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THE THATCHER ADMINISTRATION: A SCORECARD

INTRODUCTION

The British victory in the Falklands War represents a very considerable achievement for Margaret Thatcher's government. In military terms it was, in the words of Mrs. Thatcher's report to Parliament, "boldly planned, bravely executed and brilliantly accomplished." It was also a remarkable diplomatic achievement to assemble a large international coalition, including Third World countries in the British Commonwealth, to support a military enterprise that inevitably had the flavor of an old-fashioned colonial war.

This achievement has been reflected in an upsurge of domestic political support for the Thatcher government. The latest Gallup Poll in the London Daily Telegraph (June 17) shows that the Conservatives are well ahead of other parties in public esteem. Forty-five percent of the electorate would vote Conservative if an election were held tomorrow, compared to 25 percent for Labor, 15 percent for the new Social Democratic Party and 10 percent for the Liberals. This compares with only 31 percent for the Conservatives, 29 percent for Labor, 20 percent for the SDP and 11 percent for the Liberals just two months ago. Mrs. Thatcher's personal popularity too has greatly increased. Fifty-one percent of the voters are satisfied with her performance as Prime Minister as compared to only 14 percent satisfied with Opposition Leader Michael Foot.

But is this popularity a temporary effect of the Falklands victory? Some reporters have argued that Mrs. Thatcher, like General Galtieri, has benefited in that the war has distracted attention from a failing British economy. In fact, the opposite is true. The excitements of the military conflict have obscured the increasing signs that Mrs. Thatcher's economic policy, after three years of recession and unemployment, is beginning to succeed.

Inflation is now down to 9 percent, from a 1980 peak of 22 percent, and still falling. Productivity increased last year by the Japanese-beating figure of more than 10 percent. The economic recession bottomed out in May 1981 and a slow but steady recovery is under way. This is still patchy. Housing starts are up 40 percent on a year ago, for instance, while industrial production has been static this year. But all the signs are that unemployment -- always the last indicator to show improvement -- will peak by the end of the summer and then start to fall. How has all this come about?

The election manifesto on which the Conservatives came into office proposed long-term solutions to Britain's economic problems, which were many. The remorseless rise of labor union power, combined with a readiness to use it to hold the country hostage in pursuit of higher wages, presented a particularly vivid hurdle following the winter just before the election. Termed the "winter of discontent," it had revealed the inability of government to cope with unprecedented industrial militancy, led by unions in the public sector of the economy.

The public sector itself had grown to constitute more than 40 percent of the economy, and was clearly preempting the resources needed for a healthy private sector. The Conservative manifesto promised to cut both the cost and the size of the public side of the economy and to limit the further growth of government. Promises to limit labor union powers were more circumspect, probably in the light of the failed attempt of the previous Conservative government (1970-74) with its abortive Industrial Relations Act. There were, nonetheless, pledges to restrict both the closed (union) shop and the powers of labor union pickets.

Britain's economic competitiveness had declined drastically. The country's standing as an economic power was on a downhill slide, and the standard of living, steadily declining compared to that of other nations. The Conservatives promised to restore Britain's economic fortunes by providing incentives for industry and growth. Economic activity was to be stimulated by means of lower taxes together with the removal of some restrictions on expansion.

The principal incentive offered was the promise to restore sound money. At the time of the election, the Conservative intention to end the inflation of previous governments by firm restriction of growth in money supply was perceived as a vote-winner. Widespread cynicism concerning government spending made monetarism seem an attractive alternative.

Conservative campaign materials focused on government failings: a picture of a hospital queue with the slogan "Britain Isn't Getting Any Better" drew attention to the fact that the waiting list for hospital treatment in Britain's National Health Service had mounted to more than 750,000; one of an unemployment line with the slogan "Britain Isn't Working" represented the

jobless, then totaling over 1.3 million, an unacceptably high figure by British postwar standards. The Conservatives made promises to act on these, and other, inadequacies in social achievement.

The central planks of the policy were to control public expenditures, curb monetary growth, allow more scope for private enterprise by cutting the public sector, and restrain the power of the labor unions. The Conservatives stressed that these were long-term goals, and they indicated that to turn the nation around after so long a period of decline would require the work of more than one parliament. The promises specifically precluded easy solutions generated by government programs. On the contrary, they stressed that the recovery would be gradual and genuine and would emerge from an economic reality for which government had generated the conditions, rather than the stimulus.

In setting out the theme for its program of national recovery, the Thatcher team broke with the past to a degree unusual in British political life. The policies leading to the unfortunate position occupied by Britain in May of 1979 were considered to have been perpetrated by both Labor and Conservative administrations. Mrs. Thatcher therefore reached back to the Churchill government of 1951, which was elected to office on the slogan "Set The People Free," to find a parallel determination to deregulate, cut back government, and liberate the forces of free enterprise.

Some of those members whose appointments to her cabinet were compelled by political reality, however, had achieved their status and power under previous Conservative administrations, which had practiced different policies. Because the British executive must operate within the legislature, the Prime Minister often has to include in it those who have significant power and influence on the back benches, that is, among the members of parliament of the governing party. While Margaret Thatcher had supporters in the cabinet, she also had to name some who were generally unsympathetic to her views.

The cabinet that took office in May 1979 thus contained "Wets" who opposed the promised radical policy changes as well as the "Dries" who supported them. In line with the usual pattern of British politics, by which a new prime minister gradually gains authority and influence over the party, Mrs. Thatcher was able, in her cabinet reshuffle in the Fall of 1981, to increase significantly the "Dry" wing. However, the initial cabinet divisions undoubtedly prevented an all-out effort on the policies that were proposed.

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At half-term, the Thatcher record of achievement is uneven. Among its key aspects:

THE LABOR UNIONS

The 1980 Employment Act made some changes but fell well short of Thatcher's pledges and was criticized by Thatcher supporters for its kid-gloved approach to the unions. Its basic elements were:

- * Picketing. Secondary picketing and certain other types of secondary action were outlawed. Secondary actions are those at places or firms other than the ones involved in the dispute. Coal miners' strikes, for example, depend on successful picketing of oil-fired power stations to bring the country to a halt.
- * Closed Shops. Protection was increased for individual workmen threatened by a closed shop. Compensation was to be paid by the employer if a worker were dismissed for refusing to join the union. Workers also were shielded against unreasonable exclusion or expulsion from a union in a closed shop.
- * Membership. Coercive recruitment tactics were declared unlawful.
- * Elections. Public money was made available to unions wishing to hold secret ballot elections.
- * Strikes. The unions were required to bear a share in the maintenance of the families of workers on strike.

These proposals were criticized as inadequate by both the Conservative Party and the press. It was pointed out that they did nothing about the violent, intimidating picketing, now the norm in Britain. They placed the onus of securing redress on the employer, instead of making illegal picketing a police matter. They did nothing about existing closed shops and permitted more to be established. They did not insist on secret ballots to replace the "show-of-hands" strike vote dominated by the militants or the "branch meeting" election of officers controlled by extremists.

In view of widespread dissatisfaction with such a cautious and hesitant approach to union power, a new Employment Act is scheduled to be passed in 1982. Its principal measures:

- * Closed Shops. Periodic review of existing closed shops is to be encouraged. Compensation for dismissal of non-union employees is to be increased. Trade unions will be obliged to contribute to dismissal compensation if they act to enforce the dismissal by pressuring the employer.
- * Union Labor. Contracts that specify union labor only are to be void and unenforceable at law. Discrimination

toward union labor in tenders and contracts will be unlawful.

- * Immunities. Union immunity is to be denied for all unlawful acts not carried out in contemplation or furtherance of trade disputes. The use of the term "Trade Dispute" is to be limited to cover only those between an employer and his employees.
- * Dismissing Strikers. Selective dismissal of those who remain on strike is to be removed from the category of unfair dismissals.
- * Ballots. Public funds are to be available for secret ballots on wage offers, as well as for union elections and strike votes.

PERSONAL TAXATION

The commitment to reducing the burden of personal taxation has been thwarted somewhat by the recession with its increased expenditures on unemployment relief and social security. Yet a number of gains have been logged:

- * All income tax rates have been reduced. The top rate on work income is down from 83 to 60 percent and that for investment income, down from 98 to 75 percent. The level at which the surcharge is imposed has been increased from £1,700 to £5,500.
- * The incidence of Capital Transfer Tax and Capital Gains Tax has been reduced.
- * A transfer from tax on income to tax on expenditure has been initiated. Thus, the Value Added Tax was raised from 8 to 15 percent, while income taxes were reduced.
- * Allowed earnings not affecting unemployment pay have been increased from 75p per day to £2 per day, to promote charitable work.
- * The taxable level for unemployment payments was raised from £10,000 to £25,000 to encourage those who had been laid off to set up in business.
- * Tax deductions for charitable giving were increased.

It is generally assumed that there will be significantly more cuts in personal taxation before the next general election campaign.

THE ECONOMY

However divided her cabinet, Mrs. Thatcher has had solid support in those ministries involved in economic policy. The determination to apply monetary controls and cash limits on government departments has been inflexible. Success, however, has been elusive. The public sector has remained costly and has grown as a proportion of the economy from 41 to 43.5 percent of the total. Ministers have been unable to enforce cash limits, and the totals have been exceeded each year.

Monetary controls have been more successful. The economy has begun to show signs of a monetary squeeze: rising numbers out of work, increased bankruptcies, lowered price increases. Yet the figure for the money supply has rarely been on target. Only for the last two months of 1981 did it fall into line.

Several explanations have been offered: 1) that the money supply was controlled on the whole, but that the measured M3 was incorrectly assessed; 2) that the forces causing the money supply to expand were in many cases still in place, frustrating the attempt to control the actual figure for outcome; 3) that the government had failed to control some sources of monetary increase (e.g., "distress" borrowing by recession-hit companies); and 4) that certain loopholes needed closing.

On the positive side:

- * Exchange controls were abolished.
- * The Price Commission was terminated, removing bureaucratic control of price increases.
- * Official control of pay and dividends was allowed to lapse.
- * Cash limits cut £5 billion from the 1981 public expenditure figure planned by the previous administration and have helped to curb at least the rate of increase in government spending.
- * The rising rate of inflation inherited by the government has been slashed. After soaring to 22 percent in May 1980, it is now only 9 percent. The private sector inflation rate is less than 8 percent, the public sector rate is over 20 percent. The economic strategy thus appears to have worked in the private sector, but not, clearly, in the area of the economy that is nominally under the direct control of government.
- * The foreign debt was reduced from its May 1979 figure of £22 billion to £14.4 billion.

THE CIVIL SERVICE AND BUREAUCRACY

The Thatcher government inherited a large and expanding bureaucracy. In addition to direct government personnel, totaling 732,000, there were the 3,068 Quangos (quasi-autonomous non-governmental organizations), which employed thousands of persons and cost huge sums. Some reductions have been achieved that have improved the situation slightly and are preventing, for a time, its becoming worse.

- * The Civil Service was reduced by 48,000 and is due to be down 100,000 by April 1984, making the service the smallest since World War II and saving £1 billion.
- * 68 scrutinies of government departments were completed, with 40 more still in progress. The potential savings from this is £190 million.
- * Civil Service pay increases have been restrained, thus preventing the service from being more attractive than private industry.
- * All Quangos have been brought under parliamentary scrutiny. Over 600 have been abolished. All new Quangos are now required to have a set termination date. Those already existing must be reviewed at least once in the life of each parliament.

THE NATIONALIZED INDUSTRIES

Overmanned, overpriced, unprofitable, and inefficient, the nationalized industries presented a major challenge to the Thatcher strategy. The 1970-1974 Conservative government had failed in its pledge to restore certain industries to the private sector. Thatcher has achieved some denationalization, although public spending on the automobile, steel, and coal industries has soared dramatically. Fear of exacerbating unemployment during a recession contributed to the Conservatives' continued propping-up operations for the ailing giants of British industry. Otherwise, there were solid achievements:

- * British Aerospace was converted into a corporation with half of its shares sold to the private sector.
- * 50 percent of Cable and Wireless, a telecommunications company, has been sold to the private sector.
- * British Airways was made a limited company in 1980. It is to be sold to private investors when market conditions improve.
- * Part of British Steel has been returned to the private sector as Allied Steel & Wire, Ltd.

- * British Steel may well be liquidated should it fail in its current drive for profitability.
- * The telecommunications equipment monopoly has been modified. Private firms can now supply, install, and maintain types of equipment other than the first hand-set.
- * The British National Oil Corporation has been prepared for sale to the private sector -- the largest transfer of state assets in history. BNOC's special privileged status has been ended. Oil revenue bonds, linked to the value of North Sea oil, will soon be available.
- * The private generation and sale of electric power has been legalized.
- * Certain aspects of the gas monopoly have been repealed. The decision was taken, but postponed, to sell gas retailing activities to the private sector.
- * The 1980 Transport Act eased the monopoly on long distance coaches, resulting in over 100 new services and dramatic price reductions (national bus and train fares came down in competition).
- * Private capital was introduced into British Rail subsidiaries. The top three BR hotels in Scotland have been taken over by a new private company. The private share in cross channel services is to become the majority holding through the sale of shares in a new holding company.
- * The 1980 Civil Aviation Act deliberately promoted greater competition between airlines.

These steps toward denationalization underline the government's intent, but the great bulk of state industry remains solidly in the public sector. The Thatcher strategy, apparently, has been to secure a little denationalization everywhere, rather than a lot in one place. Such a policy undoubtedly could be pursued more vigorously in a period of general economic growth.

INDUSTRY

General economic policies, led by the monetary restrictions, have achieved a leaner and healthier look for British private industry. Surplus manpower has been shed, inefficient firms have either adapted to reality or have closed down. Workers in many cases have cooperated in dismantling long-established labor restrictive practices. Productivity has grown remarkably. It is up more than 10 percent over a year ago. Pay settlements have been below the rate of price increases. There are already good recovery signs; indeed, such industries as electronics and aero-

space are thriving. These are the results of a number of Thatcher measures.

- * The development land tax was reduced and simplified; the 66 2/3 percent and 80 percent rates were changed to 60 percent.
- * The initial allowance for tax-exempt industrial building was raised from 50 to 75 percent.
- * Industry Act assistance has been used where necessary to induce foreign companies to locate in Britain.
- * Government aid for research and development has mounted to £200 million per year.
- * The National Enterprise Board and National Research and Development Corporation have merged to form British Technology Group, to cooperate with the private sector in spurring technological advance.
- * Government funds were allocated to bring microcomputers into every high school; to develop microelectronics, fiber optics, and robotics.
- * Eleven enterprise zones were established in depressed areas. Within them, the economy was encouraged by such measures as: no property tax for industrial and commercial premises, 100 percent capital allowances, zero development land tax, automatic planning permission for most projects, and abolition of industrial development certificates.

All these measures should prove useful to new industries starting up or existing businesses seeking to expand, once general economic conditions improve.

SMALL BUSINESS

Special emphasis has been placed on promoting small business. The government declared its intent to make risk taking and initiative more attractive and to change the whole climate in which small businesses operate. Last year, new businesses sprung up at a rate of 10,000 per month. More than 60 measures have been directed specifically toward benefiting small-scale and new businesses.

- * Individuals and companies are allowed to claim income tax relief (instead of relief from capital gains tax) on losses on investments in unquoted companies.
- * The business Start-Up Scheme allows outside investors tax relief for investment in certain classes of new business.

- * Less stringent conditions for tax relief have been established for closed companies (which include many small firms), industrial cooperatives, and partnerships.
- * The Small Company Corporation Tax was reduced to 40 percent.
- * A 100 percent tax allowance has been introduced for building and conversion of small industrial workshops.
- * Tax relief has been improved on retirement plans for the self-employed.
- * Requirements in respect to industrial tribunals, unfair dismissal, maternity reinstatement, and accounting disclosure have been eased for small firms. This has so far saved their having to handle over 1,000,000 government forms.
- * The government has published information to assist small firms in obtaining orders from the public sector.

These measures were designed to make the establishment of a small business attractive. The government feels that small businesses create most of the new jobs in the economy, and that in an increasingly automated industry, small businesses offering personal services could encompass a much larger proportion of the employment pool. The budget of March 1982 was marked by a series of further measures making it easier for small businesses to start up and flourish.

TRADE

While avoiding, for the most part, direct protectionist policy when recession made this seem a tempting option, the government's record in trade dealings is tinged with an economic nationalism that sits uneasily alongside the prevailing notions of free trade and competition. Trade ministers have made promotion visits around the world in support of British exporters. The Prime Minister has not hesitated to speak out abroad to encourage British sales, and even state visits of the Royal Family have been used discreetly to draw attention to British goods. The results are impressive.

- * Britain's trade surplus achieved a record £2½ billion in 1980/81.
- * The Trade Department Promotion Organization was restructured and strengthened, and the Export Credit Guarantee Department has been particularly active in overseas trade projects.

- * A protectionist measure placed 95 percent of the imports from low-cost sources that threatened Britain's textile and clothing industry under actual or potential restraint.
- * The Protection of Trading Interests Act of 1980 was enacted to protect British companies against extraterritorial application of the laws of other countries.
- * A voluntary agreement was negotiated with Japan to limit auto exports to Britain.
- * Compulsory fowl slaughter, instead of vaccination, was reintroduced in August 1981, nominally to give increased protection from the disease Fowl Pest, but with the effect of preventing low-priced French turkeys from flooding the British market.
- * Agreement was reached in the European Community Council of Ministers on controlling the import of cheap fish from non-EEC countries.

These measures reflect a tendency, already noted by the press, toward a "Great Britain, Inc.," similar to the idea of "Japan Inc.," in which the resources of government are deployed to the advantage of national trade.

ENERGY

The 1979 oil crisis drew attention once more to the industrial world's dependence on oil. Britain has its own supplies of oil, gas, and coal, but is still affected by the fortunes of its trading partners. The government's action on energy has therefore anticipated the future depletion of fossil fuel reserves.

- * Two new advanced gas-cooled nuclear power reactors have been approved, and the first pressurized water reactor is being considered.
- * High investment in coal mining has greatly improved productivity. The government has supported investment in an oil-from-coal plant.
- * Energy conservation has been improved by information and publicity and by increasing resources for home insulation and other conservation assistance. Gas flaring at North Sea wells has been reduced by half.
- * The seventh round of North Sea licensing attracted a record response, and 79 exploration licenses were awarded. An additional 57 exploration and 19 production licenses have been granted for onshore sites.

HOUSING

Britain's housing market has for many years been seriously distorted by two factors -- subsidized-rent "council" housing owned by local governments, which constitutes about one-third of all houses, and national rent control acts that have made it very difficult to obtain a fair return on investment by renting houses. Other measures have made it virtually impossible to remove sitting tenants, even for non-payment of rent.

Many of the government's housing measures are aimed at such longstanding problems and at encouraging more homeownership by occupiers.

- * The right to buy government-owned houses and apartments has been enacted, together with the right to a local authority or Housing Corporation mortgage. It grants tenants a discount on the market price of 30 percent if they have resided there for two years, rising to 50 percent off after twenty years. Those who cannot buy outright can, for £100, obtain a two-year option-to-buy at the same price. The sale of 160,000 houses has been completed; a further 380,000 are in process.
- * Local authorities have been authorized to increase their Housing Investment Program allocations by the release of land for "starter" homes.
- * The government has promoted and encouraged partnership schemes, whereby local authorities and private housebuilders can jointly develop housing for sale on local authority land.
- * The 1980 Housing Act allocated grants to local authorities and housing associations to improve dilapidated dwellings for sale.
- * Local authorities can waive up to five years' interest on mortgages granted for urban homesteading (buying unimproved homes very cheaply for renovation).
- * The 1980 Act empowers local authorities and the Housing Corporation to guarantee Building Society mortgages for low cost dwellings. (Building Societies, like Savings and Loan Associations in the U.S., provide most of the loans for private house purchases).
- * Tenants have been granted the right to take in lodgers and sublet, to improve the home, and to be consulted in matters affecting the tenancy.
- * A new class of renting called "shorthold" gives landlords guaranteed repossession on tenancies of one to five years, making private renting again a financially appealing option.

- * The government has provided special incentives for local authorities to lease houses for up to one year to those coming to the area seeking jobs. Authorities may also now offer empty properties at a discount to such job seekers. The aim is to remove the barrier to job mobility created by subsidized rents.

By supporting below-market rental policies at both the national and local level, the Labor Party has always mustered a solid block of votes from council house renters in every town in Britain. Because of the support of this large class of beneficiaries, these policies are not easy to change, and private homeownership has been discouraged. The recent government incentives, however, have stimulated some to buy their council houses; and this small percentage will change their voting habits. It is also thought that buying council houses will become more popular as people become more confident of their economic future.

LOCAL GOVERNMENT

Local governments levy property taxes on business and householders but depend on the central government for two-thirds of their budgets, for which they provide a wide range of services, including education and police. They comprise a substantial portion of the public sector of the economy and are prone to its defects. In spite of the subsequent conflict with local authorities, the Thatcher government has tried to cut the costs of local administration.

- * A "block grant" system has been instituted, giving authorities the ability to exercise judgment about spending priorities while bringing local capital outlays within overall control.
- * Local authorities have been required to publish information concerning performance and use of manpower. This has uncovered inefficiencies. The local government workforce has been cut 3.2 percent.
- * More than 200 bureaucratic controls over local authorities have been repealed or cut back.
- * New directives have reduced the time needed under zoning laws to obtain permission for area development. It is down from an average 37 months for approval for an area structure plan to a still high average of 21 months.
- * The Department of the Environment has issued directives to promote the use of contracts with private businesses to replace direct labor in cases where savings can be made. For highway projects of over £100,000, new buildings and water/sewage projects of over £50,000, and for building maintenance work in excess of £10,000, the work

must go to tender, with private businesses invited to compete.

- * Several local authorities have turned to private firms to provide an increasing share of public services.

Despite these actions, an unresolved dispute persists between high spending local authorities and a government determined to bring them under control. The fact that some localities are committed ideologically to a high-tax, high-service policy, and try to maintain manpower at the maximum level, has led the Thatcher government to introduce new measures to limit increases in commercial and industrial property taxes, and to restrain the local councils from imposing supplementary increases during the year.

AGRICULTURE

Much of Britain's policy toward agriculture now revolves around negotiations with EEC partners. In spite of EEC policy to the contrary, Britain has tried to discontinue the EEC subsidy of the small and inefficient "peasant" farmer, and within U.K. agriculture itself, the government is encouraging rationalization. As a result, agricultural production increased by 11 percent in 1980 to its highest level ever, making Britain 60 percent self-sufficient in food, and 75 percent in native foods. Food exports expanded also, to over £3,000 million. Food price increases in Britain since 1979 have been substantially below the rate of inflation. The Thatcher policy, on the whole, reflects a determination to support agriculture, and to practice economic nationalism in the same way as do Britain's EEC trading partners in agriculture, especially the French.

- * About 40 percent of the statistical forms required for farming have been eliminated.
- * The Advisory Council for Agriculture was terminated with further rationalization of the ministry's regional organization. This saved £4 million.
- * £5.5 million has been given to help the greenhouse interests compete with Dutch products using subsidized gas.
- * Milk prices to farmers have risen by 17.1 percent. Hill farmers now receive 89 percent more for hill livestock. Lamb prices to farmers are guaranteed at 40 percent higher. £40 million extra has been given to the fishing industry.

EMPLOYMENT

Unemployment has increased throughout this government's term of office. It currently stands at about 3 million, a figure not

matched since the depression of the 1930s. The old Keynesian remedy of monetary expansion, which created inflationary havoc, has been specifically eschewed, but the monetary restraint designed to bring long-term health has inevitably dislocated overexpanded sectors. The impact of the new policy has shaken surplus manpower out of the private sector, although it has been less effective at controlling the public sector of the economy. Many of the government's innovations in employment policy are designed to alleviate the social consequences of joblessness, to soften its blow in human terms, and to lessen its political impact. Critics have argued, on the the other hand, that the policy has not gone far enough and that it is still quite profitable not to work in Britain, compared with the costs of being in a low-paid job. To deal with the problem of unemployment, the government has taken a number of measures.

- * The Temporary Short-Time Working Compensation Scheme has enabled firms to avoid some lay-offs when orders were low. It helps 370,000 people currently.
- * The Job Release Scheme encourages older people to make way for the young by retiring early. The qualification age is now 62, and the unemployed over 60 can retire at a higher rate of benefit than they would receive for remaining on the list of unemployed. 52,000 workers have taken advantage of job-release.
- * The Youth Opportunities Program, under which the government paid basic wages to young people employed on the program for their first six months, provided 360,000 jobs in 1980/81 and 550,000 in 1981/82. The program focused on training to be provided by employers in return for "free" employees.
- * During the current financial year, the Community Enterprise Program will provide 25-30,000 jobs for the long-term unemployed.
- * A innovative scheme started in 1982 reimburses employers £15 per week for each under 18 year-old they employ at less than £40 per week, and £7.50 for those earning £40-45 per week.
- * Even more innovative is the plan under which all youngsters would receive a year's job training after school, at pay of perhaps £15-18 per week. Unemployed youth who refused to enter the scheme would lose unemployment pay. Those in paid employment would be exempt.
- * 66,000 adults received skill training under the Training Opportunities Program in 1980/81, with the emphasis shifted from clerical and commercial occupations to computer and electronic skills.

- * 20 information technology centers were established in inner city areas to train young unemployed persons in high-tech skills.

The unemployment statistics have long been criticized as misleading because they include those who do not want jobs, wives who would prefer part-time jobs, etc., as well as unemployed breadwinners who have failed to find work for more than three months. The government has skewed the figures in the other direction by placing large numbers into programs which removes them from the politically sensitive roster of unemployed.

SOCIAL SERVICES (HEALTH & SOCIAL SECURITY)

The National Health Service has continued to consume vast resources. The cost has increased in real terms from £8,850 million in 1978/9 to £9,156 million in 1981/2 (at 1980 survey prices), and staff had mounted by 1,000 doctors and dentists, 8,000 nurses and midwives, and 5,000 additional professional staff in England alone by September 1980. A good sign is that the numbers voluntarily choosing private insurance (on top of their compulsory payment for the NHS) have increased dramatically. Already it is 1 in 15, and rising at a rate which will take it to 1 in 5 by the end of the government's term. Meanwhile, the NHS waiting list for hospital beds is down by 110,000 to 641,000. Among the Thatcher measures:

- * A complete tier of management has been abolished at the area level, helping reduce management costs by £30 million a year.
- * Departmental circulars and notices sent to the Health Service and local authorities were cut from 247 in 1978/9 to 69 in 1980/1.
- * The government repealed Labor legislation that would have eliminated pay-beds (private) in NHS hospitals. In addition, the government has eased restrictions for the establishment of private hospitals and abolished the Health Services Board that had administered these policies.
- * Tax relief was granted for private medical insurance given by employers to those earning below £8,500 a year, thus giving a major boost to the developing private sector.
- * Funds to aid voluntary agencies have been increased, tax relief worth £30 million a year was granted to charities, and a new emphasis placed on voluntary health and social work.

Social security outlays, accounting for one-quarter of all public expenditure, are pushed upward during economic hardship.

The government has tried to direct more of the spending to areas of genuine need.

- * Retirement pensions were raised by 52 percent (against a price rise of 49 percent). The government promised to maintain the buying power of pensions over the lifetime of this parliament.
- * Supplementary benefits (the recourse of the four and one-half million low-income persons) have been protected against rising prices, as have mobility allowances and attendance allowances for the disabled.
- * 1,000 extra staff have been recruited to deal with social security fraud, saving a net £40 million per year. Social security has been reduced for workers on strike.
- * Special help with heating bills was allocated to pensioners and low-income families. Extra help was provided for children under five. Single parent families were forgiven half their earnings up to £20 per week for social security purposes, thus encouraging part-time work and less dependence on the state.
- * Discretion has been replaced in many areas by clearly defined rights, and more equal treatment of women introduced.
- * The budget of March 1982 ensured that all benefits kept ahead of price inflation.

EDUCATION

Education has long been a political football, tossed between local and national governments. Ideological commitment to equal treatment obliges Labor to oppose private education or selective education of special talent. Comprehensive education is the norm, with the private sector providing for only 6 percent of parents and children. Thus education for most is "free" and is also compulsory until age 16. Parents have had little choice as to where to enroll their children. The government's changes so far have avoided the general structure of education but have concentrated on detail. There is general dissatisfaction in Britain with the state of education, making it a likely field for new policy initiatives.

- * The 1980 Act gave parents the right to express preference for the school of their choice. Local authorities were enjoined to comply as far as possible and to publish information about their schools to help parents choose. The Act gave schools a separate governing body and introduced parent and teacher governors in all state schools.

- * The Assisted Places Scheme provided public money to allow deserving children to attend private schools.
- * The pupil/teacher ratio has been brought down to 18.6/1, the lowest ever.
- * Special retraining and rewards for shortage subjects has resulted in greater numbers qualified to teach physics, chemistry, and mathematics.
- * A review of school curricula has suggested emphasis on the basics of mathematics, English, a foreign language, and science.
- * Increased provision has been made for technical and vocational training of 16-19 year-olds. A new £60 million program aims to extend the educational training for post-16-year-olds in both schools and colleges.
- * There have been reductions in public funding of universities and colleges and a switch from the arts to sciences and technology.
- * The indiscriminate subsidy to overseas students was eliminated, reserving aid for cases of need, and effecting a savings of £100 million.

DEFENSE

Labor, Liberal and Social Democrat critics of Mrs. Thatcher's defense policy have criticized the decision to acquire the Trident system of nuclear missiles which would give Britain nuclear independence well into the 21st century. Some Labor and Liberal politicians have done so on the grounds that Britain should not rely on nuclear weapons at all. But more moderate opponents, like the Social Democrat MP and former Foreign Secretary David Owen, argue that Trident is too expensive, that a "stretched" Polaris system would suit Britain's limited needs just as well, and that Trident can only be afforded at the cost of cuts in conventional defense spending.

This last point is echoed on the Tory side amid particular anxiety about cuts in the Navy. Indeed, Mr. Keith Speed, the Navy Minister, resigned on this issue last year. Support for this view has grown since the Falklands crisis. It has been pointed out, for instance, that if General Galtieri had waited a year before launching the invasion, Britain would not have been able to mount so large a naval operation. The "Invincible" aircraft carrier would already have delivered to Australia (it had already been sold). As a result, there is certain to be a second look at the navy cuts and it seems likely that naval expenditures will be increased. This does not necessarily mean that Trident will be scrapped. In the post-Falklands atmosphere

of admiration for the armed forces, it will be politically much easier to increase defense spending in total. There will also have to be an additional expenditure to garrison the Falklands if Argentina continues hostilities. Some estimates put this as high as \$400 million a year.

- * Civil Defense spending was increased, more information published, and a national civil defense coordinator appointed. The creation of a new civil defense force was announced.
- * The government kept to its promise to increase defense spending by 3 percent per year for four years (in real terms). Expenditure is now 8 percent higher (in real terms) than during the last year of the Labor administration.
- * The government accepted the siting of U.S. cruise missiles to counter the Warsaw Pact's SS-20 missiles.
- * Service pay has been increased to ensure recruitment.

EUROPEAN COMMUNITY

The inherited position was unenviable. Britain, one of the less rich members, paid the bulk of the community budget and was isolated in the EEC through suspicion of her intent to work within it.

Britain's uneasy relationship with the EEC came to a head during the Falklands crisis. Admittedly, the EEC did impose economic sanctions on Argentina. But there was evidence of reluctance; several EEC countries, namely Ireland and Italy, withdrew from the sanctions after one month; and the EEC extracted a high price for this support in the form of increased farm subsidies which are expensive to a nation like Britain with its very small agricultural sector. Furthermore, in the course of the farm debate, the other EEC countries overrode the British veto. This broke the "Luxembourg compromise" which, since 1966, has allowed an EEC member nation to unilaterally block any decision that it regarded as counter to its vital national interests. Britain has accepted this setback for the moment, but threatens to raise the matter again soon.

- * Britain's net contribution to the EEC was cut by two-thirds over two years, saving £1,570 million. A full review has been instituted, leading to a more balanced division of costs and burdens.
- * Britain has played a leading role in uniting EEC foreign policy to a much greater degree, and British initiatives have resulted in several EEC actions.

FOREIGN POLICY

The Thatcher administration has attempted to remove Britain from its weak position in the world's councils, a position exacerbated by the nation's economic malaise. Other foreign policy initiatives and achievements are hard to pin down and assess, but there have been some that appear to reassert a leadership role.

- * Britain took the initiative in ending the conflict and securing a peaceful transition to majority rule in Zimbabwe.
- * Britain took a firm stand in condemning the Soviet invasion of Afghanistan, and in proposing that there must be a political solution guaranteeing future neutrality.
- * Britain has been equally firm in defense of the rights of the Polish people and has helped initiate unified European policy on the question of response to martial law there.
- * Independence was granted to Kiribati, Vanuatu, and Belize.
- * Britain was clearly the force behind an EEC Middle East initiative, a move criticized by some as reflecting a pro-PLO bias.
- * Britain followed the lead of its ally, the United States, in economic sanctions against Iran and withdrawal of official approval for British participation in the Olympic Games.
- * Despite much criticism, Britain resumed arms sales to Chile.
- * Britain was the only European country to send official observers to the elections in El Salvador, despite opposition from the British Labor Party.
- * Finally, in the Falklands dispute, Britain was able to assemble an impressive coalition of support at the U.N. and elsewhere, including most EEC and NATO countries (except Spain, Italy and Ireland), the United States, and many Third World countries in the Commonwealth. One West African country, Sierra Leone, actually gave the British task force port facilities on its passage to the South Atlantic.

SUMMARY OF PERFORMANCE

While the Thatcher government has failed to reduce either the size or costs of the public sector, it has some notable achievements to its credit. A rising wave of inflation has been checked and brought down; and responsible, if erratic, management of the money supply has done much to restore faith in the sound-

ness of money. Measures of genuine help to economic enterprise have been enacted, so that business has been able to plan in a more rational environment. And Britain's strength of purpose was boosted mightily by its adherence to principle in the Falklands war.

While few major acts of denationalization have been implemented, numerous doors have been opened in monopoly powers through which growth can take place when the economy moves ahead. Incentives for private alternatives in transportation, postal service, telecommunications, local government services, and electric utilities are indicative of this trend.

If one were to attempt a verdict on the performance thus far, it would be that far too little has been done to control the public sector, and that it would be appropriate to expand the policy of encouraging alternatives. Overall, however, the minor changes will make openings for greater changes as economic growth occurs. A blade of grass now shows in every field.

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