Why pit peace means danger

When the miners' strike was running it was clearly in the Government's interests to make it appear that the economic effects were minimal. Now that the strike is all but over, the opposite is true.

The economic effects of the strike divide, not always neatly, into direct costs and psychological impact on the markets.

The latter can be dismissed fairly quickly. The pound's muted reaction to the news of the ending of the strike shows that there was very little strike effect left in sterling. Indeed, the main fear yesterday was that the ending of the strike would be bad for the pound because of the marginal impact on oil demand.

The coal strike may have been an unhelpful background factor in some of the sterling and interest rate crises of recent months, but it rarely moved markets on its own. Even so, the absence of a helpful pre-Budget sterling bounce will have disappointed Treasury ministers.

The direct costs, inevitably for a one-year strike, are more important. New official figures on costing will not be published until March 19, although there did not seem to be any evidence of a quarrel in Whitehall yesterday with the £3 billion figure calculated by Gavyn Davies of Simon & Coates.

The more that this year's PSBR overshoot can be put down to the coal strike, the more Mr Lawson's target for next year will look credible. After all, a PSBR outturn of £10-11 billion does not look too disastrous if £3 billion of it is as a result of the strike.

The difficulty is that there will be other important carry-over effects into the next financial year. The danger is that, on these, the Chancellor will be as hazy on Budget Day as he was on the running costs during the strike.

These carry-over costs are in three main categories. In the first comes the repair and making good of the damage to coal faces, the replacement of machinery, the overhaul of power stations, and the recommencement of the National Coal Board's investment programme.

Precise costs are clearly impossible to estimate at this stage, but a figure of the order of £500 million has been talked about. Secondly, rebuilding pithead and power station coal stocks to pre-strike levels would cost £800 – £1,000 million. Even if it is assumed that stocks are only built up to half their levels before the strike, there is still a £400 – £500 million cost.

Finally, and also at this stage unquantifiable, are the permanent effects of the strike on NCB markets. In the long-term they may mean that the pit closure programme is chasing a target that is moving downwards. In 1985-86 they will mean that NCB losses are higher than they otherwise would be.

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