would be foolish to bet on the survival of the present regime once US forces are on the ground in Iraq.

Regime change in Iraq is the official policy of the US inherited from Clinton (who in 1998 signed into law the Iraq Liberation Act which commits the US "to support efforts to remove the regime headed by Saddam Hussein from power in Iraq"). But of late, Bush has toned down his rhetoric about regime change, and concentrated on the threat allegedly posed by Iraq's non-conventional weapons. This is obviously a deliberate ploy to increase the chances of Security Council authorisation for war with the stated objective of disarming Iraq, but with the unspoken intention of overthrowing the present regime in the process.

(On the day the proposed Ameranglian resolution was leaked, it was compared on BBC television with the Rambouillet proposal to Yugoslavia a couple of years ago, in that, if it was accepted, it would lead to an unresisted occupation of the state, and if rejected would be held to justify an

invasion. This was in fact the first time the BBC presented Rambouillet in its true colours. At the time it was presented as a fair proposal which Milosovic wantonly rejected.)

Anaesthetised

Last month, Blair anaesthetised the TUC and the Labour Party (and to large extent the House of Commons) by saying that he would work through the UN to bring about the disarmament of Iraq. If as seems likely the US and Britain get their way on the Security Council, the end result of working through the UN will be to sanction war, ostensibly to disarm Iraq but in reality to replace the present regime with a more compliant one – and to prevent Iraq being disarmed without a shot being fired by reintroducing weapons inspectors (in so far as it needs to be disarmed, which is not much if at all).

And it will be impossible for opponents of the war to argue that the US and Britain are acting outside international law by making war on Iraq, since they will be acting with the authority of the Security Council.

But what can the authority of the Security Council count for now? It has been given an ultimatum by America and Britain to authorise what they want to do or else be put on the shelf while Ameranglia acts alone. And what can be the moral or legal value of an authority granted by "the world" in response to an ultimatum? Those who delivered the ultimatum have by virtue of that fact usurped the power of "the world".

Will those on the Left who have made the Security Council the keepers of their conscience continue to do so after this?

Very probably they will because they are as committed as Bush and Blair to the view that the Iraqi regime is illegitimate. They view the world in Utopian terms, and their Utopianism is easily manipulated by the holders of power. But, by any realistic standards, the Iraqi regime must be held to be legitimate and competent. Iraq is a group of incompatible elements thrown together by Britain for its own purposes eighty years ago, and governed by force by the British regime and the Iraqi regimes that followed. That grouping should never have been formed into a state. The general Arab State promised by Britain when working up the Arab Revolt is what should exist. But, given that Iraq is what Britain caused to exist, it has to be said that it continues to be governed in the manner set by Britain, and that in social welfare matters it was governed by the Ba'ath Party better than Britain had governed it – until the American Ambassador gave it the green light to act against Kuwait in order to provide the excuse for making war on it.

Anti-Semitism

This magazine has been accused of anti-Semitism because it employed the term "Jewish terrorists" to describe the Irgun and the Stern Gang, rather than "Zionist terrorists".

Perhaps those Jews who have renounced the right to become Israeli citizens and who endorse the unconditional rights of the Palestinians to return to their homeland (which incidentally would render the Zionist project unsustainable), can express an unbiased technical objection. But, howsoever they are described, their actions were done in the name of all Jews everywhere and for all time. And since the vast majority of Jews today claim as their own – as well as reserving the exclusive right to become the citizens of – the state which those actions helped create, it is far from obvious why it is inaccurate still less anti-Semitic to employ the word "Jewish". Peace-loving Jews must face up to what is done in their name.

To try to make the Palestinians feel guilty for describing Israel as "Nazi" is as eccentric as expecting the British during the war or even now, to think of Churchill as a racist for describing the Germans as "The Hun".

The radical campaigner Naomi Klein, who is hardly most person's idea of a fundamentalist, at least not in the religious sense, has said that Jews everywhere need Israel as a last refuge in case world events get really rough. If this is a serious Zionist concern then it would be negligent for Israel not to create a much larger state which would be required to accommodate the Diaspora. And who will have to go to facilitate that?

And while we are on the subject of the Palestinians. The obvious principle – that it can never be just to steal a man's coat in order to bargain for his trousers – if the justice of this principle is to be perceived by many people to have received international endorsement – in International Law if you like – it will require the USA, EU and UNO to insist that Israel dismantles its fortified settlements and their accompanied infrastructure in Gaza and The West Bank before any further negotiations.

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NATS: why its debt was doubled

by David Morrison

When the National Air Traffic Services (NATS) was partially privatised in July last year, its debt burden was more than doubled. Prior to privatisation, it owed £330m to the National Loan Fund; after privatisation it owed £733m to a consortium of banks (Abbey National, Barclays, HBOS and Bank of America). Needless to say, the latter is at a significantly higher rate of interest than the former.

This is clear from the National Audit Office (NAO) report on the transaction published on 24 July:

"NATS' initial financial structure saw NATS' debt rise from £330 million to £733 million to cover the sale proceeds paid to the Government." (Summary, paragraph 16)

So a transformation that was supposed to provide NATS with access to bucket loads of private finance for investment, not to mention untold benefits from private sector management and private sector economic disciplines, began by saddling it with an extra £403m of debt. To put this figure into perspective, its annual revenue was around £600m in 2000/1, so this extra debt amounts to around eight months revenue, which it is having to pay back with interest to the banks over the next 20 years.

This extraordinary state of affairs came about because the partner chosen by the Government for the NATS Public Private Partnership (PPP) – the Airline Group – paid a mere £50m for its "partnership" and a 46% share in NATS. The Government ended up getting £758m as a result of the transaction, but the bulk of that came from a £733m loan taken out, not by the Airline Group, but by NATS and

repayable by NATS. Of the £758m received by the Government, £330m was required to repay NATS' outstanding loans to the National Loans Fund, so the Treasury got around £428m net for the transaction.

Thus, the Government's reorganisation of NATS as a PPP was accompanied by an increase in its debt from £330m to £733m.

As its name implies, the Airline Group is a consortium of airlines: British Airways, British Midland, Virgin, Britannia, Monarch, EasyJet and Airtours, all of which are customers of NATS. A 5% share was reserved for employees, leaving the Government with 49%.

Why was this bizarre arrangement made, whereby a private partner was brought in for a nominal sum, but the partnership thereby created had to dramatically increase its bank debt in order to pay for the new partner's stake? The answer is the Treasury was adamant that the proceeds from the sale should conform, as far as possible, to its original estimate. As the NAO report put it:

"The Department and the Treasury attached importance to the potential proceeds from a sale. Some £500 million in receipts had been assumed in the Department's expenditure totals inherited from the previous administration." (Paragraph 1.9)

The eventual outcome was the product of the Treasury insisting on its pound of flesh despite the serious consequences for the new part-privatised NATS. That is how in July last year, NATS had its debt more than doubled.

NATS' BUSINESS

NATS provides air traffic con-

trol services in UK airspace, and jointly with Ireland in the Oceanic Control Area over the North-Eastern Atlantic Ocean. In the year 2000, it handled more than two million flights carrying around 200 million passengers.

Control of aircraft in UK airspace flying between airports, or en route to overseas destinations, is known as "en route" air traffic control, and this is NATS' major activity, accounting for about 82 per cent of its revenue (around £486 million in 2000/1). NATS is the sole provider of en route air traffic control in UK airspace. Charges for en route services are collected on its behalf by a division of the European organisation for the safety of air navigation, Eurocontrol.

A second source of income for NATS (around 13 per cent of turnover, or £81 million in 2000/1) is through control of aircraft arriving at and departing from UK airports. NATS provides air traffic services at 14 major airports, including Heathrow, Gatwick and Stansted. At airports, NATS recovers its costs either directly from aircraft operators or through charges paid by the operator of the airport.

Provision for airport air traffic control is a competitive market. Some airports provide their own air traffic control services, while others use private companies such as Serco.

NATS also receives revenue for services to the Ministry of Defence, for services to helicopters operating in the North Sea, and for various training, engineering support and consultancy contracts in the UK and overseas.

Prior to part-privatisation, NATS was a wholly owned subsidiary of the Civil Aviation Authority (CAA), which has a broad remit in the regulation of air transport. Crucially, it was relatively free to set its charges for en route services for which it was a monopoly provider. Unsurprisingly, therefore it was not a loss making enterprise, and turned in a modest operating surplus of around £50m a year in the 1990s.

Its safety record was (and is) second to none – there has never

been a fatal incident in UK airspace attributable to NATS. In terms of flight delays, it performed better than most air traffic control bodies in Europe, despite managing some of the most heavily used airspace over southeast England.

So, at the time when New Labour decided to partially privatise it, NATS was doing a reasonably good job. The one blot on its copybook was the delay in opening its new en route air traffic control centre at Swanwick in Hampshire. This was originally due to open in late 1996, but eventually opened only in January this year, some £150m over the original £475m budget. This was seized upon by New Labour as yet another example of the inability of public bodies to get major projects completed on time and on budget, for which the only cure is private sector involvement. Never mind that it was the private sector, in this case, the US supplier of air traffic control equipment, Lockheed-Martin, which had failed to deliver a functional system on time.

PRIVATE INVESTMENT

But the main reason given by the Government for the part-privatisation was that NATS needed to be free to have access to private capital for investment, and not have to compete with the NHS and other good causes for funds from the Treasury. The public-private partnership would, it was said, deliver vast sums of private funds to the business in the manner of a fairy godmother. Investment of £1bn over ten years was promised.

What has happened in practice is somewhat different: in addition to the £733m loan to pay the Treasury for its share of the partnership, the Airline Group negotiated further bank facilities of £690m for NATS to fund future capital expenditure. Needless to say, the cost of this borrowing is significantly dearer than public sector borrowing. However, because of its present financial difficulties, NATS is in breach of the terms of these banking facilities and the banks are no longer allowing it to draw on them. To quote from the NAO report:

"The impact of the events of

September 11th on NATS' revenue base were such that the company may have been construed as being in breach of certain of the provisions within its banking facilities. As a result, NATS agreed that it would not seek to make further drawings under the loan facilities over and above the £24 million already drawn and would fund capital expenditure from operating cash flow." (Summary, paragraph 17)

So, far from there being vast sums of private funds for investment as envisaged by the Government prior to part-privatisation, at the moment NATS is having to rely on its operating surplus, which has been depleted not just by the downturn in revenues post September 11, but also by having to pay off a £730m loan to pay the Government for the Airline Group's stake.

DECREASED CHARGES

In principle, any investment funds NATS required could have been generated, without recourse to the Treasury, or to these bizarre PPP arrangements. A modest increase in en route charges would have done the trick, since NATS was (and is) a monopoly supplier of these services – air traffic control charges represent only a few per cent of airline costs, so a modest increase would have little or no impact on flight volume.

(Though NATS en route charges have declined in real terms in the 1990s, at the time of privatisation they were amongst the highest in Europe. There is a standard method of charging in Europe, based on the weight of an aircraft and the distance flown, so comparisons can be easily made. In 2001, a 50 tonne aircraft, for example, a Boeing 737, was charged around 87 Euros per 100 kilometres in UK airspace controlled by NATS, compared with 52 Euros in French airspace and 49 Euros in Spanish airspace (see NAO report, Figure 2). Eurocontrol collects the charge for a flight from the aircraft operator and divides it up amongst the various air traffic control bodies through whose airspace the aircraft has flown.

Whether these comparisons are valid is a matter of dispute. NATS

claims that meaningful comparisons with Europe are impossible, because the nature of the traffic differs from one provider to another. For example, in UK airspace there is a smaller proportion of overflights, which yield the most revenue for the least work, than most other European providers (see House of Commons Transport Select Committee report on NATS finances, published on 17 July, paragraph 31).)

The Government chose not to go down that route of allowing NATS to raise its en route charges in order to generate investment funds. Quite the reverse: the establishment of the PPP was to be accompanied by significant decreases in these charges in real terms over the first five years of its life. That decision, coupled with the Government's insistence on a return of around £500m for the Treasury, is the root cause of the financial mess in which NATS finds itself today.

With the establishment of the PPP in July last year, NATS became an independent corporation separate from its parent body, the CAA. The latter was given responsibility for licensing NATS to provide en route services and for setting the charge for these services. The CAA was to be its economic (as well as its safety) regulator and it cannot increase its charge for en route services (which generate around 80% of its revenue) without the permission of the CAA. Charges for other NATS services are not regulated.

What is more, the Government laid down in advance of the PPP being established that in the five years 2001 to 2005, the charge would decrease in real terms (that is, after allowing for an increase in line with the RPI) by 2.2%, 3%, 4%, 5% and 5% respectively. Because of this, at the beginning of 2002, NATS was forced to decrease its en route charge by almost 1%, even though its revenues were lower than expected because of the events of September 11, at a time when other air traffic bodies in Europe were increasing their charges by about 13% on average to cope with the fallout from September 11.

(In February NATS applied to the CAA for permission to increase

its en route charge in real terms over the next three years. The CAA turned down its initial proposal but at the time of writing, consultations are ongoing.)

STRATEGIC PARTNER

The severe price cap imposed by the Government severely reduced the value of NATS, and made it much more difficult for the Government to achieve its target of £500m proceeds from the sale.

The Government chose not to sell shares in NATS to the general public, the route followed in most of the privatisations of the 1980s. Instead, a private corporate body was to be selected as a so-called Strategic Partner by means of a competitive bidding process. In this way, the Government had the ability to veto undesirable ownership.

Opponents of privatisation had made an excellent case for retaining NATS in the public sector on safety and national security grounds. That was why the Government chose to retain control over who owned NATS, while privatising 46% of it. It wouldn't look good if the monopoly provider of air traffic control services in the UK developed into an enterprise that obviously put profit over safety, or if Saddam Hussein Enterprises bought a stake in the body that provided air traffic control for the RAF (and the USAF).

To guard against this, the Government went down the route of selecting a respectable private Strategic Partner and keeping that partner in a straitjacket by means of a Strategic Partnership Agreement, which gives the Government a veto over a whole range of issues, including the disposal of equity and assets (see NAO report, Part 4). In extremis, the Government has powers under the Transport Act 2000 to place it in administration, as it did with Railtrack. All of which goes to show how unsuitable NATS was for privatisation in the first place.

Four consortia eventually bid to be a Strategic Partner: the Airline Group, Nimbus (in reality Serco), Novares and Raytheon. All of them had potential conflicts of interest. The Airline Group had an interest in

getting preferential treatment for its own members from NATS (and in low charges for air traffic control services); Novares and Raytheon, as air traffic equipment providers, had an interest in getting preferential treatment for the supply of their equipment to NATS; and Nimbus, as the UK's largest private air traffic control provider, had an interest in creating an effective monopoly out of which it could profit.

On 27 March 2001, the Government announced that the Airline Group had been chosen as its partner in NATS, "subject to completion later this year" (to quote from John Prescott's press statement at the time). The Government was due to get £845m proceeds from the deal, mainly paid for by a bank loan of £796m repayable by NATS. Had this deal gone through, the Government would have received £515m from the sale, after paying off NATS' outstanding £330m debt to the National Loans Fund, a figure very close to the £500m Treasury target.

But the deal could not be concluded – because the Airline Group could not get the necessary backing from their lending banks unless the Government was prepared to settle for less. The main reason for this was that by that time (May 2001) air traffic was declining, particularly, across the North Atlantic, due to the slowing of the US economy and the effect on tourism of the outbreak of foot and mouth disease in Britain. The Government had to settle for £87m less up front, that is, £758m, plus around £21m to be paid over the next 30 years. The final deal was signed on 26 July 2001.

CONFLICT OF INTEREST

Why did the Airline Group buy a stake in NATS? The members of the Airline Group have a direct conflict of interest with NATS. In their core business, they have a financial interest in low air traffic control charges, while NATS has an interest in pushing them up in order to maximise revenue. So why buy a stake in NATS? It cannot have been to get a commercial return on their £50m investment, since that might cost them much more in their core business through higher charges.

The NAO report says of their motives in bidding:

"The Airline Group was reluctant to see NATS controlled by any organisation which they felt might have a greater interest in maximising shareholder value, rather than in investing in expanded capacity for air traffic control." (Paragraph 1.17)

In other words, their investment in NATS was a defensive measure – to prevent any other body gaining an interest in NATS, and being in a position to push up charges for air traffic control services – and they do not expect to get a commercial return on their investment. (This is borne out by the fact that one member of the Group – EasyJet – has already written off its £7m investment.)

The Government must have been very happy with its partner's lack of expectation for profit. The last thing the Government wanted was a private sector partner appearing to make excessive profits at the expense of public inconvenience from air traffic delays, or even at the expense of public safety. The Airline Group, not only had an obvious interest in safety in the air, but also didn't expect to make a commercial return from its investment. With the Airline Group as a partner, NATS would not turn out to be a Railtrack of the skies.

NATS OBJECTS

Prior to the deal being signed, NATS itself and the CAA, its regulator to be, objected strenuously to the proposed financial structure.

The then Chairman of NATS, Sir Roy McNulty, who was an enthusiast for the PPP (not surprisingly, since he had been appointed by the Government in order to be enthusiastic), wrote to the Department of Transport on 11 June 2001, and again on 15 June, describing the proposed financial structure as unworkable. These letters do not appear to be in the public domain, but Gwyneth Dunwoody quoted liberally from them in questioning witnesses before the Transport Select Committee (see the Minutes of Evidence accompanying the Commit-

tee's report on NATS finances, published on 17 July). She quoted him as writing:

"It seems clear the financial structure as currently envisaged will not work and that significant changes are required."

"Under current proposals, NATS' debt would be £350m higher and it would be very thinly capitalised."

"The financial plan should not require cuts in staff numbers on a scale which could put at risk the delivery of a safe and effective service."

"The structure must afford adequate financial headroom to cope with the uncertainties."

"The success of the PPP will be judged against whether these things happened in practice, not against the specific level of proceeds [to the Treasury] achieved in the short run."

Obviously, what was at issue was the massive loan that NATS was going to be forced to take out in order to pay the Treasury.

CAA OBJECTS

The CAA objected in similar terms in correspondence with the Department (which is available as an appendix to the Transport Select Committee report). A letter dated 23 May 2001 began:

"The CAA has profound reservations about the proposed high debt financing of NERL [NATS en route service], its subsequent ability to meet its obligations under the loan facilities and its ability to fund its development programme if it is buffeted by plausible adverse shocks."

The CAA had advised the Government, at the latter's request, on the price cap for NATS' en route charge in the first 5 years of the PPP from 2001 to 2005. The CAA proposed a decrease of 5% every year in real terms (which the Government had eased in the first three years – see above). The CAA made this proposal on the assumption that the debt-

equity ratio of NATS as a PPP would be around 50%, though they expressed reservations about that level of debt.

What was being proposed in May 2001 was an initial debt-equity ratio of 129% for the PPP (which would increase when the investment loan was drawn upon). This ratio was subsequently reduced to 110% when the banks insisted that the Government settle for less (see above). Obviously, the CAA had no idea that NATS was going to be saddled with an enormous debt in order to pay the Treasury, which meant that the price cap they proposed originally was not appropriate.

Another letter on 20 July 2001, a few days before the deal was finalised, said:

"A consequence of the proposed financial structure is that there is a much higher probability that NERL and the CAA may be faced with the need to re-open the price cap in the short term, within the first five years to ensure that NERL is able to carry out the investment programme which would meet users' preferences. This was never the policy intention."

DEPARTMENT IGNORES OBJECTIONS

The Department, then under the stewardship of Stephen Byers, ignored the warnings from NATS itself and the CAA, and the deal was signed on 26 July 2001. To be fair to him, it is clear that the Treasury was in the driving seat – the correspondence between his Department and the CAA was copied to the Treasury and the Department's replies were agreed with the Treasury.

(It was not coincidental that Roy McNulty resigned as Chairman of NATS on 25 July 2001, the day before the deal was signed. At first glance it might be thought that his resignation was a consequence of his stated objections to the financial structure of NATS under the PPP. In fact, it was because he was going to become the head of NATS' regulator to be: in early September he was appointed Chairman of the CAA.)

It cannot be said that the Depart-

ment did not seek expert advice on putting together the PPP. The total cost of the project to the Department was around £44m (see NAO report, Table 12), some of it incurred by NATS and the CAA and chargeable to the Department. Their lead advisers were the investment bank, Credit Suisse First Boston (CSFB) which was retained in September 1998 initially for 18 months at £222,000 a month, later extended to 33 months. (Apparently, it is not their practice to provide records to enable payment on the basis of actual time spent, so they had to be employed on a fixed retainer, whether they had any work to do or not). They received almost £9m in all for advice about the PPP. (Legal advice cost £13.7m).

Within months, CFFB got further work from the Government, this time to advise on the financial status of the new NATS. It was effectively bankrupt. According to the NAO report:

"In March 2002 the Department and Treasury were advised by CSFB that NATS was in a serious financial position and was at risk of defaulting on the terms of its loan agreement with the banks. Without short-term support, the NATS Board would have to consider whether the company should apply to be taken into administration." (Paragraph 3.39)

11 SEPTEMBER

Of course, the events of 11 September had happened in the interim, causing a severe downturn in air traffic. Throughout last winter, flights were down about 5% compared with the previous year, and revenue was down about 10%. The decline in traffic was most serious on trans-Atlantic routes from which NATS derives around 45% of its revenue. Since 11 September, not only has the number of air traffic movements declined, but also airlines have introduced smaller aircraft, which bring in less revenue (since the en route charge is based on weight as well as distance flown) but costs NATS as much to handle. NATS revenue in 2001/2 was around £55m less than projected, but significantly £15m of this was before 11 September.

The Government, and others responsible for the financial structure of the PPP, assert that the events of 11 September, and the impact on air traffic, were unprecedented and could not have been foreseen, and therefore it was nobody's fault that six months after NATS was established in its new form it was close to bankruptcy. This attempt to avoid blame might wash if the Department hadn't ignored warnings from NATS itself and from the CAA that the proposed financial structure would not withstand "adverse shocks" or if the Department had considered the possibility of a drop in air traffic occurring at any time.

UNPRECEDENTED?

The latter was not an entirely unknown scenario. Air traffic suffered a decline on three occasions in the last 30 years, in 1973 and 1979 when oil prices rose sharply and in 1990 as a consequence of the Gulf War. But according to the NAO report, although the Department considered 19 adverse scenarios, all assumed a consistent growth in air traffic. The NAO remarked:

"We consider that other scenarios could usefully have been tested, such as a lower traffic case, given the risks of growing economic recession in the USA and uncertainty as to whether airports could cope with four to six per cent annual growth in perpetuity. The economic regulator can adjust for such factors every five years when capping NATS' prices, but in the meantime NATS may encounter financial difficulties." (Paragraph 3.25)

When the NAO analysed the effect of adverse shocks on the lines of the two oil price hikes and the Gulf War, they concluded:

"During the Gulf War, the increase in military activity across the North Atlantic counterbalanced NATS' downturn in civil aviation, and we found that NATS finances may have dealt with such pressure. Conversely, given a reduction in traffic on the scale experienced in both of the oil shocks, each of which lasted several years, we found that NATS would have been unable to meet its debt service obligations."

(Paragraph 3.27)

The Government didn't want to know about "adverse shocks" leading to a downturn in air traffic, which would inevitably translate into a downturn in NATS' revenue. It didn't want to know because that meant that the PPP would not be able to carry the level of debt necessary to give the Treasury the proceeds it wanted from the sale. So a blind eye was turned to the possibility of a downturn in air traffic.

When the downturn came after 11 September, NATS was in an impossible position. Unlike other air traffic control bodies it couldn't raise its prices in order to restore its revenue, and it still had the £733m halter imposed by the Government around its neck. It would have gone bust if the Government hadn't in March agreed to lend it £30 million on a temporary basis, a figure matched by its bankers. This facility ends on 30 September 2002. By then a permanent solution has to be worked out.

PERMANENT SOLUTION

The solution can only lie in three areas: raising revenues, cutting costs and raising additional finance.

NATS can do very little to raise revenues. Nothing can be done about traffic volumes and charges for its core en route business is subject to the approval of the CAA, which has turned down its application for an increase. There may be some scope for raising extra revenue from the other parts of its business but much of this is subject to competition.

NATS has proposed a programme of cost cutting, including staff cuts (though not amongst air traffic controllers whose numbers are scheduled to rise from 1946 to 2033 over the next four years). But many of the staff cuts are subject to new technology working (and to CAA certifying that safety will not be impaired by doing so). Cost cutting will not yield much in the short term. Ironically, making staff redundant has been delayed because the company hasn't got the cash to make redundancy payments.

As for raising extra finance, NATS banks are not willing to cough

up any more, so it is up to the main shareholders – the Airline Group and the Government – to come up with some way of additional equity or loans to get their business out of trouble. But, the Airline Group isn't interested. Understandably so, since it has got what it wants out of its partnership in NATS: it has prevented any other group getting it and pushing up charges for air traffic control services to the disadvantage of airlines. It got this blocking mechanism for £50m, on which it doesn't expect to earn a commercial return. Any further investment would be in the nature of a donation to NATS.

The Airline Group can sit on its hands in the certain knowledge that there will always be air traffic control services to enable it to fly its planes. The Government has international legal obligations to provide air traffic control in UK airspace. But, more importantly, the economic and social consequences of failing to do so could not be contemplated. Air traffic control is an essential public service, and at the end of the day the Government will have to stump up what it takes to maintain it, if no other source of funds is available.

However, at the moment the Government doesn't wish to be seen to be bailing out NATS so soon after putting together the PPP, which was supposed to solve all its problems. So for the moment at least the Government is not prepared to cough up on its own. A new private sector investor is being sought. The Government has said that it will match anything the new investor comes up with. The CAA may be prepared to ease the price cap in order in order to oil the wheels.

Negotiations are going on with BAA, which owns and operates the major UK airports, including Heathrow, Gatwick and Stansted. Like the Airline Group, it is a customer of NATS, with an interest in keeping the cost of NATS' services to it at a minimum. Is BAA going to put in money like the Airline Group without expecting a commercial return? And if so, what does it hope to get instead? Sympathetic consideration from the Government for extra runways at Heathrow and Stansted?

Notes On The News

By Gwydion M Williams

New World Inequality

"It is nigh on impossible for normal people to put themselves into the minds of the sort who planned or carried out last year's slaughter" says The Economist in its editorial of September 7th.

Ask any bomber pilot, I reply.

September 11th was an act by devout Muslim Arabs reacting to a sustained assault on their religion and their culture. The Western attitude is that they should be grateful for the assault on their religion and their culture, which is going to make them better, happier and more free. There is in the USA a genuine inability to understand why anyone should be less than delighted at becoming more and more like small-town America.

That's not the only problem. Whereas the Soviet Union was genuinely ready to absorb anybody in its Modernist culture, the USA wants to keep itself at the centre and intentionally defended traditionally-minded regimes like the Saudi dynasty that did not cause the immediate trouble that you got from secular nationalists. But a Middle East that was not allowed to develop in its own ways was a Middle East that was bound to borrow and adapt the Anglo-American idea of global terrorism based on aircraft.

Britain and America spent most of the 20th century developing the idea of 'strategic bombing' – destroy the enemy society rather than pay the price for a victory against the enemy army. The Germans also contributed, but Britain and America formed those policies without reference to Germany, which was encouraged by their example.

Iraq between the wars was one arena where the new policy was tried out. The notion of non-white peoples replying in kind was not considered, it was a great shock to discover during World War Two that the Japanese were excellent fighters and had developed aircraft that were in some cases better than the American equivalent. Japan was finally conquered, indeed, and Western lives were saved by using atomic weapons on basically civilian targets. But early Japanese success plus America's failure to win in Korea and its decisive defeat in Vietnam has led to much more polite treatment of East Asians.

By contrast, the various Arab-Israeli wars, and the Gulf War mean that the West still finds it safe to bully and disrupt the various Arab and Muslim countries. September 11th was a set-back in this process, but the USA has far more terrorist power than Bin Laden and has been using it. They now have a strong home defence and have found various work-rounds to avoid the inconveniences of the Geneva Convention and the normal rights of fair trial for suspect bombers. And now another mass killing in Iraq is being planned, with vastly less justification than existed for the first Gulf War. Slaughter of Afghans and Arabs is normal politics, it is only slaughter of New Yorkers that is seen as incomprehensibly awful.

The Economist is the same magazine that vigorously supported the policies that led to mass starvation in the Irish potato famine in the 1840s, and in its official history insisted on the virtuousness of letting helpless Irish starve. (This is documented in my book *Wealth Without Nations*, for those who'd like the details.) The value of human life grows or shrinks according to the

status, wealth, skin colour, religion and nationality of those who die.

Talk of ten thousand deaths from the Two Towers soon shrunk to 6000, and stuck there for some time until it was admitted that there was double counting and that it was 3000 or so. Meantime the Afghan war had cost rather more lives than that, and who commemorated them? Deaths among the US Overclass are treated as vastly more important than deaths elsewhere.

People established the custom of two minutes silence for at least 9 million dead in the Great War, that's 75,000 per second and 3000 should merit one twenty-fifth of a second.

Firemen die all the time and don't get many commemorations, nor even all the equipment they need, with the general demand to cut 'wasteful' public spending.

Don't Let George Do It

Unleash the lemmings of war! Or words to that effect, because there is every possibility that the West will be worse off with Saddam gone than they are with Saddam in place.

The First Gulf War ended because Iraq was able to lob missiles at Israel, and no one could be certain if he could throw something worse than high explosives. Saddam for the moment has an interest in keeping whatever weaponry and knowledge he had. This is the policy of the entire Baathist movement, a coherent secular development that has tried to absorb Western values into a society where they do not grow naturally.

A recent report warned that Iraq could build a nuclear bomb if they had the fissile material. But so could any competent engineer, which is why there are strict controls. (And why it was amazingly foolish to let controls slip when the Soviet Union fell apart)

Saddam survived, avoiding the ignominious fate of other Cold-War Western allies like Ceausescu in Romania, Mobutu in Zaire, Sukarno in Indonesia. He's lasted more than a decade after they tried to be rid of

him, refusing to write off the debts of the war he had wages on Iran on the West's behalf. He plans to go on surviving—but who knows what he and other Baathists might do if they knew they were doomed?

Is this being seriously thought about? Or are there other motives? Talk of a war against Iraq has helped deflate a market that was anyway grossly over-valued. And it diverts attention from what could be turning into a 'double-dip' recession.

Millers' tales

As part of the general campaign against the democratically-elected government of Zimbabwe, it is suggested that they've refused food-aid for their hungry people because it consisted of genetically-modified maize.

There has been no rejection of milled GM food, just to varieties that could be planted. Previous examples of 'food aid' being used as a Trojan horse for the USA's agricultural policies have been noted: maize that can be planted will be planted. In Zambia, there has been an outright rejection of GM food as 'poisonous', which it is not. But Zimbabwe and other African countries have taken a rational line—the maize must be milled, to stop their own agricultural policies being subverted.

The harassment of Soham

There was never the slightest reason for the events of Soham to become news outside of the immediate area (where there was a possibility that someone might remember something or have seen something suspicious). And as time goes by, there is less and less of a pretence that the media has any real sympathy for the unhappy victims. Rather, it is another outbreak of the unhealthy fetishisation of murder which is so much a part of English culture.

The motives for Soham killings remain unknown—the Soham suspects are universally considered guilty, but we are forbidden to know why. The excuse is always 'fairness', but there is no inhibition on naming names. But while this particular case remains enigmatic, the widespread fetishisation of murder

has been a motive for murder in the past, and assuredly will be again.

We currently have the great oddity of Ian Huntley being charged both with murder and with "conspiracy to pervert the course of justice". This normally applies when someone told lies to the police to protect a criminal, but had no part in the crime itself. It's the same charge that his girlfriend was finally charged with, after initial suggestions that she too was guilty of murder. So just what is going on?

It would have been better left to experts, perhaps with a panel of 'Lay Supervisors' drawn on the same basis that juries are selected, because the police will get up to all sorts of things if left unwatched. Local concern is natural, but the case would have been a minor item in the local press if the girls had been run over by a drunken driver, and the way the story was hyped was utterly unjustified. (Never before in the history of news reporting has so little been said so often by so many.)

Would this mean curbing the freedom of press? Of course it would. And there is every reason to forcibly stop them making a public spectacle of the lives or tragic deaths of the innocent. The reality is that the 'freedom' of the press is curbed all the time, mostly by commerce but also for military-security reasons. And by the law, rather irrationally, with intimate details of people's personal lives becoming media entertainment if the truth (or even the untruth) has been uttered in a court of law under the control of the lawyers.

Driven To Death

Is there a real concern for young lives? Figures for the risks to young people in England are:

Killed or seriously injured on the roads: 530 per million.

Died in accidents: 48 per million.

Murdered: 4 per million
(Guardian, 28th August 2002)

You can find the Bevin Society at <http://members.aol.com/BevinSoc/is.htm>
the magazine is at <http://www.atholbooks.org/>.

No Wealth Without Profit?

by Michael Alexander

Old people requiring state-funded pensions are a hideous menace to the developed Western economies. Whereas old people drawing pensions from privately funded schemes add to prosperity and economic health. Or so we are told.

To someone not initiated into the Economic Mysteries, the two alternatives might seem exactly the same thing—old people getting money on the basis of what they did when they were younger. But this is vigorously rejected by the experts, who only coincidentally stand to make a nice living out of a complex mess of private pension schemes.

There are two issues—can private pensions give the same security as a state scheme, and what's wrong with a state scheme anyway? The security of private pensions is no small matter: even though the stock market slide seems to have halted, it has left a lot of elderly investors much worse off than they thought they were.

I explained last month (*Stupid Money and Market Bubbles*) that the fruit of 'smart-money' speculation must be at the expense of other investors, the 'stupid money' that gets less of a return than it would in a low-risk option like a Building Society account. People who fancy themselves as smart investors may end up with worthless paper, even with debts they cannot cover. People who put their money in a Unit Trust that has a wonderful past record may find themselves caught by a sudden reversal of fortune.

Anyway, the 'demographic crisis' is less serious than it seems.

More dependant old people are balanced by less dependant children. And since the society as a whole is getting richer, it can't be that difficult to pay the old a modest pension, almost always less than they earned as a worker. There should be no problem—unless the extra that could support the old is being eyed up by someone else.

If there are five loaves and ten people, everyone can have half a loaf. Alternatively, one person might take two loaves, leaving the other nine obsessively watching each other while they share the remaining three. Some might get half a loaf, some a third, some a quarter and some even less, but perhaps those with the smallest share are still getting more than they deserve. This is the point of dispute while the two loaves taken out of the common pool get overlooked.

That is just what has happened over the last 20 years. The richest 10% have got richer out of all proportion to the rest of the society. This is especially true in the USA, where the working majority of the society have been confused and deceived and are no better off than they were in the 1970s. Britain has a rather different culture and is less open to the same trickery, despite the 'truths' which the media bombard us with.

'Free' media are heavily biased towards business interests, the people who own newspapers and commercial television, the people whose advertising funds the system. It's a much more effective system than censorship, there are many voices but right-wing opinions are given a

huge advantage. Besides, there is so much data that most people are discouraged from thinking or trying to reason things out themselves.

The servants of money praise money, and are well rewarded for their work.

Money cannot exist in a social vacuum, but it can exist for a time in a moral vacuum, with people working a system they do not like or trust. This was the fruit of the social deadlock of the 1970s, when the Left fantasised about revolution but blocked the real reforms that were on offer by a demoralised ruling class.

The sociopathic economics of the Thatcherite counter-revolution assumed that people were naturally detached and uncaring. This economic 'truth' was not supposed to translate itself into a collapse of social norms—at least Thatcher was not expecting this to happen. But of course it did.

Thatcherism has left us with fewer social obligations and much less social security. Despite the extra freedoms, we are mostly less happy. And we are not in fact any richer than we might have expected if a different sort of Tory leader had repaired the Keynesian economic system and made it work as well as it did in the 1950s and 1960s. In the USA, middle-income Americans have simply been swindled, the whole benefit has gone to the richest 10%, and especially a stratum of some three million millionaires.

The New Right notion of 'making money' is nonsense. Money means nothing except as a measure of the total goods and services for sale using that currency. Stock mar-

ket capitalisations are at best a guess at how well a big complex enterprise is going to do in a fast-changing economy. (Marconi shareholders will get less than 2p for shares that were sold for more than £12 at their peak—where has the extra gone?)

Back in the 1960s, a stock market crisis was a problem for rich investors, *not* for ordinary people. But changes to pensions have meant that everyone now has a stake. Wealth siphoned off by 'smart money' will ultimately come from the impoverishment of pensioners who were counting on private pensions to keep them secure and comfortable.

And why the change? Because of 'rational' economics. A system that dresses itself up in the garb of science, and was able to use its wealth and influence to create a spurious 'Nobel Prize for Economics' in addition to the five well-respected prizes created by dynamite-maker Alfred Nobel.

Beneath the 'rationality' of standard economics are some very strange and unproven notions, doctrines which are seldom stated explicitly. It is these unnamed assumptions which I want to draw attention to—and since there have no existing names, I've chosen to call them the Law Of The Immaculate Consumer and the Mystical Body of Investment Capital.

The Law of the Immaculate Consumer says that people in a free market act 'rationally', according to their own best interests. They do not panic, get greedy, follow fashion or make gross errors about their own best interest. If pressed, economists will admit that individual consumers do indeed do such things. But a mass of human and imperfect consumers are believed to spontaneously assemble themselves into an entity obeying the Law Of The Immaculate Consumer. All mathematical economics is built on this assumption.

The Mystical Body of Investment Capital is the belief that the wealth of the society is only being increased when there is a positive return on capital invested. This began with Adam Smith, asserting that work is only *productive* when it

yields a profit to some individual investor. He admitted that other activities may be very necessary and even more honourable. But they are not *productive*, even when nothing could be produced without them.

Adam Smith was the inventor of the New Right idea of *burden-some* public spending that was weighing down the natural dynamism of the private sector. Actual economies do rather the reverse of what you'd expect, if the Mystical Body of Investment Capital were a real phenomenon. Britain from 1760 to 1830 was one of the highest-taxed states in Europe, just as the Dutch had been in their time of greatest success.

In modern times, Britain's economic growth has not improved after a massive transfer of industry from public ownership to the private sector. Other economies, notably New Zealand, have carried through a wholesale 'reform' on New Right lines, and found themselves in a worse mess than when they started.

Why is the 'Mystical Body of Investment Capital' seen as more rational than the Roman Catholic claims to be the 'Mystical Body of Christ' (which itself is neatly refuted by actual Catholic experience, an authentic Mystical Body would have kept itself cleaner than any of the rival Christian Churches have ever managed.)

The 'Mystical Body of Investment Capital' was Adam Smith's alternative in the Age of Enlightenment. He was raised in Presbyterian Scotland, child of a devout and moderate Protestant who'd have preferred Scotland to be more like England. Smith in fact went to Oxford under a scholarship scheme that generally led to a career in the Church of England.

Somehow Smith was converted to Deism, a creed that devoutly supposed that the 18th century European norm was something like the End Of History, and which saw 18th century China as a superior civilisation whose values Europe should try to assimilate. Smith probably saw business and industry as a covert way of de-Christianising Europe—not a bad judgement in the long run. He was certainly keen to defend busi-

ness people and the gentry from demands based on Christian doctrine that they should distribute their wealth to the poor and stop putting traditional trades out of business.

Adam Smith also argued that landlords are essential because rent defines the value of land. Farmers would have no idea of their farm's value without rent to pay, obviously.

Adam Smith dare not argue that Christianity was stupid—he probably believed it was, but was extremely cautious about editing some of David Hume's anti-Christian writings, which were in fact ignored by most people. But Adam Smith could much more safely defend the spontaneous virtue of early capitalism, implicitly relieving it of the social obligations that tradition and religion had imposed upon it.

The doctrine of Adam Smith and of the modern New Right is called 'Rational Economics', and a lot of its critics have accepted it as such. But where's the *reason* in a creed built on oddities like Immaculate Consumers and Mystical Money.

If it is true that wealth can only increase if expressed as capital, then it is true that wealth can only increase if expressed as capital. That's the extent of the 'reason', though it commonly hides behind a screen of mathematics that *assumes* that wealth can only increase if expressed as capital. You'll look in vain for evidence for this 'central dogma'.

Mixed economies often do better when they have larger state sectors. This is evaded by choosing just the evidence that fits the doctrine. When East Asia's 'Tiger' economies were doing well, it was because they were not burdened by a large state sector. But when they ran into trouble, this was because they were guilty of 'crony capitalism'. Dogmatists always have a way of dealing with disobedient facts.

Looking further back, Russia's best period in terms of accumulating wealth and power began in the early 1930s when Stalin abolished the New Economic Policy, and ended in the early 1950s when Khrushchev re-introduced a semi-capitalist system. The more the Soviets introduced 'market reforms', the worse the

economy got. Stagnation turning into decline and impoverishment when Yeltsin replaced Khrushchev's semi-capitalist system with a supposedly free market.

Freedom in the Western sense has only ever been freedom within an agreed framework, a framework which the culture supports and which the state can enforce rigorously when necessary. In Russia, it barely existed when the Bolsheviks took power, and was totally absent when the Soviet Union was abolished.

Meantime the West was not what it had been. If a group of reforming Communists had quietly slipped into power in Russia in the 1960s, as they did do in Czechoslovakia, the two systems would have converged on an updated version of 1950s corporatism. It was Brezhnev's use of naked force to preserve an out-dated system that re-polarised the world and allowed the New Right to flourish as uncompromising foes of the old Cold-War enemy.

US political folly had got them into a mess in Vietnam, but the underlying soundness of the Keynesian semi-capitalist system was shown by NASA putting Americans on the moon, wiping out the propaganda effect of earlier Soviet victories in

space. The West could have stayed just as it was and still won the Cold War. But America in the 1970s was bewildered and confused and listened to siren voices proclaiming that their troubles were due to a lack of belief in 'market forces'

Private business used to be dominated by a culture of 'managerial excellence'. People would often work for the same company all their lives, more than two or three jobs over a lifetime was unusual. The ambition was to be part of a *great* company and to produce a product you could be proud of.

The 'shareholder revolution' changed all that. How dare the managers think about workers or products or anything except return on capital? Economists like Hayek, as well as Ayn Rand who was Alan Greenspan's guru, assured us that managers who followed the dictates of the market would do much better. Their reasoning was flawless—assuming that the Law Of The Immaculate Consumer was true and the Mystical Body of Investment Capital a real entity.

The Western system as it emerged from the crisis of the 1960s and 1970s was very different from what it was in the 1950s. Nowadays,

it can and does promote almost anyone from any background into the ruling strata, this is new and is profoundly unlikely to have happened without the Cold War challenge of theoretical equality under Soviet Communism.

All of this is a matter of culture—a culture contrast that changed markedly as the West sacrificed its traditional values for the sake of victory, while the Warsaw Pact refused to change because it thought it was winning after the USA's humiliating scuttle from Vietnam.

The economic lesson of the collapse of European Leninism is that it *wasn't* economics: all of those countries got poorer in the 1990s. The collapse was due to a corrupt and cynical system, plus the lure of a Western system with plentiful supplies of sex, drugs and rock-and-roll.

I have not the least desire for a return to 1950s values. I do say that its economic methods were valid, and that the dismantling of the state system has not benefited the working mainstream of the society. And it is also the right of the working mainstream to demand tax-funded pensions as a return for all of the wealth that would not exist without their work

Scott Ritter's speech at Stop The War Games meeting in St. Johns Church Blackpool on Sunday, September 29.

The meeting was held under the auspices of the Campaign Group of Labour M.P.s. Speakers were Tony Benn, Alan Simpson M.P., George Galloway M.P., Andy Gilchrist of the Fire Brigades Union, Bob Waring M.P., Jeremy Corbyn M.P. and Scott Ritter, whose speech is reported here. Chair was Christine Shawcroft.

Scott Ritter said he was a card-carrying Republican who had come here to appeal to the Labour Party to stop Tony Blair's support for George Bush. He emphasised that there is no point in simply desiring this: what is required is the will to make it happen. Warning against knee-jerk anti-Americanism, he said that Americans believe in the rule of law. But we are also cowboys and if you threaten us we will flatten you.

He said that the United States is now the one world hyper-power and it is necessary to recognise that this marks "A DEFINING MOMENT IN WORLD

HISTORY" because Bush has embarked on the entirely new policy of building a U.S. World Empire.

This must be stopped at all costs, not least because it will lead to a situation where U.S. citizens and others in the west will be in constant threat from terrorism - and my children will not be safe going down to the Mall.

Ritter stressed that the crucial role of the Labour Party Conference must be to threaten to wreck Blair's political career (!!!), to put him on the spot over his support for Bush.

Up to now Ritter has supported Blair's initiative with the U.S. but withdrawal of support from Bush is imperative at this time because nothing else will cause him to reconsider his options.

He said that as a serving Marine he had put his life on the line for his country because he believed in the U.S. Constitution and the rule of law. But this new U.S. policy would undermine the rule of law.

He said it was not true that the UN

weapons' inspectors had previously been expelled from Iraq. On the contrary, having been used for intelligence purposes by the United States, they were **WITHDRAWN BY THE UNITED STATES.**

He said there was a danger that a new Security Council resolution would impose conditions which went beyond UNSCOM's (the weapons' inspectorate's) remit. Blair's "Dossier" he said, was a "Junk Dossier, not worth a single drop of U.S., British or Iraqi blood".

The previous day (Saturday) he said he had attended a demonstration in London where 400,000 people had voiced their opposition to war in Iraq.

John Clayden

originally posted at <http://www.atholbook.org/labour/index.php>

Our Man in Espana

by Conor Lynch

Stalin and Orwell

Christopher Hitchens has written a defence of George Orwell, *Orwell's Victory*. My knowledge of Orwell is slight and on such claims that he was an informer or a racist, I cannot comment. Hitchens claims that Orwell's characterisation of the Soviet Union in *Animal Farm* is vindicated by history. I read *Animal Farm* as a teenager more than 30 years ago and thought then that it was a dishonest book. The central point seemed to be that Stalinism had replaced Czarism with Czarism, betraying some purer forms of anti-Czarism along the way.

Later I became acquainted with Trotskyism and felt that Orwell had been influenced by it. The Trotskyist criticism of the Soviet Union was thoroughly dishonest and could hardly have been otherwise. Trotsky, along with many, if not most, Russian socialists, opposed the Bolshevik Revolution. But he went along with it and did as much as anyone to develop the cult of Leninism. He was neither an effective Bolshevik politician nor an effective Bolshevik military leader. In politics he was a buffoon and in the Red Army he was a thug.

Revolutions, once they get going, can work themselves out in unpredictable ways. But the Russian Revolution worked out pretty well as Lenin had planned it for 17 years. If there was any betrayal, it was Trotsky betraying his own instincts in 1917 and continuing to do so till his death 23 years later. There was a kind of honesty in Orwell's suggestion that Stalinism was as bad as Czarism. I suspect many Trotskyists felt the same but could never say it. And as permanent revolutionaries could certainly never defend Kerensky's February Revolution.

The influence of Trotskyism has

been to make any critical assessment of Bolshevism impossible. That Bolshevism defeated Nazism is irrefutable. But did it also bring out the worst in Nazism? It postponed the development of globalisation for over 70 years. But it was the side of it which rejected Marxism that did so. In the last year Hitchens has come down on the side of the globalisers. Is he going to give us a critique of the Bolshevik Revolution from a globalist/Marxist perspective? I doubt it. When the academic, Brian Girvan, resigned from the B&ICO he added a footnote saying "the Russian Revolution should have happened." Since no more has been heard on the matter, I assume his P.S. meant, 'I wish the Russian Revolution had never happened.' I expect that's about as good as it's going to get for a while.

Orwell's *Homage To Catalonia* is supposed to demonstrate Stalin's betrayal of the Spanish Civil War. I read *Homage To Catalonia* quite recently. It's a small book but I missed that bit! It struck me as an honest account of Orwell's experience in Spain as he risked his life daily in a very vicious war. From conversations with men, most communists, who were there, it also seems to be an accurate account of events both at the front and in Barcelona. I've had reason before to comment adversely on the behaviour of the Communists. But they were also in the position of trying to make the best of a bad job. Their role in the suppression of the POUM, the Anarchists, and others would be more open to criticism if they had been merely another of many elements making up the Republican side. But that was not the case since the Republican govern-

ment never behaved like a real government. The Communists saw themselves, not unreasonable, as the only viable directing force in the war.

Stalin gave the Western CPs a free hand in Spain. He provided quite a lot of munitions but was not prepared to physically breach the British blockade. The possibility of an Anglo-German assault on the Soviet Union was no fantasy in 1936. An anti-Stalin bloc controlled Leningrad and other areas and the Red Army's loyalty was unknown. Stalin had his own problems. The only logic in the 'betrayal of Spain' position of Hitchens and other anti-Stalinists is that the Red Army should have fought the armies of Franco, Mussolini, Hitler and Chamberlain on Spanish soil. They will never say that. And so they will never say anything meaningful.

ETA

There can never have been a national liberation movement so totally indifferent to the opinions of the outside world as the Basques. Most Spaniards loathe them and I doubt they would want it any other way. Among the more enthusiastic supporters for the recently enacted Law of the Parties were the Catalan Nationalist Party. The Law of the Parties is aimed at banning Batasuna, the political arm of ETA. It is a general, catch-all, Act which allows the courts to ban any party giving sustained and repeated support to a "terrorist" organisation.

Batasuna could evade the Act by staying quiet about ETA or speaking in generalisations. But it won't. It will be banned and a name-change won't affect the ban. The government in Madrid will be happy. Batasuna won't care less. And the

effect on ETA will be nil or will be to its advantage. So far the Act has forced the ruling Basque nationalist party (PNV) to support Batasuna and announce that Madrid will have to send in tanks to remove Batasuna members from the Basque parliament and the Basque provincial and local governments.

The three Basque bishops and virtually every priest in the region has condemned the Law of the Parties. The Spanish Prime Minister, Jose Maria Aznar, has condemned the Basque bishops as "morally perverse". But his efforts to get the rest of the Spanish Church to gang up on the Basques have been unsuccessful. If this is a sign that Spanish Catholicism is moving from being the main prop of the state and the ruling class to reflecting the views of the people, it is a major social and political revolution in itself.

The second part of a two-pronged attack on ETA is led by Judge Baltasar Garzon. Some Spanish judges can investigate, try and sentence, all at the same time. Garzon has held Matasuna (and its predecessors) to be responsible for damage caused over years of public demonstrations by its members and supporters, and fined them E24 million. He gave them a few days to pay and has had their assets seized. He had to hurry and do this while there still legal. He calculates that they will be illegal by the time they can appeal his decision. My calculation is that they couldn't be bothered to appeal. Garzon is no right-wing fanatic. He is the judge who sought the extradition of General Pinochet from Britain and would have a lot of us and Latin American politicians in Spanish jails if he could manage it.

95% of Spanish MPs, all the national media, and probably the vast majority of the Spanish population want the satisfaction of seeing Batasuna banned. The only problem may be the superior courts who are increasingly getting fed up with the antics of the politicians and their vindictive or fact-saving laws. The government has criticised the courts for recently refusing to indict Batasuna leader who shouted "long live ETA". Technically the govern-

ment was right. But the courts took the position that that's what people do up in the Basque country and would the government please stop wasting its time.

The Law of the Parties will not affect one way or the other the steady movement of the Basques towards independence. And it will certainly not stop what Batasuna's leader, Arnaldo Otegi, calls "armed persuasion".

Spain & Morocco

On Thursday July 11th Morocco invaded Spain. Well, anyone listening to Chris Patten on his high horse could have assumed that that was what had happened. Moroccan soldiers occupied Isla Perejil, a tiny uninhabited island 200 metres off its own coast. The Spanish Guardia Civil, seemingly off their own bat, tried to take it back and were chased away. Spain said it was upset. The Arab League said it instinctively supported Morocco but would comment later when it had some clue as to what was going on. Most states and international bodies did the polite thing and shut up. Only Patten at the EU got excited. (Patten's other great achievements are wantonly annoying the Chinese during the handover of Hong Kong and being the Tories' only source of mass rejoicing when he lost his seat in the 1997 General Election.) Morocco said its leaders couldn't comment for three days as they were all out celebrating the King's wedding!

The 'invasion' is nonetheless a serious matter. It is designed to humiliate the Spanish leader Jose Maria Aznar while he is perceived to be in a weakened position. As I explained in the July L&TUR the Spanish government abandoned its pragmatic, inclusive positions sometime last year and went somewhat berserk. Aznar let himself become a puppet of Tony Blair, his "trusted friend". As well as attacking workers' rights, his government got very excited about immigration. Spain has one of the smallest immigrant populations in Europe, but a large number of what it has are from Morocco. These are skilled, hard-working people, not so much doing the

work that Spaniards won't do, but the work that Spaniards can't do. Spain began a campaign of harassment against Morocco, picking particularly on it for letting a trickle of black Africans through its territory and into the Spanish North African enclaves of Ceuta and Melilla, to the point where Morocco withdrew its ambassador.

Then came the Blair plan on immigration. Aznar, as President of the EU, and Blair proposed economic sanctions against countries allowing their nationals to illegally emigrate to the EU. When this was proposed at the Seville Summit in June, the French denounced it as "anti-humanitarian", the Swedes got downright sarcastic, and the proposal was dropped. Even before the Summit was over, the British spin-doctors, and their house lefties like Clare Short, were claiming that the proposal hadn't really been serious. So Aznar's "trusted friend" left him to carry the can. Morocco was in no doubt who the proposal was aimed at.

Then in the second week of July came the annual state of the nation debate in the Spanish parliament. Opposition parties are gleefully rubbing Aznar's nose in his own dirt—over immigration, social welfare and anything else they can think of (except the Basque questions of course!). This is effective. The debates are reported extensively on every TV news programme. The Moroccan timing is perfect.

Nablus Under Curfew - Save The Children, Under Fire !!

by Amer Abdelhadi

"I am unarmed, DON'T SHOOT, I work for an International humanitarian relief organization, DON'T SHOOT, I have a permit to travel, I have a four month baby in the car, PLEASE STOP SHOOTING" That was what Nadia was trying to say to the soldiers in the approaching, and continuously shooting tank in eastern Nablus.

'What was happening', Nadia brain was racing, 'the army would see my flag, the stickers on my car', she tried to comfort herself 'they may ask me to show some ID, so I should have everything ready'.

Nadia was driving back from work at the 'Save the Children International Organization in Nablus' with her work mate, Hadeel, and her daughter (Hadeel's) when they saw an army tank approaching from the opposite direction, shooting randomly.

Nadia's car held large and visible stickers and a flag showing the Organization's name and logo clearly. As she was told by her Journalist husband Atef, and many of her friends and co-workers, Nadia stopped the car completely as per Israeli army regulations.

The tank didn't stop. The sight and sound made the four month old baby in her mother's arms started crying. Nadia opened her side window and waved her curfew permit and ID. She and Hadeel held ID cards issued by the American Embassy showing that the card holder is a member or employees of an international organization and should not be delayed. The soldiers in the tank never stopped to even check their papers. The shooting from the tank was getting more close to them for comfort or even safety. Nadia decided the best thing to do was to get out of the car so the army would see her and see that she was really unarmed and not dangerous to them. The baby in the back seat was now crying hysterically.

Nadia got out of the car just in time. The windscreen in front of her shattered in thousand pieces from the directed bullets.

Nadia felt her life pass before her in seconds. She started urging

the soldiers "Look, I am un-armed, I work for a humanitarian international organization, I have a four month baby in the car, we have permits... etc. No avail.

The tank was now shooting between her feet, around her and at the car. When the windscreen was shattering, both Nadia and Hadeel knew they were targeted. The tank was coming very close and doesn't seem to be slowing down.

The soldiers in the tank never bothered to check documents or bark their orders through loud speakers as they usually did. They were after blood. Just then the tank was only few meters. Hadeel thought the sight of the crying baby could soften the soldiers up or make them change their mind. They slowed down alright, but only to throw a noisy smoke bomb at the car.

Both humanitarian workers freaked out. The smoke was choking them and the baby but the shooting continued. It was obvious the bullets would get them. If not by aiming directly, then by the blindness of the thick smoke. No one could see anything, including the soldiers.

Nadia, with the encouragement of people living by, ran for her life to the nearest house to her left. With the help of people, she was made to run to safety, all the while shouting "They are butchering us, they are now killing my friend Hadeel, they killed Hadeel, they are shooting her baby..."

Apparently, Hadeel took the chance of her life and her babies too. She made a quick run to her right and hid in a factory guard's post. All of them made it, safely.

The army tank stayed next to Nadia's car — with its signs and flags still intact — and in the area for few more hours before they finally left.

When Nadia's car was checked later, bullets were found on the steering wheel, around the doors, the dashboard, her driver's seat and the place where Hadeel and her baby were sitting.

It was reported that both ladies suffered a frightening shock. They couldn't understand the horrible ignorance for another human life.

They both talked about being so closed to death. Was it a game the soldiers were playing? Or is it just provocation?

Some four days ago, the army tanks, armored vehicles, jeeps, and large trucks invaded a building in the center of Nablus arresting everyone inside, blowing closed doors and launching a massive search — after they, the army, installed a large cannon on one of the top floors —.

Just over twenty four hours later, Israel's army evacuated the area leaving behind massive destruction to a large office building which the army shelled with cannon artillery setting it on fire and endangering the inhabitants living in a next door residential building. While the search was taking place, the army tanks surrounding the area bombarded shops, and crashed vehicles. Even the city famous clock was reportedly smashed.

It is said that the same army unit responsible for the destruction was the one attacking Nadia and Hadeel. With no international monitors to check on Israeli army behavior, the world community has granted Israeli soldiers a license to execute any one they feel like getting rid off. Those victims would be capital punished without trial, not even through the high ranking execution committees responsible for assassinating the so called 'wanted' people on their lists.

Nadia, Hadeel and the baby would be executed according to a decision made by the tank's commander. Not that Nadia and party were the only victims of state terrorism; they were some of the few cases the media had found about.

It is day ONE HUNDRED AND THREE since the curfew started. Nablus is still suffering. The world is watching, yet has done little.

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Nablus Under Siege
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