REGIONAL FOCUS

Western Europe

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'A New Page in Relations' Between the East and Bonn

Neutralism creeps into West German thinking

Is West Germany drifting east? Officials in Chancellor Helmut Kohl's government dismiss any such suggestion as "silly," claiming unequivocal commitment to the Western Alliance. But in the wake of the signing of the treaty on intermediate nuclear forces (INF) in Washington last month, Bonn has emitted enough troubling signals to give NATO strategists a new attack of the German jitters. This week Kohl greets Soviet Foreign Minister Eduard Shevardnadze in Bonn for what the chancellor calls "a new page in relations" between the two countries.

As long as the issue of intermediate-range missiles was unresolved, those relations ranged from cool to frosty. Now West German politicians are rushing to proclaim the dawn of a new era. Foreign Minister Hans-Dietrich Genscher, who represents the liberal Free Democratic Party in the governing coalition, has long advocated a revival of détente and "the rejection of traditional stereotyping whereby the worst is always imputed to the Soviet Union." Conservatives who bitterly opposed the INF treaty are making similar noises. After meeting with Mikhail Gorbachev in Moscow last month, Bavaria's Prime Minister Franz Josef Strauss declared that there is no longer a need for the West "to be afraid of offensive, aggressive intentions of the Soviet Union."

Trouncing Reagan: The conservatives are catching up with the mood of the West German people. In recent polls, Gorbachev has trounced Reagan in popularity matchups. In West Germany this translates quickly into new political attitudes. According to an Allensbach Institute poll, 50 percent of West Germans now favor unilateral disarmament as compared with 35 percent five years ago; only 24 percent of West Germans now view the Soviet Union as a military threat as opposed to 55 percent five years ago. "People are losing sight of the fundamental fact of postwar European life that these systems remain incompatible," says Bonn University political scientist Carl-Christoph Schweitzer. "We've gone a long way toward equidistance."

Opposition Social Democrats and Kohl's Christian Democrats have discovered common ground in pressing for negotiations on the short-range nuclear missiles not covered by the INF treaty. Since those missiles are targeted mainly on East and West Germany, the politicians maintain, they unfairly "singularize" Germany as the nuclear battleground of a European war. Although the Soviet Union enjoys an overwhelming superiority in missiles in this under-310-mile range, the United States and other NATO nations fear that to open negotiations on them now will lead to a Soviet offer of a third "zero option": the outright elimination of all such weapons, leaving NATO vulnerable to the Warsaw Pact's superior conventional forces. Bonn's partners want to focus on conventional arms reductions first. But conventional talks will be a painfully slow process, throughout which Germany would remain a potential nuclear battlefield.

Richard Burt, the U.S. ambassador to Bonn, has chastised the right for propagating the "myth" that the INF treaty leaves only West Germany vulnerable to nuclear attack; the Soviet Union targets all of Western Europe and the United States, too. A few conservatives agree: "I would want to steer my countrymen away from this traditional sentiment that we are misunderstood and left alone," warns Thomas Kielinger, the editor of the conservative weekly Rheinischer Merkur. "There are about 400,000 allied troops in Germany, too, all under the same threat. Is that nothing to consider?" But in Germany, such voices have become a distinct minority.

Meanwhile, Genscher has escalated his pro-détente campaign to new levels, going so far as to blame Washington and other NATO countries for the lack of progress on a treaty to ban chemical weapons. He says Western concerns about verification of Soviet compliance are "new obstacles" to a treaty—a position that won Kohl's backing last week. According to aides, Genscher is convinced that the verification issue has been "solved" by Moscow's agreement in principle to inspection procedures—even though until a year ago the Soviets did not even acknowledge they had chemical weapons. Echoing the appeals of West German industrialists, Genscher also calls for fewer restrictions on high-tech exports to the Soviet Union.

Two-pronged game: Moscow is well aware of its new opportunities in West Germany. It has encouraged the notion that détente will produce lucrative trade and progress on other issues. In 1987, for example, a record 14,488 ethnic Germans—descendants of 18th-century German settlers in Russia—were allowed to emigrate from the Soviet Union, compared with 700 in 1986. On the arms front, Gorbachev has played a two-pronged game. He indicated to Strauss that he would settle for a reduction of short-range missiles rather than elimination. At the same time, Gorbachev has allowed East German leader Erich Honecker to pursue his campaign for a "nuclear-free East Germany and West Germany," which presumably would mean an end to not only short-range missiles but also nuclear artillery. In a 1986 accord with East Germany's Communist Party, the Social Democrats endorsed the Honecker plan. Some conservatives fear a trap: once talks on reductions gather momentum, an East-bloc proposal for a comprehensive "third zero" would become hard to resist.

"I think that there will be no denuclearized Europe in the foreseeable future," Kohl declared last week. Gorbachev exerts a strong pull in the other direction, toward neutralism on Soviet terms. "The Germans very closely identify with personalities, beginning with Bismarck," says historian Richard Pipes of Harvard, who argues that the Germans will see Gorbachev as their excuse to try to "opt out" of the East-West conflict. Soviet Ambassador to Bonn Yuli Kvitsinsky recently provided his own prognosis for the Soviet-West German relationship. "Everything must be allowed to ripen, so that the fruit on both sides is great and tastes good," he said. It's the aftertaste that worries Bonn's allies.

ANDREW NAGORSKI *in Bonn*

Not Man Apart DECEMBER 1987 Pg. 8

South Seas Star Wars

The environment of Kwajalein Atoll, in the Marshall Islands of the South Pacific, could be damaged by work on the Pentagon's Star Wars missile defense. A Pentagon environmental impact study concluded that the island's ecology and social structure could be strained by increased personnel on the island. Dredging and other construction could threaten the Hawksbill Turtle and the endangered Green Sea turtle, the *New York Times* reports.

Strategic Defense

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FOCAL PLANE TECHNOLOGY SOUGHT FOR SDI

The Air Force Space Technology Center is seeking contractors to design, fabricate, characterize and test focal plane material, arrays, multiplexers and hybrids in support of the Strategic Defense Initiative's Space Surveillance and Tracking System (SSTS) program, the Airborne Optical Systems (AOS) program and the Long-Wave Infrared (LWIR) Probe.

The effort, termed Hybrid With Advanced Yield for Surveillance (Hyway), is expected to take 33 months and is divided into 2 phases.

Phase I consists of advancing the current state-of-the-art in the technology development of intrinsic silicon hybrid arrays. Phase II will be awarded to the 2 contractors performing the primary technical effort on Phase I and consists of determining producibility, engineering and planning, ending with a finished producibility plan and the plan's validation through its demonstration of a pilot production line.

Foreign firms may be excluded from this effort.

LIMITS...CONTINUED

advocate the desirability of negotiating directly with the Soviets on what is permissible under the treaty. At a AAAS arms control symposium last September, for example, he said "the whole theory of the treaty was that when something like this arises, we would talk to the other side about it."

The Department of Defense has, however, been vehemently opposed. Frank Gaffney, who was nominated by former Defense Secretary Caspar Weinberger to succeed Richard Perle as an assistant secretary of defense for arms control, was among the more forceful foes. Gaffney, who is now a resident fellow at the American Enterprise Institute, said in an interview, "we have the right under the treaty to conduct a wide range of research, development, and testing activities. There is no way but that these rights would be circumscribed by negotiating limits." Moreover, because it would be difficult to verify adherence to the kind of performance limits proposed by the Soviets, Gaffney contends that "we would be accepting limitations that would apply unilaterally to the United States."

Ashton Carter, a physicist at Harvard's Kennedy School of Government who has been advising Nitze, argues, however, that a regime establishing limits under the traditional interpretation of the treaty need not be unduly restrictive. "People don't adequately appreciate what can be done within the treaty for testing space weapons," Carter says, noting that tests can be configured to fit into the permissible categories of work on fixed ground-based systems or antisatellite weapons.

An example is a test planned for 1990 in which a small heat-seeking interceptor launched from a rocket at Kwajalein will home in on a second rocket and destroy it in a fiery collision. This would be the first major test of the ability to use a space-based missile to hit a rocket in its boost phase—while its engines are still firing and before it releases its warheads. Unlike the AOA experiment, however, this test has prompted little concern about potential violation of the ABM treaty because it is a ground-based test at a designated test range.

Carter points out that the determination of what SDI testing is permissible rests on unilateral U.S. definitions of the treaty's terms. Like Graybeal, he argues that it would be in the best interests of the SDI program to negotiate what is permissible. "My own view is that such an approach is inevitable," he says.

Any movement toward establishing such limits is, however, not considered likely until the next Administration, when most of the tests that have raised concerns would take place. ■ COLIN NORMAN

The sentry at the gate

A survey of NATO's central front

The Economist

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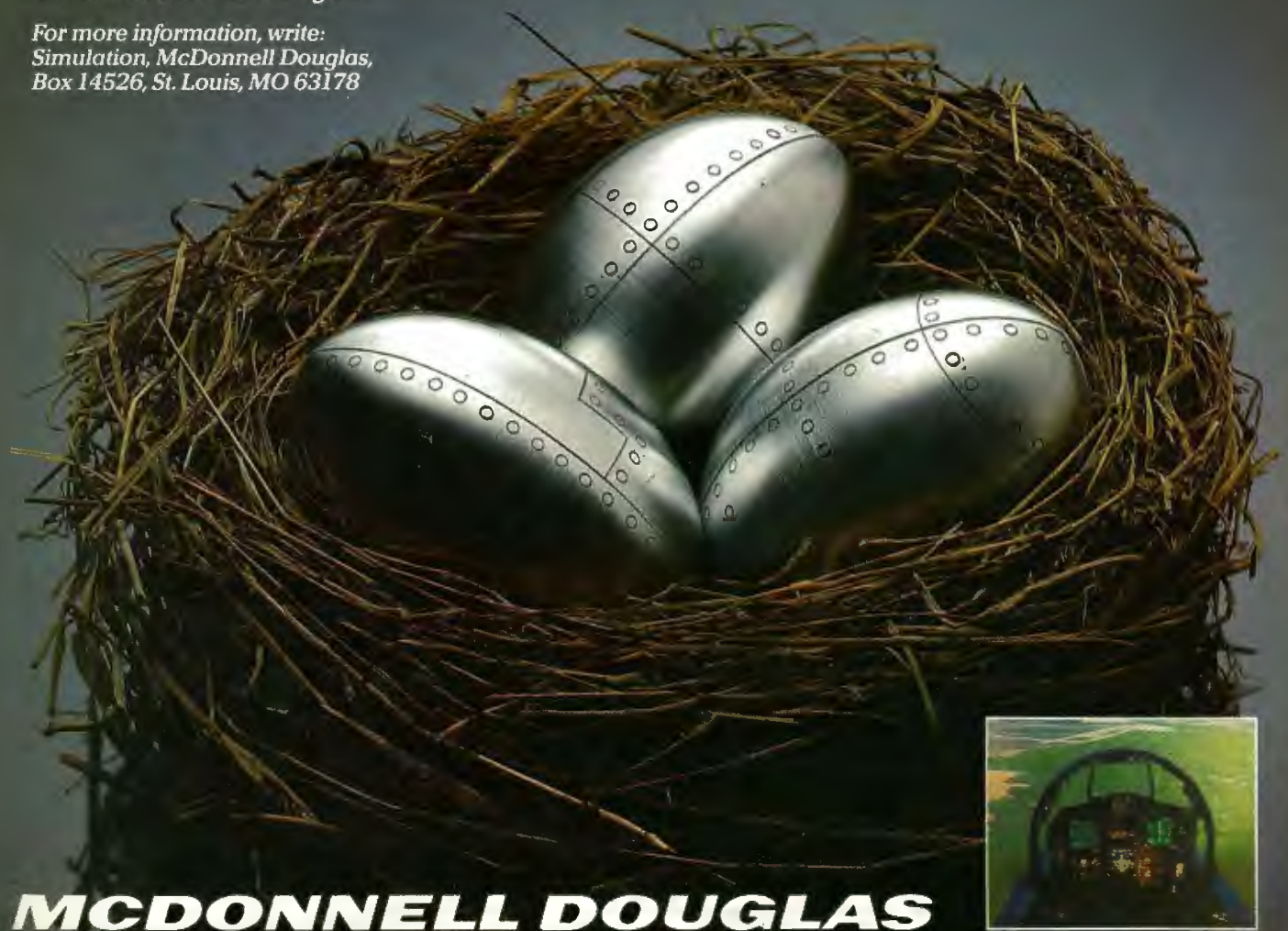

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NATO'S CENTRAL FRONT

Centrepiece

The central front in Europe is the most highly militarised region in the world. Two million men from NATO and the Warsaw pact glare at each other across the border that divides the two Germanies. Both sides know that NATO will not attack first. Both also know that if the Soviet Union tries to do so, it will have to break through the barrier of troops and airmen from six countries that guards the heartland of Western Europe. Our defence correspondent, James Meacham, looks at NATO's central region

When the allied armies landed in France in June 1944, the British and Canadian assault force was larger than the American one and was assigned the three eastern beaches, Gold, Juno and Sword; the Americans landed to the west on Utah and Omaha. So when the two main armies wheeled to the east the Americans were to the south; they broke into Germany in the same order and remain largely that way today.

In the dark days of the cold war and even into the late 1960s this was a serious problem. Since the postwar demobilisation, the American forces in Europe have been guarding the hilly southern part of West Germany which is comparatively easy to defend; the British forces, smaller and less well equipped, were left holding the gently rolling North German plain, the ideal invasion route to the industrial Ruhr, the low countries and France.

Some commentators still fret about this "maldeployment" of NATO forces. The danger arising from it, however, has probably always been overstated. Belgian and Dutch forces—which are weak but by no means insignificant—are also assigned to the Northern Army Group. And the terrain in the north is not quite as hard to defend (nor is that in the south quite as forbidding to an attacker) as some armchair strategists seem to believe. Nevertheless, the historic deployment created a real military problem and still does to a degree, although the worst features of it have largely been overcome.

The first, and most important, part of the solution was the creation of the new West German army, beginning in 1955. It grew rapidly into the biggest, and in many ways the best equipped and trained, army on the central front. Its officer corps has managed to re-create the sparkling professionalism which for years made German armies the most efficient in the world, while at the same time shedding the worst excesses of militarism. The largest of the three West German corps is assigned to the Northern Army Group (map 1 on next page).

The second component of the solution was the assignment of more American forces to the northern part of the front in the mid-1970s. During the 1960s a number of American units were withdrawn from West Germany to fight in Vietnam and to re-form the training base in the United States which virtually disappeared

New-style sentry

The photograph on the cover shows one of the nine multi-purpose consoles in a NATO AWACS aircraft displaying a map of the central front. Although the aircraft's own radar cannot detect targets over such a large area, the system can receive data from other radars and display it. The operator is Lieutenant-Colonel Herman Rieter of the Royal Netherlands Air Force who, as tactical co-ordinator, was in charge of radar and control operations on this mission.

during the build-up in South-East Asia.

But to keep up the appearance of meeting its NATO commitments, the Americans "dual-based" a number of army units and air-force squadrons. The forces were sent back to the United States, but most of the equipment was left in Germany, on the realistic assumption that the men alone could be flown back fairly easily. They remained assigned, technically, to NATO's European commander, who was given authority to recall them in time of actual crisis or for exercises. The system worked well, and in the late 1970s equipment was pre-positioned in Europe for some extra American units normally located in the United States. (There are now more than 150,000 army vehicles stored at six main "prepo" sites dotted about the central region; and by 1988 the American air force plans to have equipment stocked in Europe for 60 reinforcing air squadrons.)

With these extra forces available, an entire American army corps was assigned to the northern part of the central front. Most of the corps is dual-based—only one of its brigades is actually in place—but if it can be got back in time, it would beef up the Northern Army Group substantially. The Americans have also sent a biggish fighter squadron to Holland to improve the air balance in the north.

On the other side of the equation, Canada, which at one time had a significant army and air force on the central front, gradually withdrew most of its forces. But the biggest blow to the alliance came in 1966-67, when France not only withdrew its forces from the NATO command structure, but also threw all other NATO forces out of France.

Although successive French governments have insisted that France would fulfil its commitments under the NATO treaty (which means it would fight if West Germany were invaded, for the treaty states that an attack on one country is an attack on all), they also add that French forces would remain under national control even in wartime. So NATO commanders have been unwilling to frame their plans to include French forces. (However, a number of secret agreements have been made outlining specific methods of wartime co-operation.) And, although French army and air units conduct frequent exercises with regular NATO forces, using NATO tactical instructions and communication arrangements, French units today are not as well attuned to NATO ideas and doctrine as the others on the central front and not as well prepared to operate with other NATO forces.

Losing access to French territory, however, may have been even more troublesome to the alliance than the "loss" of French forces. Before 1966, the principal NATO lines of logistic support ran from the French Atlantic ports, mainly La Rochelle and St Nazaire, across France to the central front. Now they run from Antwerp, Rotterdam and even Bremerhaven, all dangerously close to the West German frontier and all involving a few days' extra steaming in dangerous waters for ships coming from North America.

Besides being deprived of the French lines of communication, NATO also lost access to French airfields, which some observers believe was the most damaging blow of all. A substantial part of the American air force in Europe used to be based in France. Although some of the airfields it used are still in existence, many of them are no longer equipped to operate modern jet fighters or to receive the huge American transport aircraft bringing in reinforcements.

When the French decision was implemented, headquarters were moved and high commands realigned. The command of all forces on the central front, previously held by France, went to a West German general, who set up headquarters in a worked-out coal mine at Brunssum in Holland. And NATO felt obliged to reconsider its strategy.

When French territory had been available to the alliance, NATO had plenty of room to fall back and manoeuvre, giving its commanders a number of military options. However, for many reasons, including the wish to save money by fielding inadequate conventional forces, it chose to deny itself those options. The strategy in those days was known as "trip-wire": keep enough men (Americans, particularly) in the front line to ensure some were killed as soon as the first scrap of territory was lost and then blast Russia with nuclear weapons.

But when the French territory was for most purposes lost, the alliance immediately switched to a less automatic strategy, which has become known as "forward defence, flexible response". There are several complicated reasons why NATO decided on flexible response just when it had lost the manoeuvring room in which it could have responded flexibly.

The most important was the political position of West Germany. It had not even had an army when the early decisions were taken, but it became the most important European member when France pulled its forces out of the NATO command. And no government of West Germany could agree to any strategy that involved voluntarily sacrificing part of its territory. But, equally, none could agree to a plan that would unleash nuclear weapons on its soil on day one or two, as the old strategy would have done.

Therefore, under the new strategy, which endures to this day, West German territory is to be defended as far forward as possible. But instead of using nuclear weapons at the outset, the level of violence will be cranked up to whatever it takes to stop the attack and restore the frontier.

Defending is what NATO is all about, and no matter what strategy it adopts, this fact gives the enemy a big advantage. The Warsaw pact generals know that NATO will not strike first. They know that even if they should attack and be defeated in the west they will lose nothing more than the territory they seized in the first place. In the view of some observers, this knowledge, conveyed in speech after speech by NATO generals and political leaders, is one of NATO's weaknesses, and one which may, according to one theory, even invite attack.

Not quite. Saying that NATO will not attack first is not the same as saying that NATO will not attack at all. It would. In the first few hours after any Warsaw pact invasion, it would strike airfields in East Germany, Poland, Czechoslovakia and maybe even in the Soviet Union itself, along with other targets such as railway centres, roads, bridges, supply dumps and troop concentrations—some of which are in cities. Counterattacks on the ground might be carried out and the territory gained held until the end of the war. What effect such attacks might have on the cohesion of Russia's Eastern Euro-

Forward spread

Map1

The eastern boundary of the central front is the eastern border of West Germany south of the Elbe River, covering roughly 500 miles of the 550-mile inner-German border. Somewhat artificially, the small bit of West Germany north of the Elbe, the province of Schleswig-Holstein, is part of NATO's northern region, but there is no doubt that the central-region forces would fight there, if necessary, with whatever help they could get from the Danish army.

pean allies is not certain, but it is clearly something the Russian commanders worry about.

Under NATO's flexible-response strategy, nuclear weapons would not be the first, knee-jerk response, but the last resort: to be used when, and only when, conventional defence had failed and it became clear that nothing else would stop the Warsaw pact forces from overrunning West Germany and perhaps all of Western Europe.

If deterrence fails . . .

There is a further line of defence

It cannot be said too often to NATO's politicians, soldiers, sailors, airmen and voters that deterrence must not fail, and that if they screw their courage to the sticking place it will not fail. But courage means more than the will to face the enemy with conventional forces. It also means the political will to deploy and preserve ground and air forces strong enough to stabilise the front in three or four days. Further, it means the courage to keep nuclear weapons at the ready: tightly controlled but available for use.

At the moment the central front has plenty of nuclear weapons, more in fact than it needs. Many are being withdrawn as the result of a NATO decision taken in 1983. This was at least a partial acknowledgment that the alliance had overstocked its nuclear cupboard and was paying a heavy price both in risk and in the forces devoted to guarding them. Three years ago one senior NATO general estimated that the equivalent of an entire division of troops was tied down guarding, maintaining and transporting nuclear weapons in Western Europe. Moreover, many combat aircraft that could drop conventional bombs on tanks attacking frontline NATO troops seem certain to be held back from the fighting just in case they are needed to lug nuclear bombs.

All the air forces on the central front, except Canada's and Luxembourg's, have nuclear bombs, and NATO has prepared a master targeting plan for using them. France and Britain have their own, which are under national control. (Technically the British weapons are committed to NATO and the French ones are not, but the British ones could physically be launched without NATO approval.) The United States supplies nuclear bombs to West Germany, Belgium and Holland. (Holland is soon to give up the task of carrying nuclear bombs on its F-16 fighter-bombers, in return for its acceptance of nuclear-tipped cruise missiles on its territory.) The American bombs remain under American custody. Specially trained teams of Americans guard the weapons on the airfields of these countries and will release them only if they receive national authorisation to do so.

Thus, for, say, West Germany to launch a nuclear strike, it would be necessary for the European NATO commander to secure release orders from the NATO council, on which West Germany would be represented, and for the United States separately to release the weapons for NATO use on the West German aircraft. To ensure they are not released without this authority, there is the "two-man rule" requirement that two people, separately and independently, must verify the coded release orders at each step in the process. The procedures are practised frequently.

Nuclear deployment

The ground-force and air-defence nuclear weapons are all American except for the warheads on the French Pluton missiles. These battlefield weapons include 155mm artillery shells, 203mm (eight-inch) artillery shells, warheads for the Lance missiles and warheads for the Nike Hercules anti-aircraft missiles. Until recently there were also nuclear land mines on the central front, but these are now being withdrawn.

All the main armies on the central front except the French use the same 155mm and 203mm artillery, and nuclear shells for them are stocked in all corps areas, in American custody. The storage of these shells presents a special problem: there must be enough sites along the front, and they must be close enough to the front, so that the weapons will be available quickly if they are released to stop a disastrous breakthrough, but not so close that they might be overrun, and this part of the deterrent lost, in the first few hours of a war. The problem has not been solved: a dozen or so of the sites are within 100 kilometres of the border.

The Nike missile sites present a different problem. Each site (except one which uses only conventional warheads) has its own nuclear warheads, so there is no need to haul them about once the war has started. However, the locations of the sites are known precisely to the Russians, and these sites would be prime targets for attacks by Russia's special forces.

The Lance missile batteries—operated by the United States, Germany, Britain, Belgium and Holland—would bring all their nuclear warheads, in the custody of their American minders, along when they took to the field in wartime. These units pride themselves on their ability to hide from enemy reconnaissance forces, so that their security problem is slightly less severe than that of the artillery ammunition.

Lance of the last resort

The value of the battlefield nuclear weapons lies mainly in their ability to obliterate substantial concentrations of troops, even heavily armoured ones, with a single shot. The Lance missile can reach out nearly 70 miles with a ten-kiloton (equivalent to 10,000 tons of TNT) blast. The 155mm gun can fire a 0.1 kiloton shell about 11 miles; the 203mm gun can fire a similar charge or a 12-kiloton one over a range of about 15 miles. Even if these weapons are never used, their presence makes heavy concentrations of ground forces inviting targets. So the Warsaw pact generals have to plan to concentrate their forces at short notice, one of the most difficult manoeuvres of all. Although the Warsaw pact need have little fear that its first attacking concentrations would be struck by nuclear artillery, there is little doubt that, if a breakthrough occurred, NATO commanders would be asking for authority to start the first nuclear war.

A Russian success on the ground might therefore lead to full-scale nuclear exchange between the superpowers. So the current NATO strategy rests ultimately on the idea of nuclear retaliation, just as the earlier one did. The difference is that NATO now recognises that it might not be willing to fight a nuclear war for a single square metre of West Germany, or to resist a territorial claim of the sort Hitler made against Czechoslovakia in 1938. But there is no doubt that; today, NATO would fight a conventional war to preserve its territory from any sort of "salami-slicing" by the Warsaw pact. It is therefore the conventional forces of NATO, and especially those on the central front, that make the idea of a nuclear deterrent credible.

If push comes to shove

Warning time is needed to get the troops in place

Although they are inferior in many ways to the Warsaw pact forces they face (see table on next page), the NATO conventional forces on the central front have a number of advantages. Their main strengths are that their troops are better trained, their equipment is generally of a higher quality and they have a stronger logistic support and back-up structure. Man-for-man, they would be expected to fight longer and more efficiently. For example, the table of opposing aircraft on a later page counts only the numbers of aeroplanes. But NATO aircraft have repeatedly demonstrated much higher sortie rates in intensive exercises than the Warsaw pact forces have ever attempted.

Being on the defensive itself has some advantages. Military analysts generally concede that an attacker needs a substantial superiority to break through. Oceans of ink have been devoted to the precise ratio that an attacker must have: three-to-one is the widely accepted one. Clearly the Warsaw pact does not have that sort of numerical advantage. It could muster such a superiority, or a greater one, in a small area where it meant to attack, but only by making widespread troop movements, and that would provide NATO the thing it needs above all others: warning time.

There are two reasons why warning time is so important to the central front. First, many of the troops and aircraft the NATO commanders count on are not at hand. They must be brought across the water from the United States and Britain, and this takes time. Second, most of the troops that are on the continent are stationed some miles away from their planned forward defensive positions. Thus it is essential to get moving early.

To try to make everything happen on

Manning the battleline

Of the seven (eight counting Luxembourg's single battalion) armies on the central front, the West German one is by far the most powerful. Its peacetime strength is 345,000, which would be rapidly increased to just over 1m in wartime by the calling up of reserves. The German Field Army is made up entirely of full-time soldiers (of whom about 54% are 15-month conscripts). The main combat units are organised into 36 brigades, all fully manned, forming 12 divisions and deployed in three main army corps. In addition, the Territorial Army, made up mostly of reserves, is charged with support and rear-area defence. Two of its Home Defence brigades are fully manned and for all practical purposes part of the Field Army.

Two of the three German corps are assigned to the Central Army Group and one to the northern one. The Second Corps, in the very south, has the largest area to cover. Much of this region is extremely mountainous, but it also contains a classic invasion route, the Donau (Danube) river valley leading in from Austria (map 2). This corps is composed of one armoured division, one mechanised division and the mountain division (made up of one armoured brigade, a mechanised one and the mountain brigade). It also has a fully manned Home Defence brigade, with the same number of tanks as an armoured brigade, attached to it. The one German airborne division is also attached to this corps, although in wartime it would probably be broken up and its three brigades assigned individually.

Next in line from south to north are two American corps, the Seventh and the Fifth. The Seventh is made up of one armoured division, one mechanised one and the First Infantry division (which has only one brigade in West Germany, the other two being dual-based and located in the United States). The Fifth Corps has one full armoured division and one mechanised one in place. It has another entire dual-based division earmarked for it. Each of these two corps has an armoured cavalry regiment assigned to it, plus three artillery brigades.

The northernmost corps in the Central Army Group is the Third German, composed of two armoured divisions and one mechanised one. It has the narrowest sector to defend in this group and the shortest distance to go to reach its defensive positions. One of its armoured divisions would be assigned to the American Fifth Corps at the outset.

Up north

The Northern Army Group is more complicated because there are more countries involved. The sector just to the north of the German Third Corps is assigned to the First Belgian Corps. This corps consists of only two divisions, which have only two brigades each; but only the corps headquarters, some combat units assigned directly to the corps commander and one of these divisions (about 28,000 men all told) are actually on the ground in West Germany. The idea is that the other division, based in Belgium, plus some reserves, would move forward to fill out the corps to about 62,000 men in time of crisis. The regular forces in Belgium would have to move some 200 kilometres to their defensive positions. Whether this corps could be constituted in good time has for years been one of the great worries of the Northern Army Group commander.

North of the Belgian corps is the First British Corps, one of the main combat forces. It consists of three armoured divisions, two of which have three armoured brigades each; the other has one armoured and one airmobile brigade plus 19 Infantry brigade which is actually based in Britain. This corps totals just over 55,000 men, and would be reinforced in times of crisis by the Second Infantry division (of three brigades, of which two are made up of reserve troops). With luck, this reinforcement could arrive in the rear of the corps area within a week of being ordered to move, although ideally the reserve troops need several weeks' training to be brought up to scratch.

To the north of the British is the 90,000-man First German Corps, the biggest of all on the central front. It is made up of three armoured divisions plus a mechanised one. Each of these heavy divisions is made up of three full brigades. West Germany also has a heavy division (Sixth Mechanised) in Schleswig-Holstein, the lump of Germany lying between the Elbe river and the southern border of Denmark. This territory is technically not part of the central region, but belongs to NATO's northern command. Nevertheless, what happens there is of immense concern to the central front. And there is grave doubt about how much help the feeble Danish army can provide there. For that reason West Germany has assigned a fully manned Home Defence brigade to that area to beef up the Sixth Division.

The northernmost ground unit is the First Dutch corps. It is dangerously under strength and the weakest link on the entire central front. It consists of two mechanised divisions of three brigades each, but only one brigade, one reconnaissance battalion and a few corps troops (some 5,500 men all told) are in West Germany. Even the corps headquarters is in Holland. There is no way this single brigade could defend the Dutch sector with its 60-kilometre frontage. Like the Belgians, the Dutch troops have a long way to go to reach their defensive positions; even the one brigade in Germany must move nearly 100 kilometres. One of the saving graces of the Dutch army, however, is that it has a powerful artillery force, composed almost entirely of modern 155mm guns (as are the German and American armies); both the British and the Belgian corps are still heavily dependent on obsolescent 105mm and 175mm guns.

time NATO has developed an elaborate alert system, involving several planned stages in which specific deployments will take place. At the lowest level, which can be implemented by the military authorities alone, some ammunition can be prepared, troops called back to barracks, vehicles fuelled, maintenance performed and stockpiles built up. In fact, the NATO European commander can on his own recall some of his dual-based troops from the United States without political authority (though whether he would dare do so in a time of tension without at least some sort of informal political approval seems doubtful).

Some units, such as the screening units along the border, can be moved, but the main movements, such as starting a corps on the way to its defensive positions, cannot take place without the approval of NATO's governing political council. Solid clues that movements by the Warsaw pact forces are a prelude to invasion would almost certainly come in good time. The great fear, shared by NATO generals of all nationalities, is that the political leaders would waste time fretting about appearing provocative and withhold authority to make some essential movements until it is too late.

Map 2 below shows the peacetime locations of the main NATO and Warsaw pact forces on the central front. Both are oriented to some extent to the traditional invasion routes, dictated by the terrain. However, an important factor in the location of the NATO forces was the availability of barracks and storage sites at the end of the second world war, and the locations of these things bore no relation to a threat from the east, which was hardly considered at that time. Then later on the Dutch and the Belgians decided to move large numbers of their committed forces home to save money.

The result is that many of NATO's frontline forces are a long way from their defensive positions. The Dutch and the Belgians have the farthest to go and the worst problems. The Dutch have more troops to move, but the Belgians have to go through mountainous and forested terrain which could take a lot of time if they came under air attack in bad weather. Two British divisions are mixed up with the Seventh German one; a certain amount of crossing over will have to take place, and this could be messy, particularly if there were large numbers of German refugees on the roads. Farther to the south, the greater part of one American division would have to cross the Rhine, which could be troublesome if the Russians destroyed the bridges. Many NATO commanders consider this tactical maldeployment to be a greater problem than the strategic one of having the heavy American corps in the south and the smaller British corps in the north.

Balance of ground forces

	NATO[1]	Warsaw pact[2]
Divisions	39⅓	48
Troops	1,034,000	975,000
Tanks	9,700	14,000
Artillery (105mm and larger)	3,400	6,900

[1]Figures include all active-duty ground forces of Belgium, Holland, Luxembourg, France and West Germany (including the German units in Schleswig-Holstein assigned to the northern NATO command) plus British, American and Canadian troops deployed in the central region. Equipment totals do not include American weapons pre-positioned for units located in the United States; the personnel total does not include West German border guards or French or Belgian gendarmes; it does include the Dutch military constabulary.

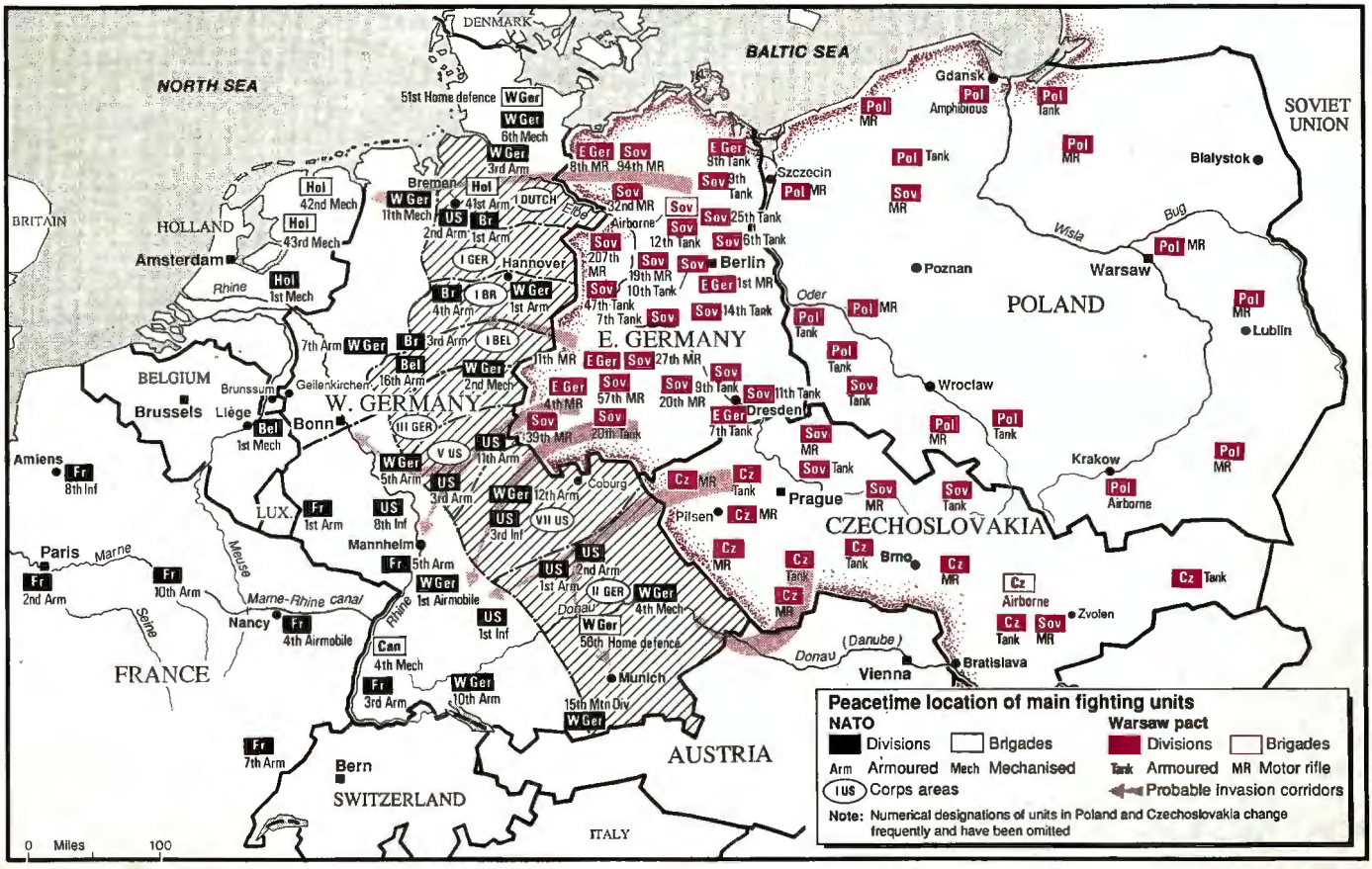
[2]Figures include all active-duty soldiers and the fully manned units of Poland, Czechoslovakia and East Germany plus the Russian troops deployed in those countries.

Command structure

The central region is divided into two command sectors. The Northern Army Group is always commanded by a British soldier, currently General Sir Martin Farndale, who also commands the British army in Germany. The southern forces,

The central front

Map 2



confusingly called the Central Army Group (not to be confused with the central region, the central front and its hinterland, of which this army group is a part), are commanded by the American, currently General Glenn Otis, who also commands the American army in Europe. In peacetime all the national forces (with a few exceptions, notably the air-defence forces) are under national control. But at one of the alert stages all the earmarked national ground forces—the main army corps shown on the map, along with their reinforcements—would leave national control and report to one of these two officers functioning in his NATO role.

The air forces are similarly organised. Those in the south are known collectively as 4 ATAF (Fourth Allied Tactical Air Force) and are commanded by a German Luftwaffe general; in the north, 2 ATAF is commanded by a British air marshal. These two officers report to the central-front air commander, COMAAFCE (Commander Allied Air Forces, Central Europe), who would co-ordinate all air operations on the central front. He and the two army group commanders report to a German army officer, currently General Leopold Chalupa, who commands the entire central region.

The worst possible case?

An attack on the central front could come with only a few hours' notice. Even so, NATO forces would have a fair chance of stopping it if they got political authority to start moving early

If the Warsaw pact decided to invade Western Europe from a "standing start", perhaps with the first movements of its armies and air forces disguised as an exercise, both sides would be obliged to start fighting with the forces that are now in place—before reinforcements could arrive from Britain and the United States, and maybe before the Belgians and the Dutch could get their armies moved into place. Such a short-notice attack is probably the most dangerous possibility for NATO.

Its commanders might have as little as 48 hours' notice. In this time they could do little more than put the alert system into high gear to get their reinforcements on the way, begin moving the troops in Germany forward towards their defensive positions and put the aircraft on full alert, including keeping some fighters in the air at all times. It would probably take at least three days to get all the front-line defensive forces properly in place. This is why it is vitally important not to delay the political authorisation to start moving troops and equipment.

In such an immediate assault, the NATO forces would be outnumbered, but not overwhelmingly so. And they would be fighting a defensive battle on terrain they are familiar with and within a population that is friendly, a factor that is too often discounted.

The central front is firmly anchored on its flanks. So, the Warsaw pact would have to try for a breakthrough. It has two main options. It could carry out a number of probing attacks along the border in the hope that one of them would find a soft spot that follow-on forces could exploit. Or it could fight deceptive pin-prick actions along most of the border and concentrate overwhelming force at one or two points in the hope of making a breakthrough there so that it could punch through a specialised force, called an Operational Manoeuvre Group (OMG), into NATO's rear area to disrupt its logistics, attack its combat forces in the rear, or perhaps merely set up strong defensive positions that would force the NATO commanders to divert combat forces from the front line to deal with them. The Warsaw pact forces have experimented with OMGs of various sizes, some several divisions strong. This second option would seem the more dangerous for NATO, but it would also take longer to organise and thus provide not only more warning time but also a clear indication of where the main attack would come.

Armoured clash

The main battles, when they came, would be armoured clashes, pitting biggish tank units against each other, with both sides' formations being supported by infantry (mostly carried in armoured personnel carriers mounting fairly heavy weapons) and self-propelled artillery. Both sides would make maximum use of helicopters, both those mounting anti-tank weapons and the troop-carrying sort, that could insert light infantry units, armed with anti-tank missiles, into key spots on short notice.

Although NATO is likely to be outnumbered in all these vital ingredients, it will have two advantages. The first is mobility. The Warsaw pact forces can pick the time and place to invade, but NATO's heavy forces are highly mobile and with luck can arrange to fight their main battles from good firing positions on the terrain and maybe even at the time of their own choosing. Because of their superiority in night-vision devices and the specialised training required to use them properly, this would probably be at night.

The second principal advantage NATO has is that its tanks are streets ahead of those of the Warsaw pact. The German Leopard-2 (which is also operated by the Dutch) is probably the best of the lot. It has the best gun-aiming system in the

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world, a hard-hitting 120mm gun and a huge speed advantage over any tank the Warsaw pact has. The American Abrams, powered by a gas turbine, is even faster. Britain's Challenger is slightly less modern than these two in some important respects, but it also carries a 120mm gun and is about as fast as the Leopard-2.

All three of these steel fortresses are protected by laminated-composite armour—the Challenger has more of it than either of the others—which would ward off most hits made by anti-tank guided missiles. On the other hand, most Russian tanks can easily be knocked out by such weapons fired by NATO forces.

In the air-versus-tank battle, NATO is less well off (although superior armour would protect the main tanks from most helicopter-fired missiles). Warsaw pact forces are well protected by ZSU-23 rapid-firing anti-aircraft cannon mounted on tracked vehicles, plus a whole array of anti-aircraft missiles ranging from biggish mobile ones to the small, hand-held SAM-7s. NATO's helicopters and close-support aircraft, such as the British Harrier and the American A-10, would have a hot time attacking enemy armoured units.

On the NATO side, all armies have hand-held missiles, but only West Germany has a modern, balanced anti-aircraft system. This is composed mainly of the Gepard machine-gun tank and the Roland all-weather anti-aircraft missile, mounted on a tank chassis. Belgium and Holland also operate the Gepard. The United States makes do with a combination of the Vulcan Gatling-gun and some heat-seeking (not brilliant in bad weather) Chaparral missiles. Both systems are rapidly becoming obsolete, but the United States cannot bring itself to the obvious solution: buy some workable European equipment. Britain has a few Rapier missile systems mounted on tracked vehicles and some towed ones, but most must be optically sighted: there are only a few radar attachments which enable these missiles to be aimed at night or in bad weather. And the British have no anti-aircraft automatic cannon save a few elderly 40mm ones.

Gas alert

The Warsaw pact forces might employ chemical weapons to secure a quick breakthrough. The Soviet leaders are clearly worried about the implications of using nuclear weapons, but seem to believe poisonous chemicals are legitimate, despite the fact that their country has signed a convention promising never to use them first.

Generally speaking, NATO forces are well provided with protective clothing, and would probably come through any gas attacks in fighting shape. But they would take casualties, and their efficiency would suffer from having to fight in cumbersome and restrictive clothing. The Warsaw pact forces would be wearing it too, at least at the outset, as a precaution against their own chemicals and in anticipation of a chemical counter-attack.

They would actually get the worse of the restrictive-clothing trade-off, because their protective suits are made of impermeable material, so that they are much hotter and more debilitating than NATO's. However, the main battles will be on NATO territory, and NATO's civilians have no protective clothing. Moreover, some NATO forces are heavily dependent on civilians. For example, civilian technicians do all the maintenance work for their AWACS airborne early-warning aircraft at Geilenkirchen.

Because their protective clothing is so troublesome, the Warsaw pact soldiers could not be expected to keep wearing it for long unless forced to do so. It would therefore be important for NATO to be able to launch (or threaten to launch) its own chemical attacks as soon as possible, in order to keep them buttoned up. The Americans have chemical weapons stored in West Germany, but there is every indication that it would be difficult to get political authority to use them. However, time would be essential: a few days—or even hours—in which NATO troops were under gas attack but the enemy forces were not could make all the difference to the way the battle went.

Field works, including anti-tank ditch-

The poison has to be washed away

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es, could also improve NATO's chances of holding the line long enough to get its essential reinforcements in place. The strategy of forward defence seems to cry out for fortifications. But there are none. There are two arguments against them. Some people believe they are worthless. This is the psychological legacy of the Maginot Line. But this line was never breached, and it did channel the German advance around it in 1940. The problem was not the line but the failure of the French army to take advantage of it.

But the telling argument against field works, which could include pleasant forests and ponds as well as ugly ditches and pillboxes, is that the West Germans do not want them. To them such works too closely resemble the hated iron-curtain fence separating the two Germanies, and it is unlikely any West German government would agree to them, at least within the next ten years.

Screening forces

The Warsaw pact attacks, wherever they might come, would first be met by NATO screening forces, which operate close to the border in all corps areas, although they are constituted differently in the national armies. The Americans use their two armoured cavalry regiments for this purpose. Formations of about 5,000 men each, mounted in tanks and armoured personnel carriers and supported by self-propelled artillery, these powerful and highly mobile units are designed not only to detect enemy attacks but to blunt them by forcing the attacking columns to leave the ideal routes of advance, deploy, stop, dig in and fight before they have advanced very far.

The British corps has two reconnaissance regiments assigned for screening forces; West Germany has an armoured reconnaissance regiment attached to each division; the Belgian corps has three reconnaissance battalions, and the Dutch have one.

Then there is the 20,000-strong West German border police force, a highly professional service equipped with small arms, light armoured cars and helicopters. Although it could not fight as effectively as the heavily armed and specially trained cavalry and reconnaissance units, it would nevertheless be a useful addition to the screening forces.

Would it were dark and the French would come

There are extra cards in the pack

Once the battle was joined, the central-front commander might well echo Wellington's hope, at Waterloo, that the Prussians—in the shape of their contemporary equivalent—would come. With good tactics and hard fighting, NATO's screening units could force a Warsaw pact attack to go off at half-cock, giving NATO's heavy units time to get to their main defensive positions. But it is possible that within a few days a determined assault would see Russian, East German and, maybe, Polish and Czech forces deep into West Germany. Close on their heels would be follow-on units to try to turn the battle even more their way. The fight could well be decided by which side could get extra troops into action faster.

On the NATO side there are precious few mobile reserves ready for battle. The Central Army Group in the south is slightly better placed than the northern one. The mingy Canadian contribution to the central front land forces—a single 4,000-man mechanised brigade of three battalions tucked into the south-west corner of Germany—is a long way from the front. However, it is highly mobile and might well be of some value in plugging a gap.

But the main hope of the Central Army Group, if a breakthrough occurred in the first two or three days of fighting, would be that the French army would join in. Although even in war the French forces would remain under national control, there is every reason to believe that they would fight alongside those of the other NATO allies. The French army's Second Corps, a 48,000-man formation consisting of three armoured divisions, is deployed inside West Germany along the western border, in the Central Army Group area. It is as well trained and well equipped as NATO forces generally, although its tanks, the AMX-30, are markedly inferior to the other first-line NATO tanks (but much better than the Russian T-55 which is still the mainstay of the Warsaw pact forces). It is an extremely powerful mobile reserve force which could easily be engaged on day two or three.

In the north there are few reserves. Belgium and Holland have hardly any regular forces besides the corps that each has committed. The main mobile reserve force in the north is the American Third Corps, which has one brigade of its Second Armoured division stationed in Garlstedt near Bremen. The remainder of this corps—the other two brigades of the Second Armoured division, plus the First Cavalry and the Fourth Mechanised divisions—is dual-based. Its equipment is in place in the Northern Army Group area and with luck its men could be flown over and be in West Germany within about 72 hours.

But one partly constituted American corps is hardly an adequate mobile reserve, particularly if a breakthrough occurred when its dual-based brigades were still in the air or drawing their equipment from their dumps. Here, too, the French could prove to be the salvation of the central front.

The French army recently shifted the headquarters of its Third Corps to Lille, just on the western border of Belgium, where it would be ideally placed to oper-

Johnny and Jane come marching in

ate as a mobile reserve for the Northern Army Group. It has made plans to do so. However, only two of its three divisions, the Eighth Motorised Infantry division at Amiens and the Tenth Armoured division at Chalons-sur-Marne, are close to Germany. Its third division is west of Paris and could not get into battle for several days even if it started to move at the beginning of the NATO alert process.

On the other hand, three years ago France created a rapid-action force, one unit of which, the 7,000-man Fourth Airmobile division, based at Nancy, could get into action within the first few hours of an attack anywhere on the central front and which could therefore be extremely useful as an emergency gap-plugger. This unit is basically an infantry regiment heavily armed with anti-tank guided weapons and equipped with most of the helicopters (around 220) the French army owns.

Assuming the French do come, the battle could be stabilised on the second or third day. The accompanying table shows the approximate balance after four days of mobilisation, using the numbers of men, tanks and guns each unit had before the fighting started—no casualties estimated—plus the reinforcements likely to get forward on the ground. This table shows lower force-levels than the earlier table on the balance of ground forces. The reason is that the earlier table lists all active duty units on or near the central front, but the table above lists only those likely to get into action by day four. Thus, even though some extra American and British troops will have arrived by day four, it would not be possible for the entire French army, which is included in the earlier table, to do so. The Warsaw pact is in a similar situation.

Stabilising the front as early as possible is what NATO's defensive plans are aimed at—not least, of course, because West Germany insists on it. But even if West Germany were happy to see the whole of its country turned into a battlefield, NATO has too few tanks to fight a wide-ranging, hell-for-leather war of manoeuvre. The Russians may not be stopped where the West Germans would like them stopped, but the attack would have to be broken up fairly close to the border if Western Europe were to be saved.

Deep strike

If the advance could be stopped—and most NATO generals believe it can—it would then be essential to disrupt the movements of the Warsaw pact's second and third echelons before they could pile into the NATO forces that had been battered by the first attacks. Many western countries are working on bits of technology which, if put together into a workable system designed specifically to counter these back-up echelons, could go a long way towards solving this problem.

Day Four

	NATO[1]	Warsaw pact[2]
Divisions	37⅓	42
Troops	980,300	811,000
Tanks	10,000	13,800
Artillery (105mm and larger)	3,300	6,500

[1]Includes those forces stationed in West Germany plus anticipated reinforcements from Belgium, Holland, Britain, France and the United States. Calculations assume 48 hours' warning time before the outbreak of the fighting.
[2]Includes forces of East Germany and Czechoslovakia, Russian forces stationed there and in Poland plus four fully manned Russian divisions from the western military districts of the Soviet Union.

The technological innovations consist of: advanced reconnaissance equipment; computer-driven evaluation centres, called fusion centres, where information from many sources can be synthesised almost instantaneously; and long-range "smart" weapons that can find and attack the targets located by the combination of the two. The various technologies for such systems, known collectively as FOFA (follow-on forces attack), have been around for several years, but so far NATO has failed to produce a workable system.

One reason for the delay is that there is literally a surfeit of technology. NATO countries have too many competing gadgets, and there is always the belief that something better is just over the horizon. Some of the fault also lies with the cumbersome American research-and-development processes, which never seem able to produce anything in less than ten years. However, it now appears as if something tangible might at last emerge.

The main elements will be a powerful sideways looking radar probably carried aloft in a Boeing 707 aircraft (to be called an EC-18). It would operate well inside NATO territory but could peer into East Germany and Czechoslovakia to locate and identify the second echelon forces: tanks, troop units and truck convoys.

The lethal end of this first-generation system would be an improved version of the Lance missile, with a range of around 200 kilometres. This weapon would carry a conventional warhead packed with "smart" sub-munitions that could seek out and attack tanks on their own.

With such a system in operation, NATO could be fighting two or three echelons of Warsaw pact forces at the same time: the first one with the classical forward defences, and the reinforcements, up to 150 kilometres behind the front, with the FOFA systems.

No system or set of systems is a cure-all for an inferior army. However, FOFA, added to the conventional forces now assigned to the central front, could make all the difference between holding for a week and holding on until the reservists were fully mobilised and the big reinforcements could start pouring in.

What would happen next

Beyond the first few days of fighting, everything would turn on reinforcements

If the front could be stabilised in three or four days, or if the Warsaw pact force chose not to attack from a "standing start", but mobilise for a period before striking, the following deployments would take place. Within about two weeks of the political go-ahead, which could be given in peacetime as well as in wartime, the Americans would move all their dual-based units to Germany, raising their ground forces from some 5⅓ divisions to nearly 12 and their aircraft squadrons from 28 to 34. West Germany would call up reserves and build up its army rapidly to more than 1m. Within a week Britain would move its Second Division and 19 Brigade plus some reserve units into the Northern Army Group; within a month the First British Corps would double in size. The French would begin to reinforce their forces in north-eastern France, ready to act as the main mobile reserves for the central front. The Soviet Union would begin to move the 11 fully manned divisions in its western military districts to Eastern Europe and start filling out its other 23 or so partially constituted divisions in these districts with reserves.

In general, NATO can probably reinforce faster than the Warsaw pact in the first four-five days; up to about 10-14 days the Warsaw pact would start to catch up, mainly by drawing on the Polish army and the Russian army in the western districts of the Soviet Union. If both sides suffered the same numbers of casualties, NATO would become increasingly outnumbered between 30 and 90 days, when all its regular and reserve units would have been brought forward to the central front but before its new conscripts could begin to arrive. However, even during this dark period, NATO would still not be grossly deficient in combat power.

One of the most sophisticated studies of the central-front balance, conducted by Mr William Mako for the Brookings Institution, attempts to resolve the wide and complex differences of manpower

Rolling forward

and firepower among the many units that would be engaged by reducing them mathematically to the common denominator of "armoured-division equivalents" (ADEs). His figures show that on day five NATO would be outnumbered only by about 1.1 to 1 ADEs; 1.2 to 1 by day 14 and no more than 1.9 to 1 at any time in the first 90 days. And these figures assume proportionate losses for the two sides. But if NATO could hold the front, it would almost certainly inflict much higher casualties on the Warsaw pact armies than its own forces would suffer.

Beans, bullets and black oil

However well the NATO troops might fight, they cannot do so without the "beans, bullets and black oil". In NATO, logistics is entirely a national responsibility, and for years the alliance as a whole did not care much about the matter.

Oil is the least of the problems. In one of its wiser decisions, NATO set up a pipeline system of its own—much of it through France—years ago, and it still operates effectively (map 3). But by the late 1970s a lot of the bean and bullet storerooms were half-empty, and many of them were a long way behind the forward defence zone. (The perceptive reader will remember that, about this time, it became fashionable for defence ministers to talk about "improving the tooth-to-tail ratio", which meant cutting spending on such supplies and support forces needed to sustain the battle.)

Then the alliance as a whole started a drive on "sustainability", and individual countries began pumping millions into getting the logistics train up to the same standard that the front-line forces were. The millions have done wonders, but the problem has not entirely gone away. Nor is it ever likely to.

New technology is the main culprit. The NATO goal is 30 days' worth of everything. The spending effort has helped with many low-technology weapons that have been around a long time. For example, there was at one time a shortage of ordinary aircraft bombs; now there are enough (based on estimated usage rates, which are always suspect, for all recent conventional wars have used more ammunition than anybody imagined they would). However, as new weapons come into service they bring with them a 30-day "shortage" of ammunition. And much of the new ammunition is horribly expensive. The worst shortages today are in guided missiles, particularly the air-to-air ones; even the cheap models cost many thousands of dollars a shot.

The other main problem, transport, has improved enormously. Most of the reinforcement supplies will come from the United States, and the lines of communication all run through West Germany. The West Germans have assigned 90,000 Territorial Army reserves to help move and guard the stuff as it comes, a much more cost-effective arrangement than keeping active-duty American soldiers in Germany to do so.

If war came to the central front, NATO would probably try to open up the supply routes through France again. In a long war that would be a great help: it would be shorter—ships would save two days by not having to go up the Channel—and the supply routes would be farther away from Warsaw pact air bases. No doubt there are detailed plans drawn up to set up these routes again (although there is no arrangement for the French to provide the same sort of trucking assistance that the Germans will) if the war looked like continuing more than a couple of months.

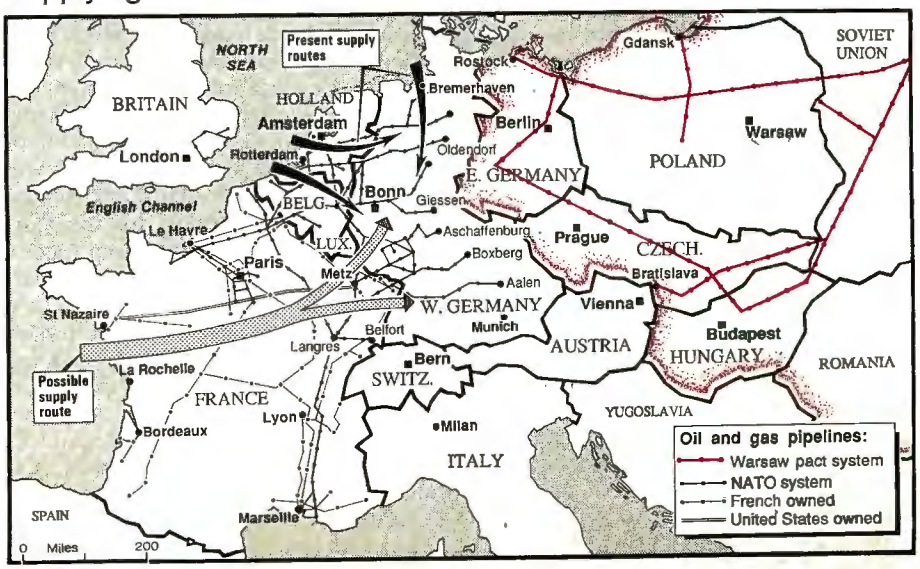
But sustaining a big conventional force in a big war may be an even greater problem for the Warsaw pact than for NATO. Its combat forces are not organised for long-term combat as NATO units are. Its doctrine calls for a quick victory: each division would fight until it was exhausted—perhaps as little as 48 hours—and then, in the earthy words of one American general: "They'll drag it in the weeds and bring on another."

If there were no lightning victory, if the battle ground to a halt as NATO would try to make it do, the Russians would have to start providing sustaining support—ammunition, food, spare parts, replacement equipment, repair service and so on—most of it directly from the Soviet Union. Such support would have to start coming early, because the Warsaw pact divisions have so little back-up of their own. But even when it came it would be troublesome, because they are not well organised, trained or equipped to keep it flowing to small units in the field.

Most of this support would have to come across Poland and East Germany over roads and by railways that would have been heavily attacked and which are nothing like as good as West Germany's to start with. How much help—or hin-

Supplying the front

Map 3



drance—the Poles in particular might offer is not known to anyone, but under the best assumption (for the Russians), it is unlikely to be a fraction of what the West Germans plan to provide to the American re-supply efforts.

Most of the Russian divisions in the western part of the Soviet Union are only partially manned. Before they could be committed to battle, enough fillers—reserves or men from other units—would have to be mustered and transported, and the divisions trained as units. Then they too would have to come forward along the same routes, and they too would have to be supported when in place.

After 90 days, both sides would begin to receive inactive reserves that had been called up, plus freshly trained conscripts. However, new soldiers must be equipped. In the early days of this phase of mobilisation, the Warsaw pact forces might be able to move a bit faster, because they have more equipment stockpiled than NATO does (although much is out of date and may be in need of maintenance). But in a long conventional war there is no doubt that the population and industrial capacity of NATO could overwhelm the Warsaw pact.

No place to hide

To those accustomed to thinking of European wars as having neat front lines, a fight on the central front today would have many unpleasant surprises: the Russians could conduct attacks on NATO's rear areas on an unprecedented scale

The helicopter has made such attacks possible. In the Vietnam war the United States perfected the technique of putting forces ranging in size from four-man patrols to entire battalions deep into enemy territory by helicopter, and the lesson was not lost on the Russians. The Soviet Union has trained large numbers of special troops, called Spetsnaz, to penetrate well behind NATO's front lines.

A second reason that the Soviet Union is expected to attack the rear areas is that NATO's deployment makes it particularly vulnerable there. The forward defence strategy not only requires a hard crust well up front, but also means that most of the combat forces would be moving forward in the first few hours after a surprise attack. And huge numbers of reinforcements would be confusingly pouring into most of the rear areas, creating ideal targets for elite assault units.

Besides arriving by parachute or helicopters flown in across the borders, some Spetsnaz forces could come by other means, such as on commercial aircraft, or by road, disguised as ordinary tourists, during the run-up to an attack. Almost certainly some behind-the-lines agents are already in place. There is little doubt that NATO forces will have to deal with many attacks behind their own front lines, some of which could be substantial.

The map on an earlier page shows that around half of West Germany is assigned to the various army corps. Each corps is responsible for the defence of its rear area. Although the corps have the firepower to deal with any rear-area threat *and, more importantly, the command-and-control organisation and equipment* to keep track of what is going on, they will be mainly worried about getting into position and protecting their fronts.

Only the British corps seems to have taken the rear-area threat seriously. Its Second Division, which would be coming from Britain in an early alert stage, has been assigned to defend the rear of the corps area, has made specific plans to do so and has conducted exercises to see what should be done. Both the American and German corps depend to a great degree on a combination of luck and the normal defences around key targets such as ammunition dumps and airfields which happen to be in their rear areas.

So too do the Belgians and the Dutch. However, both these countries have reasonably well developed plans to defend their own countries, particularly the port areas and other key points along the main NATO lines of communication. The trouble is that neither has enough troops or weapons to do so adequately.

Home defence

Behind the corps areas in West Germany, rear-area defence is assigned to the Home Defence forces of the Territorial Army. These forces are made up largely of reserves. In wartime the Territorial Army would grow to about 400,000 men, of whom some 15% would be regular soldiers. But they have many jobs to do, including medical support for the German forces, so that only around half of them could be assigned full-time to rear-area defence.

The Home Defence forces are organised into four main brigades (not counting the two fully manned brigades which are, for tactical purposes, part of the German Field Army) plus dozens of independent regiments, companies and platoons. On full mobilisation, six more brigades would be formed.

The plan is to assign small detachments to guard key points such as bridges, road junctions, railway terminals and supply routes. (A few of the Home Defence forces are assigned to guard these kinds of places even within the corps areas.)

The Home Defence brigades and regiments would form mobile groups to deal with attacks on unguarded installations or to come to the rescue of any of the key-point guard teams that looked like being overwhelmed. The brigades are heavy armoured units, equipped with tanks, artillery and armoured fighting vehicles. Generally they would be kept intact to deal with big attacks, but the regiments might be broken up to form smaller mobile forces.

The Home Defence forces are well organised; most of the main units train regularly; and the defence of rear areas is practised as part of their many big field

Backdoor approach.

exercises. Their weak spot, as in so many units in NATO, is command and control.

The Home Defence units have signal equipment of their own (but much of it is out of date, and there is not enough of it). Even so, these units will cover only a fraction of the area to be guarded. The civil police force is thus an essential element in the information network. Home Defence commanders bank on the German propensity to report all suspicious happenings to the authorities, and have integrated the police forces into their plans for rear-area defence. The police organisation and the individual policemen may perform well when under attack, but the police communication network depends almost wholly on the civil telephone system, which is certain to be one of the prime targets for saboteurs and Spetsnaz forces, if not direct air and missile strikes.

The second main deficiency of the Home Defence organisation is the lack of helicopters. The mobile forces can react rapidly only within a few miles of where they are. Roads are certain to be clogged, and some will no doubt be damaged by air attack. Tanks, even the fast Leopard-1s, can average only about 20-25 miles an hour on long cross-country hauls. If any force ever needed super-fast reaction times, it is the rear-area defence force of the central front. But it does not have a single helicopter. Even a dozen would improve its effectiveness enormously.

Combat aircraft

	NATO[1]	Warsaw pact[2]
Fighter/ground attack	1,550	1,210
Air-defence fighters	630	1,980
Reconnaissance	215	230

[1]Includes all combat aircraft of France, Germany, Belgium, Holland; British and Canadian aircraft deployed to Germany; all British combat aircraft based in Britain except those devoted to training or specifically dedicated to air defence or naval missions; and American aircraft deployed to Germany, Britain and Holland. Not counted are 72 American F-16 fighter/ground-attack aircraft based in Spain, which could be in action on the central front within a few hours.
[2]Includes all combat aircraft of East Germany, Poland and Czechoslovakia and Russian aircraft based in those countries, plus the fighters, attack and reconnaissance aircraft (although not the air-defence interceptors) based in the western military districts of the Soviet Union.

The other dimension

Where, in the air, should the money be put?

Defending the central front on the ground also means, of course, defending it in the air, and at the moment that would mean attacking Warsaw pact territory. Although the possibility of a ground counter-attack there, even as a temporary tactical operation, is a troublesome idea politically, NATO's airmen have always planned to blast targets deep in Eastern Europe within a few hours of an attack.

Almost any soldier will tell you that what he wants most from his air force is to get the enemy's aircraft off his back while he has his hands full coping with their ground forces. He would like a little bit of close-in help, too—bombing the enemy forces directly in front of him—but that is secondary.

The NATO airmen have taken this message to heart. Their prescription is to bomb the many enemy airfields at the outset of the war, and this mission is now well established as their first priority. For this purpose NATO countries have developed both specialised aircraft, such as the British-German-Italian Tornado, and purpose-built runway-busting bombs.

Well established though the doctrine of airfield attack may be, it is far from universally accepted. There is one argument against it, and two alternative ideas. The argument is that the most important Warsaw pact airfields are certain to be among the "hardest" targets on the central front, heavily defended and difficult to damage. Flying manned aircraft into the teeth of dense anti-aircraft protection to drop a bomb or two, which, even if they hit, would probably put the runways out of action for only a few hours, is considered by many analysts to be a waste of both expensive men and expensive machines.

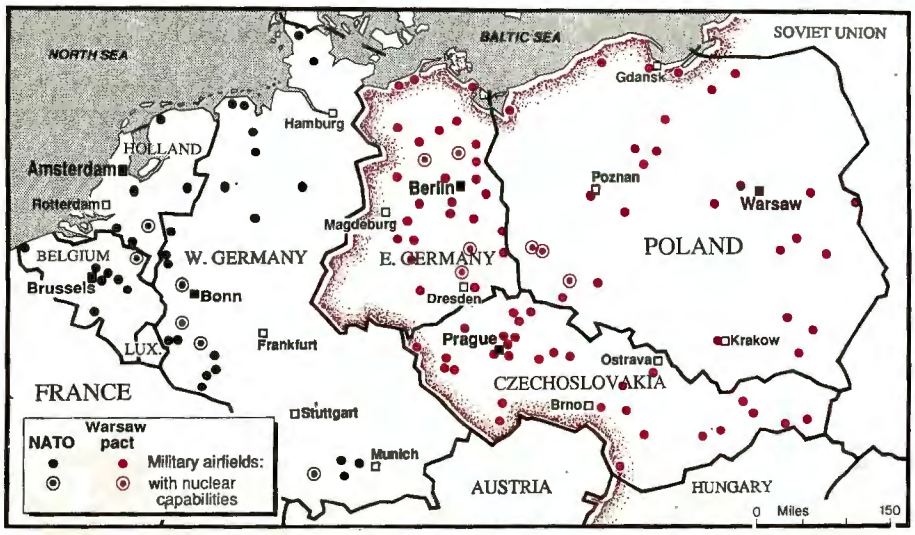
The solution, according to most who argue this way, is to strike the airfields with missiles. Their locations are known precisely, so there is no need for a pilot's judgment; missiles are cheaper than aircraft; and no airmen's lives are put at risk. Another, less widely accepted, solution is to leave the airfields alone, deploy more anti-aircraft missiles and fighters, and concentrate on shooting down the enemy aircraft in the air when they attack.

The first idea has a considerable following among informed observers. The second has only a few ardent adherents but makes more sense than is generally realised. One careful study has concluded that NATO aircraft attacking enemy airfields will lose almost as many aircraft as they knock out on the ground. However, NATO's air defences on the central front are expected to shoot down four or five enemy aircraft for each NATO aircraft that is lost in air combat.

Most airmen believe instinctively that the defence-only idea is too nutty to talk about and, in the same breath, they will strongly dispute the concept of counter-attacking with missiles. That gets too close to the bone of their tradition of manned aircraft. And they argue that, in any event, they would need large numbers of attack aircraft because there are many sorts of targets other than airfields that can be hit effectively only by piloted machines.

Plenty of targets

Map 4



Weasels and the like

Whatever the merits of these arguments, for the time being NATO is wedded to the idea of attacking airfields by manned aircraft, and the chief wish of the air commanders now is for a better long-range stand-off missile that would allow them to hit these fields without actually flying over them and their defences. But even when such a weapon is available—though several are being developed, none is actually in production—this would not solve the air forces' problem completely:

they would still have to get close enough to launch the missiles, which means flying over enemy territory and facing the flak (although pilots could then pick their routes to avoid the worst of it). Equipment is available that can help get through these defences by neutralising, one way or another, the enemy radars; but NATO is never likely to be able to afford as much of it as it would like.

What is ideally required is a combination of listening devices to detect and locate enemy radars that might be searching for attacking aircraft or guiding anti-aircraft missiles; equipment to confuse or blot out the pictures on enemy radars; and missiles that will home in on the ones that can still operate despite all the jamming and deception.

The Americans have managed to stuff all three types of equipment in one specialised model of the Phantom aircraft, called the Wild Weasel. One or more of these machines would lead the main attacks by several minutes, blasting electronic holes in the defences for the attack aeroplanes to squeeze through. To supplement the Wild Weasels the Americans also have some modified F-111 aircraft devoted wholly to jamming. They carry a wide range of powerful jammers that can deal with many different communications and radar frequencies. However, there are only a few of these machines; they would not be available for every attack mission into Eastern Europe.

Keeping them out

In the air, a defensive capability is at least as useful as an offensive one

Besides attacking enemy targets in Eastern Europe, and providing close-in attacks to support the ground troops directly, NATO's air forces must defend both those troops and the NATO countries themselves against attacks by Warsaw pact air forces. The main elements of the air defence forces are: the land-based radar system, called NADGE; the anti-aircraft missiles; the E-3A airborne-early-warning aircraft, known as AWACS; and the fighters.

The NADGE (NATO Air Defence Ground Environment) network of land-based radars, linked together by computers and a data-exchange system designed in the 1960s, is based on a belt of radar sites stretching from northern Norway to Turkey. The French system, STRIDA, is tied in with it so closely as to be indistinguishable. The main control centres can see the radar picture as presented by any of the sites in the entire system.

The principal anti-aircraft defences are two systems of missiles covering most of the central front. The forward (easternmost) one is the belt of medium-range (about 25 miles) HAWK missiles with conventional warheads. These missiles have their own radars and are generally manned by the ground forces. However, they are linked with the air-defence control centres.

The secondary belt is composed of several dozen Nike Hercules long-range missile batteries. Most of the Nikes have nuclear warheads, for when they were designed this was the only way they could hope to deal with mass raids and high-altitude attackers. However, the Nikes have begun to be phased out in favour of the much superior Patriot system, which does its job without nuclear weapons. Patriot is an extremely expensive mobile system and is just beginning to come into service with the American army on the central front. West Germany has agreed to deploy these new missiles under an arrangement with the United States that it will buy some Patriots for its own forces and operate some others paid for by the Americans.

Holland and Belgium, which also operate Nikes, are considering similar deals for Patriot. These are the only four countries that participate in missile defence. The United States and West Germany are by far the biggest contributors—and the American army has a unit about the size of a division that mans the missiles.

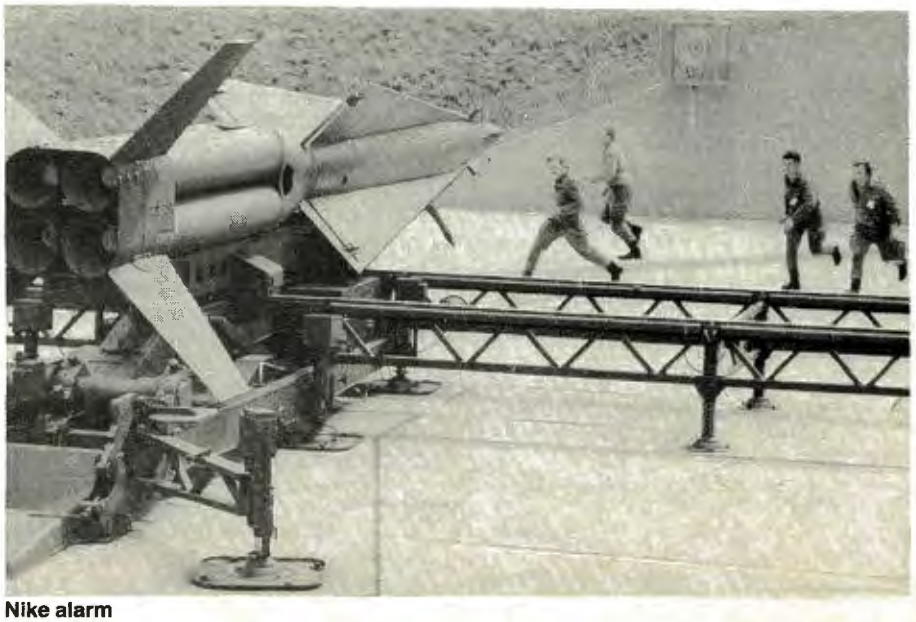
Besides the two missile belts, all of the main armies have short-range missile defences which would cover key military troop installations and civil targets such as bridges; and all the airfields have their own local air-defence weapons. Ideally, these short-range systems should also be linked with the main command-and-control networks, but it is too much to hope that all the battlefield weapons could keep their communications open all the time.

The main problem is that the missiles may shoot down their own aircraft. No good way has ever been found to prevent this from happening. Part of the answer may be an electronic system called IFF (identification, friend or foe), by which a radar operator can ask a target, electronically, for a coded response, like a password; if the target responds properly, it is a "friendly". However, no foolproof IFF has ever been developed—if any part of the system does not work, the target appears as an enemy and may be shot down. (The operators of hand-held anti-aircraft missiles, such as the American Stinger or the British Blowpipe, have no IFF at all.) And those IFF systems that are in service have the drawback that the transponders on the aircraft (the gadgets that give the electronic password when asked) make excellent beacons for hostile missiles to home in on.

NATO has for years been trying to develop a standardised IFF system. For technical, bureaucratic and chauvinistic reasons, it has been unable to complete the task. The lack of a modern, common-to-all-air-forces system must rank as one of the great weaknesses, and one of the great failures, of the alliance.

Sentries in the sky

On the other hand, the fleet of 18 AWACS machines, funded by the alliance as a whole, is a success story. It is based in Geilenkirchen in West Germany, but it is



Nike alarm

not the exclusive property of the central region: it serves all regions of NATO, including the Atlantic. It has a number of forward operating bases in other areas to work from. These giant aircraft—Boeing 707s stuffed with computers and communications equipment—have two main jobs. The original idea was to back up NADGE, with the Boeings carrying their huge radar domes aloft and peering over the curvature of the earth to detect low-flying aircraft well before they were within range of the NADGE radars. However, new long-range Russian aircraft could outflank the NADGE radar belt that is located along the eastern part of the central front by flying in over the Atlantic. Thus the AWACS aircraft, which would normally operate 100 miles or so behind the front lines, are the principal means of detecting intruders coming from the west.

The fleet of 18 can keep four aircraft on station continually, and it would take two of them to maintain complete coverage of the central front. In wartime the allocation of the AWACS aircraft between the various threats would be made by a committee of representatives from the three major NATO commanders. However, if the Warsaw pact forces attacked the central front, it is a safe bet that its two orbits there would be filled, whatever was happening elsewhere.

The AWACS machines have nine consoles each (one of them is shown on the cover of this survey) which can be used to track incoming raids and direct fighters to intercept them. Normally, the commander of the air forces on the central force would operate from a specially built bunker in Börfink, alongside the central-front commander, and would run the entire air war from there. Under this system the pictures from the AWACS planes in orbit would be transmitted, continuously, to the bunker by coded data-link so that the air commander could see on his screen exactly what they were seeing on theirs. However, if the bunker were knocked out, it is possible to control much of the air war from an AWACS itself.

Fighting component

The NATO fighter force is of extremely high quality, but it is much too small for its job. One wing (around 72) of American F-15s is based at Bitburg in West Germany and a squadron (about 24) at Soesterberg in Holland. The F-15 is probably the best all-round fighter on the central front. The F-16s, which function interchangeably as attack bombers, are at least as good at dogfighting, using guns and heat-seeking Sidewinder missiles, but cannot fire radar-guided missiles as effectively. The United States, Belgium and Holland all operate the F-16.

Britain contributes two squadrons (of about 24 aircraft each) of Phantom fighters. Germany's fighter is also the Phantom, which is now getting a bit long in the tooth, but which is being perked up by a mid-life update. Canada operates three squadrons (about 54 in all) of the brand new F-18 Hornets from Lahr in Germany. These aircraft can also be easily converted from fighter to bomber, and back. France has no aircraft based in Germany, but could fly both Mirage F-1s and the newer Mirage 2000s from bases in north-eastern France.

NATO needs its own tankers

A fairly cheap way for NATO to get more mileage out of the aircraft it does have would be to buy a fleet of around two dozen air-refuelling tankers. For example, when a fighter is scrambled on a combat air patrol, it will return in about an hour, often without having fired its weapons. If it had a tanker standing by, it could stay on station for several hours or until it had fired its missiles. Not only would this procedure get more potential fighting time from the fighters, but it would keep them off the ground where they are liabilities: juicy targets for both air and ground attacks.

A tanker force would thus allow commanders to use better tactics. Instead of keeping the fighters on the ground until enemy raids began to show up on the radar screens, they could be flown off early and "parked" in the sky where they could react more quickly.

Normally within NATO, equipment is provided by national forces. But the alliance as a whole needs the tankers, and no one country is likely to provide them. The United States plans to send a few to the central front in wartime, but there will not be enough to service even all the American aircraft, let alone those of other countries, such as the "short-legged" Tornadoes of Britain and West Germany.

The fleet of NATO AWACS aircraft has worked well; it was bought from a central fund to which all members contributed on a sliding scale, and it is operated by mixed crews drawn from almost all member countries. A tanker fleet could easily be procured under a similar arrangement, perhaps for the central front alone. It would increase the potency of its air forces there by much more than if the same money were spent on extra combat aeroplanes.

The numbers game

In raw numbers NATO has fewer combat aircraft actually stationed on the central front than the Warsaw pact has. However, the differences are partly compensated for by the superior training of NATO's aircrews and ground crews. The pilots of NATO's dual-role aircraft train extensively at both ground attack and air defence. Warsaw-pact pilots do not. And because its ground crews are better, even without tankers NATO can get significantly more missions per machine than the Warsaw pact can.

Although NATO will probably continue to be outnumbered in the air on the central front in the near future, the total number of Warsaw pact tactical combat aircraft has been falling in recent years, and the United States is planning a slight increase. But the Warsaw pact has been catching up rapidly in the quality of its aircraft. Today's front-line Soviet aircraft have roughly three times the range and can carry twice the payload of the ones flying ten years ago. Many authorities consider that the new MIG-29 and SU-27 (code-named Fulcrum and Flanker, respectively, by NATO) are the equal of the newest generation of NATO fighters.

However, there is some indication that the Russians are having trouble with them, for they are being introduced more slowly than anticipated. In any event, they are certain to be more complex and difficult to deploy widely than their simpler predecessors. And they must necessarily be more expensive, which may account for their slow rate of introduction into service and the fall in the total number.

As with the ground forces, both the United States and the Soviet Union have aircraft they could use for rapid reinforcements. The United States regularly exercises its reinforcement operations by deploying squadrons from American bases to West German ones—they fly all the way, being refuelled in flight.

The United States has plans to send about 1,600 aircraft, mostly fighters, to Western Europe within the first few weeks of war; all of these could be used on the central front if required. Beyond that the American air force has another 1,500 or so aircraft that it could send, although it would have to reduce its forces in the Pacific to do so. The American marines have another 500.

The Soviet Union has about 2,100 more combat aircraft available, not counting those it has deployed to its southern

military districts and to the Far East. Besides these machines, it has nearly 1,000 interceptors assigned to the Air Defence Force (a separate service in the Soviet Union) that are not committed to the Warsaw pact forces. Most of these would be retained for air defence of the homeland, but some might well be sent to the central front to operate as air-defence fighters.

Commander, Allied Air Forces, Central Europe (COMAAFCE) controls both the air defences and offensive air operations. He would normally operate through his two subordinate tactical air force commanders, who in turn would control several specialised command centres. For air defence, there are three Sector Operations Centres (SOCs), two in the 2 ATAF area and one in the south. For offensive operations, there are four Allied Tactical Operations Centres (ATOCs), two in each region.

Normally the tactical air force commanders would assign aircraft to each of these centres and let them get on with the war: the SOCs would be in touch with AWACS, the NADGE sites, the fighter bases, the missiles and the anti-aircraft weapons in the army corps areas, and would assign aircraft or anti-aircraft missiles to incoming raids as necessary. The ATOCs would carry out offensive operations, making decisions as necessary between, for example, striking deep into Warsaw pact territory or providing close support to a hard-pressed ground commander.

The job of the commander of AAFCE is to watch over all these operations and make the best use of all his air resources. Before the establishment of AAFCE in 1974, command of aircraft was decentralised into two main groups in the same way as the ground forces still are. However, this failed to take advantage of the great mobility and flexibility of air power. The army-group commanders felt that "their" tactical air forces were parts of their weaponry, and nobody other than the central-region commander—always a ground-force general—could shift aircraft from one group to another.

True fighter-bombers, such as the F-16 and the F-18—aircraft that could be converted easily from fighter to attack plane—were then on the way. So it became apparent that if a shortage of fighters developed, say, in the 2 ATAF area, somebody would have to decide whether it would be better to send more fighters from the south or to convert some northern attack-aircraft to fighters. An air boss for the entire central region seemed the answer; COMAAFCE was created, and the Börfink bunker was built so he could operate effectively alongside the commander of the central front, functioning as his air deputy.

Operating from the bunker in wartime, COMAAFCE would probably control directly the strikes into Warsaw pact territory. However, he would probably merely monitor what was going on defensively over West Germany and intervene only when required. He would be the main co-ordinating link with the French air force. And he would also help control the huge number of logistics flights, both those coming from the United States and Britain (and, maybe, from France) and those moving cargoes about the theatre itself, thus taking some of this load off the backs of the tactical air force commanders who would be doing most of the fighting of the hour-to-hour war.

Can the line be held?

Yes, but

There is little doubt that the central front could be held against the first echelon of a conventional attack by the Warsaw pact powers. But then the question marks begin to appear. Would the French lend their weight in time? Would the congestion caused by West German mobilisation and the massive American and British reinforcements become unmanageable? Could the attacks on the rear areas be contained? Would the allied air force be able to give direct support to the ground battle or would it break its back pressing home attacks deep into Eastern Europe? Would the air defences stand up to the pounding they would be sure to receive?

There are no certain answers to any of these questions. But it is clear that if many of them go the wrong way, the alliance would be facing a catastrophe and therefore the most difficult decision of all: whether or not to release nuclear weapons. The wags who describe NATO's strategy as "fight for three days and then blow up the world" are off track, but not so far off that anyone can feel comfortable about it.

It is clear that NATO's forces on the central front are very close to being strong enough to hold that front with conventional weapons. All it would take would be a workable FOFA system, a bit more artillery here, a few more aircraft there and a few more men, tanks and command-and-control equipment almost everywhere. Why do the NATO countries take such a risk when a little more money would make a nuclear war that much less likely?

The essential answer is, first, all countries of NATO Europe find it hard either to raise taxes or to cut into their social programmes by enough to buy the extra "insurance"; and, second, there is a feeling among many Europeans that they do not want to be able to fight a long conventional war on their soil, successful or no. They believe their security lies in a conventional force that is strong enough to last for a few days, but weak enough to indicate clearly to the Soviet Union and its allies that any attack on the West would soon encounter the nuclear might of the United States.

The conventional forces of the central front today are better than that. Militarily, the ground and air forces of the alliance are more closely co-ordinated than they ever were in the past, not least because those in command or rising to command up the ladder of promotion, have worked together within an alliance's framework from the moment they first commanded a platoon or flew their first mission. In particular, the West German ground and air forces now have a confident professional gloss about them that was lacking even a decade ago, because then they were still trying to shake off the stigma of militarism. The West German armed forces do not trumpet their virtues, for good, sound political reasons; but those virtues are there, committed to the defence of their own country as part of the alliance.

NATO's armies and air forces would have some chance of defeating a sudden, surprise attack completely and could almost certainly last for more than a few days against an attack by partially mobilised forces (which would give NATO more warning time). The chances of holding indefinitely without using nuclear weapons are impossible to calculate, but it is a fair guess that if the NATO's conventional forces could hold out for two weeks they could hold out for ever.

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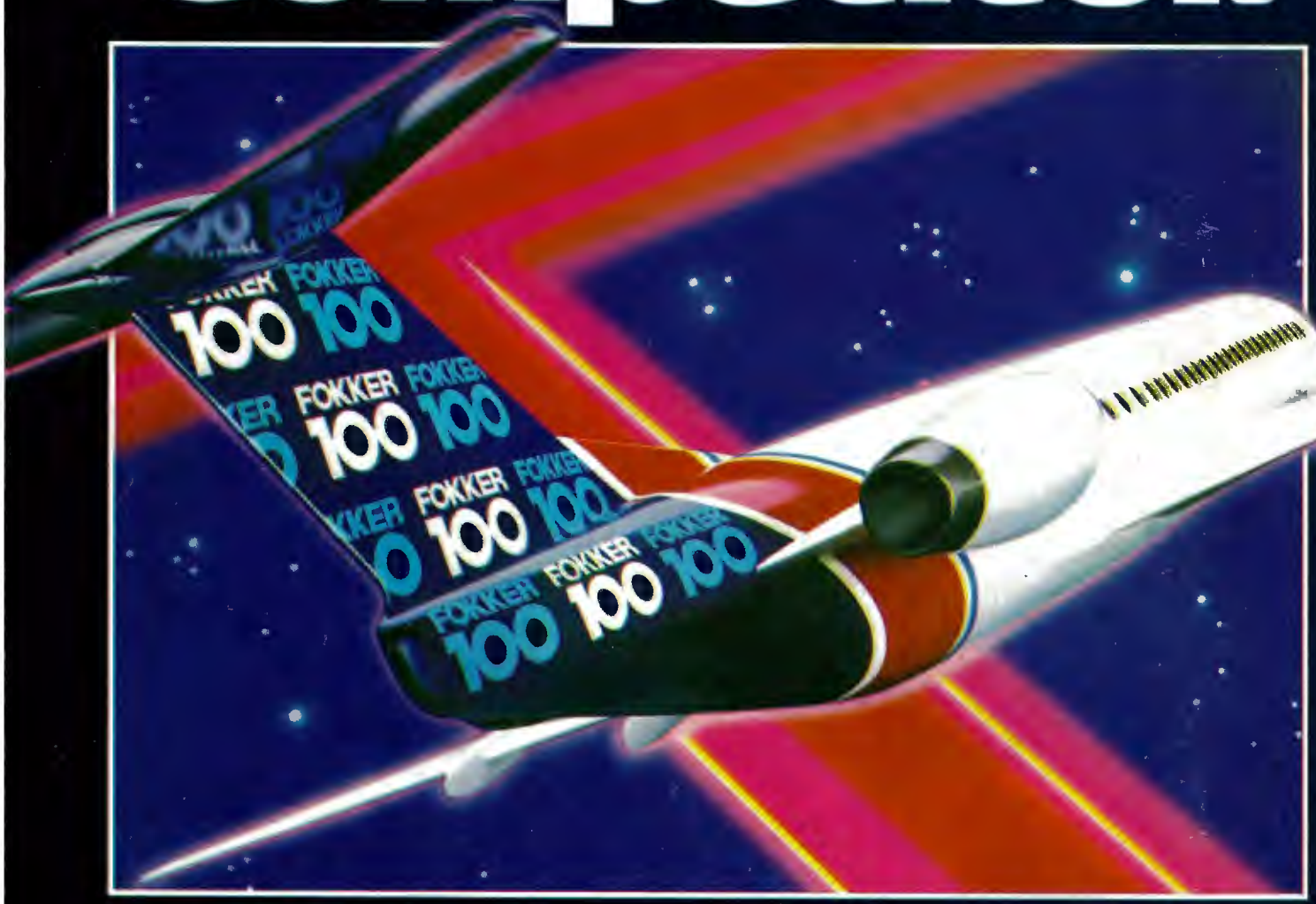

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The best of times, the worst of times

Today the words ring as true as in the 1850s when Dickens wrote them, even if that was the heyday of the industrial revolution and Britain, its birthplace, was using its new technology to rule the waves and a third of the world. Most British men and women have pretty good ideas about what has gone right and wrong since. For an outsider's view, *The Economist* asked a long-standing freelance contributor, Richard Critchfield, who usually writes about the third world or his native American Midwest, to spend six weeks here: an innocent abroad, as Mark Twain once was. He examines how post-industrial technology is working its way through British society to make this age as contrarily hopeful and despairing as any Micawber or Uriah Heep had to face. Chris Ridley, going over much the same ground, took the photographs

The British, a visitor gets reminded, are 55m people inhabiting a very small island. (In Northern Ireland, which is not covered in this report, there are another 1.5m.) To Americans, as to the Victorians, this helps to explain the famous reserve and good manners to each other and all the understatement, conscious coolness and dry, deprecating humour. Maybe Americans are so loud and brash because it is the only way to get heard in those wide-open spaces.

It is also as if on an island—a society without frontiers—people think in much more zero-sum terms (anybody who gets rich does so at his neighbour's expense). Despite the announcement in the 1890 American census that the frontier was closed, different frontiers keep springing up in America—irrigated deserts, air-conditioned Sun Belt cities. If you do not like your job in Newark, move to San Diego, like Huck Finn lighting out for the territory. The economy comes to be seen as a deep well to be forever primed and pumped, and not, as it did to so many British workers not long ago, proud of their place and their trade union, as a fixed pie.

One guesses that ever since the last shaggy band of hunters waded across the submerging Channel at the end of the Ice Age, their physical insularity has conditioned the British ("I do not say they cannot come. I only say they cannot come by sea"). It is after all in living memory—

the Channel was flown in 1909—that British seapower has diminished. Among the barrows at Land's End, it comes as a surprise to learn that man was here at least 250,000 years ago and that his first farming, with digging stick and wooden plough, goes back almost as far as it does in Egypt. When the Roman legions first laid eyes on Stonehenge, it had been standing for 2,000 years, very likely the same puzzling ruins to be seen today.

Where is Britain most and least insular? It is most like an island when a Gaelic-speaking crofter in his Highland glen laments the clearances as if they happened yesterday. Or in the bilingual signs in Britain's ancient archaic tongue and the us-and-them feeling all over Wales. There is a sense-of-island too along the Scottish firths or Cornish coast on wintry days when a storm is blowing, and in the faces along the bar as the locals quietly reckon how many of the trawlers are still out there at sea. All Celtic examples, but there are "Anglo-Saxon" ones as well: nobody tugging a forelock, but there was that old man in his village on Salisbury Plain, glimpsed tipping his hat to a grand-looking lady as she stepped into her car.

But try blindfolding somebody and parachuting him into the middle of the glass shopping centre at Milton Keynes and he would not know but that he had been dropped into Singapore or San José. Britain seems least like an island when, with the same toothpaste and videos and Jeffrey Archer novels on display, it is so transAtlanticised, Americanised, McDonaldised that it cheerfully fits what Gertrude Stein said of Oakland: "There's no there there." Never mind, to an American it looks like home.

So the British look back. Professor Asa Briggs, an Oxford historian, finds a few British people who will say, "Let's scrap history altogether", but fewer than in any country he knows. One, an insurance executive met on the train to Norwich, confided: "We are afflicted with this dreadful imperial past." Lord Briggs finds the affliction widespread: Marks & Spencer published its centenary history a few years ago; towns like Wickham in Yorkshire celebrate their 1,100th year; books about the past outsell books about the future. It may be, he says, because history, good and bad, is so visible in the present—Buckingham Palace, Westminster Abbey, the great castles and cathedrals, but also the derelict dockyards, soot-blackened factories, abandoned pitheads.

In the American imagination, Britain somehow burst on the scene full-blown in all its Elizabethan-Victorian glory, the epicentre of great revolutions: scientific (Newton and Darwin), liberal government (Cromwell and Locke), market economics (Adam Smith), industrial (James Watt, dark satanic mills), and imperial (filling up empty continents like North America and Australia, conquering savage tribes and peasants in India, half-Africa, bits of East Asia, the South Seas). In wisdom, if not in power, Britain is still seen as the fulcrum of that North Atlantic liberal world which stretches from San Francisco to West Berlin.

For such a precise people, the name is oddly imprecise. True, the United Kingdom of Great Britain and Northern Ireland is a mouthful. And Great Britain turns out to be a geographical designation as much as anything (*Grand Bretagne* as opposed to Britanny). One settles for UK or Britain. And the British. But what about the singular? The British on the whole don't like Britisher or Brit. Briton is undoubtedly correct, but used in conversation has vague overtones of patriotic posturing ("Never, Never, Never Shall Be Slaves"). The singular is defeated by national identity. People regard themselves as specifically English, Irish, Welsh, Scots or Cornish.

Nowadays they regard themselves as "haves" or "have-nots" too. Disraeli's "two nations" meant the very rich and very poor (one guesses the urban very poor; Disraeli did not know much about the rural very poor and since he wanted to lead the Conservative party he did not discuss them). Roughly, with pockets of prosperity and blight on both sides, Britain is split by a north-south divide running from Bristol to the Wash. The victims of decaying smokestack industry live in the north; the beneficiaries of new high-tech, finance, scientific and service industries, plus London's cultural and political elite, are in the south. Cross the divide, going north, and visibly the cars get fewer, the clothes shabbier, the people chattier. (You can even see it at the railway stations: compare the crowds at Euston and Waterloo.)

One is told that up until the mid-1950s Britain looked remarkably good. It had shown the world that it knew how to run a great empire with liberty and style and was liquidating it with good grace. Europe was in ruins, scarred by Nazism and communism. Britain, if badly knocked about, had come through with the monarchy and Parliament and all the great buildings and people not being shot by firing squads and habeas corpus and all. The high point was probably Queen Elizabeth's coronation in 1953 (the first live television this correspondent and 20m other people around the world ever saw). Britain had shown it could keep the leisurely, lovely graces of life and still prosper and be a power in the world.

Then, as the British are the first to say, they got their domestic questions horribly wrong. Mr Timothy Dickinson, a much-consulted British scholar in Washington, compares Britain's decline to a slow loss of oxygen: "There's been no specific catastrophe. It's been like looking into a room where everyone is nodding off and you say, good God, there must be a gas leak or the air supply is running out."

Something was wrong and North Sea oil gave Britain a chance to put things right. In 1979 it voted in a more consciously radical government than any that had held power since the 1940s. Mrs Margaret Thatcher is a radical populist who wants to shake up a people who like their quiet and make Britain more market-minded and enterprising in the new high-tech world economy. Tensions within the Tories and between Thatcherism

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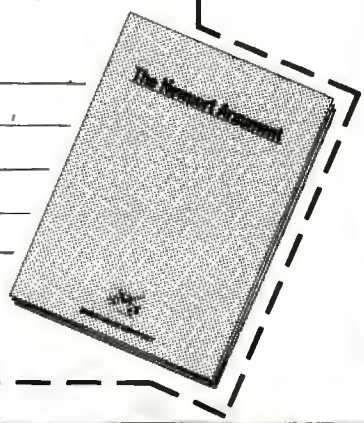

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and Labour's welfare state divide Britain too. A memory sticks: the old grandee in his run-down club with its priceless art works ringing and ringing for tea and nobody comes. Mrs Thatcher is right: a great past and pride and style are not going to be enough in this tough global economic fight. So she is out there, chopping down the cherry trees.

In politics, Mr Harold Wilson said, a week is a long time. This report mainly looks at British society itself. Americans whom you have never met in your life will confide things on trains, aircraft, in bars that an Englishman would not tell you on his deathbed. Except when it comes to what ails Britain. Who was it that said the English are never so happy as when you tell them they are ruined? H. G. Wells found the Englishman's favourite topic "adverse criticism of all things British". Maybe it is like having a problem member of the family; even an Englishman will tell a stranger about a psychopathic aunt. It seems that the condition of Britain, this long, worrying experience, is something that haunts all its people, no matter to which of the "two nations" they belong.

Aristotle's rule of thumb

Look, he said, at the family and how it is doing and what kind of houses it lives in

Aristotle got it right. In his view what matters most for a society's health is the state of the family and property. In this, Britain fares a shade better than America.

In the United States in 1960-80, there was a huge rise in post-pill premarital sex. The birthrate fell by 42%. The divorce rate doubled. Full-time homemakers dropped from three-quarters to just a quarter of all married women. In 1973, half of all young women were married by 21, men by 23; by 1986 both ages were up two-and-a-half years. Fewer than one American family in ten fits the old Norman Rockwell image of dad at the office, mom in the kitchen and tiny tots or school kids at home.

In Britain in 1985, 17% of births were outside marriage. A quarter of couples were non-marital cohabitations. The birthrate had fallen by 30%. One marriage in three ended in divorce by 1985 (one in two in America). Marriages are later; young singles are multiplying. Two-thirds of British women between 35 and retirement now work, virtually all until babies come, about 50% part-time after that. As 28% of households are two-parent families with dependent children and as so many mothers work, demographers at the National Institute of Economic and Social Research reckon that even fewer than 10% of British families fit the old image.

Dirty Den and Angie aside (part of this assignment was to watch "EastEnders" faithfully), British couples stay together better. One explanation for the higher divorce rate in America is that Americans have a higher standard of conscious happiness. Marriages fail when people feel they are not specifically "happy", a discovery that has broken up tens of millions of American homes. Not that a British marriage is such a dogged partnership, but the British have a much lower impulse to lift up the stones and see what is living underneath in their emotional lives. Hence the American fascination with psychotherapy. A marriage in Britain has to make its way, in the words of the novelist Paul Theroux, in "secretive, rose-growing, dog-loving, window-washing, church-going, law-abiding, grumpy, library-using, tea-drinking, fussy and inflexible England". Even the one-big-happy-family myth was never true; as early as 1961 fully 41% of British households were made up of couples alone or single people. A quarter of all the British now live alone.

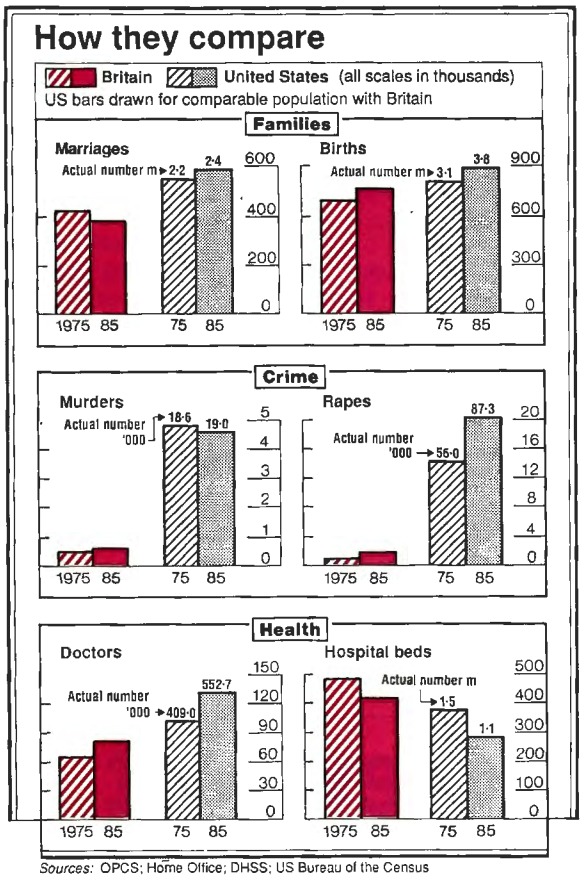
In America the baby boom peaked in 1960, in Britain in 1964 (making 23 the worst age to be in 1987 when looking for a job). The post-1971 drop in Britain's birthrate should mean, besides closed schools, more badly needed places in colleges and universities to meet the expanding demand for scientific and technical skills. The number of first-time voters will soon fall. Like America, Britain will keep growing as long as young people having babies outnumber old people and immigrants. This may not be for long. If immigration is cut off and the birthrate starts to fall again, Britain might start to shrink (as West Germany already has and Sweden and Denmark soon will). For whatever reason (more working women, consumerism, the bomb) enough individual decisions are being made that the West is no longer replacing itself.

In home ownership, Britain is catching up. Thatcherism has made nearly two-thirds of British householders owner-occupiers. The 27% who still live in council housing (58% in Glasgow) are stuck—house prices are too high to move out. A difference with America is in style. The American postwar housing explosion was due to veterans' low-interest housing loans, cheap new prefab methods of home construction and the Interstate Highway System. These combined to encircle the cities with suburbs of detached, look-alike "ranch-style" bungalows. In Britain the boom took the form of semi-detached or terraced houses (just catching on in America) and tower blocks and housing estates.

The home in the country is the ideal. Most British settle for a house and a garden. Here perhaps is another cultural difference. J. B. Priestley, who railed against the monotony and "same squat rows" of English housing, was no champion of the free-standing home. "I do not understand this passion for being detached or semi-detached," he once wrote, "for you can have gardens just the same if the houses are built in little rows".

In Britain housing is politics. A mortgage goes with being Tory. Pay council rent from a housing benefit and you are Labour, or so it is supposed. Aristotle, the original Thatcherite, also argued that the stimulus of private ownership is needed for pride and care. He should have seen the vandalism and graffiti of some of the council estates.

Age affects family and home. When Browning wrote, "Grow old



Sources: OPCS; Home Office; DHSS; US Bureau of the Census

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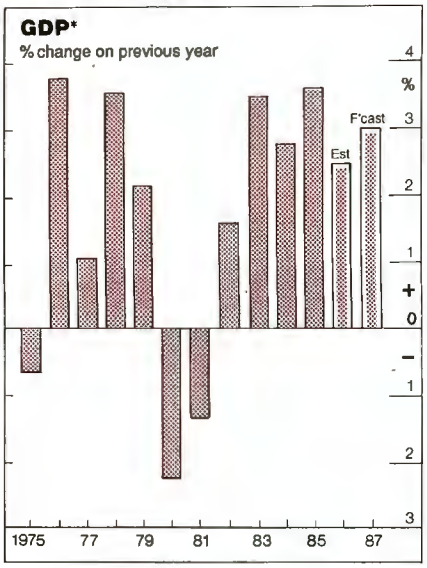
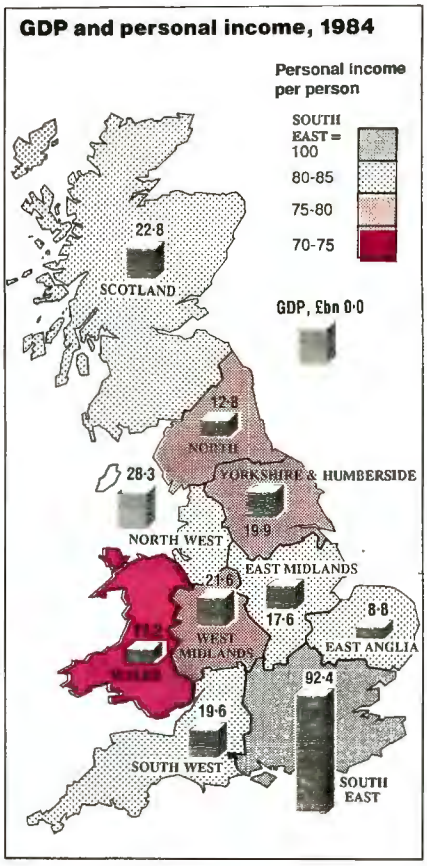
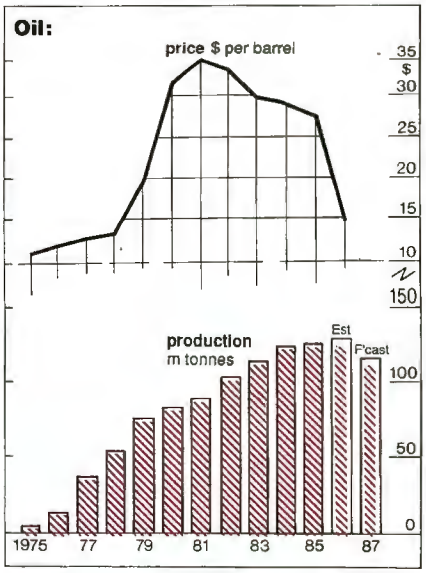
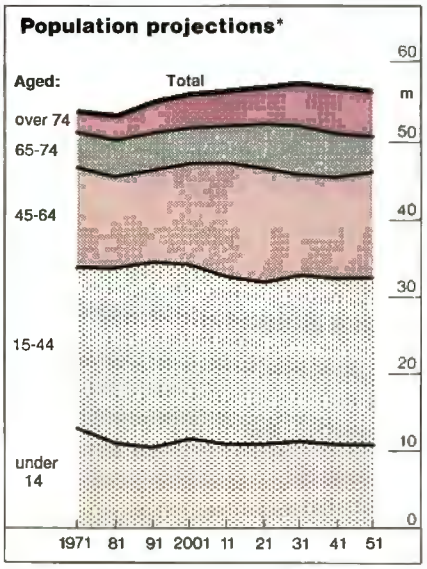
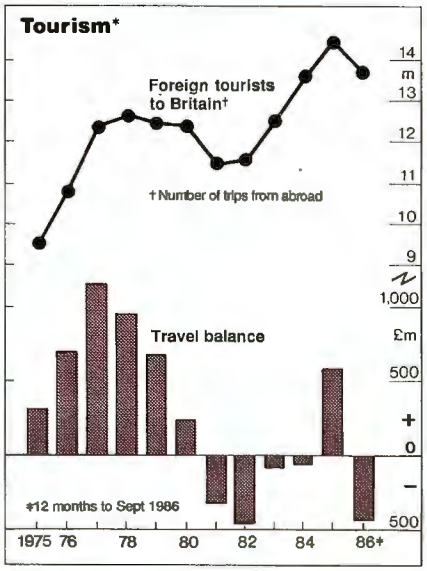
Britain in profile

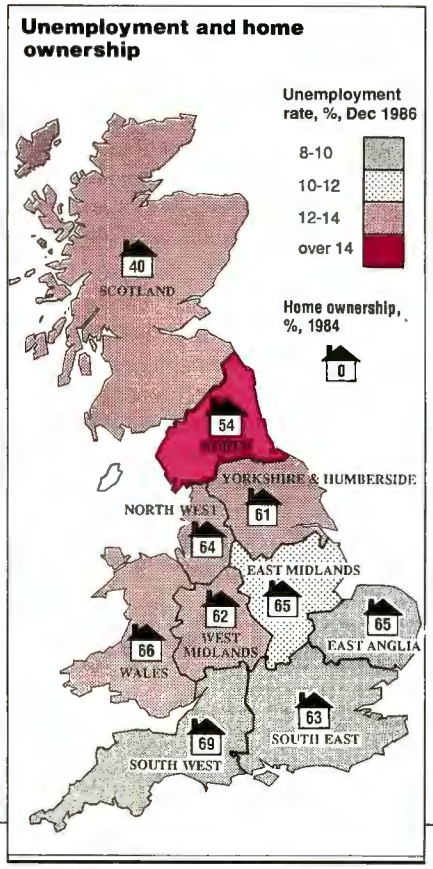


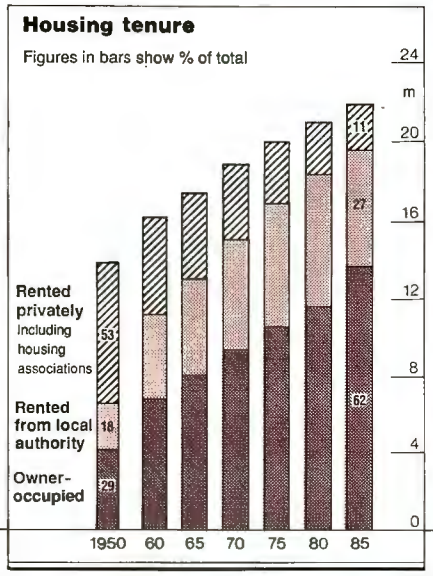


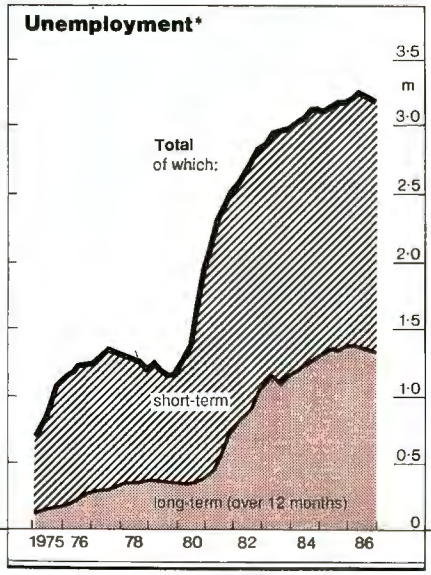












Sources: CSO; Treasury; Office of Population Censuses and Surveys; Department of the Environment; Regional Trends; BP; Phillips & Drew; English Tourist Board

*Including Northern Ireland

along with me, the best is yet to be," he never dreamed that life expectancies in Britain and America would rise over the following 100 years from the mid-40s to 74 in both countries. This was due mainly to falls in infant, childhood and maternal mortality. The trick in Victorian times was to survive into adolescence. The average 65-year-old Englishman or American in 1987 can expect to live just three years longer (six years for his wife) than he could in Browning's day.

So he wants to retire as soon as he can. In 1981 only 68% of American men aged 55-59 and just over half of those aged 60-64 were still working. In Britain they stay in harness a little longer. Between 1971 and 1984 the 60-64 age group still working dropped from 83% to 57%. Of those aged 55-59, 83% were still at their jobs or looking for one. Earlier retirement is one way to cut down employment. Just three Americans and 2.7 British now work for every retiree. In 1910 10% of Britain's people had reached retirement age; 28.5% have now. Still, Britain is going to get a breathing space. A big fall in the birthrate in the 1920s means the numbers of old people will stop growing (in America the fall came later, with the onset of the depression in the 1930s). Britain will not start aging again until early in the twenty-first century.

Television shots from Northern Ireland, the inner-city riots of 1981 and 1985 and all the weekend football brawls make Britain look as violent as America. But look at the figures. In 1985 Britain had 653 killings, America had nearly 19,000. Britain had 2,090 reported rapes, a big jump from the 1,191 in 1974; America had over 87,000. The British commit crime: there were 3.5m crimes recorded in 1985, a 3% increase over 1984. Nearly one man in three born in 1953 has some criminal offence, but most of them are minor. Cars, vans and motor bikes are the main target in Britain, not people; one in five owners gets his vehicle stolen or vandalised. (Something happens to the British around cars; put the most mannerly Jekyll behind a wheel and you will get a speed-crazed Hyde.)

Not long ago Americans were shocked to hear that in Detroit last year 38 people were killed and 333 wounded by handguns. But they were shocked only because this was just the number of children under 17. ("Kids kill kids", said the headlines.) Count adults and Detroit's deaths from handguns alone in 1986 were over 500. The British take a sort of ghoulish vicarious glee in crime, especially if it is local. Americans are understandably much more afraid of walking city streets at night.

Mrs Thatcher calls for a return to Victorian values. Many of the churches

A not so silent minority

that once preached them stand empty, even derelict. Official Christian church membership fell in 1986 below 7m, down by 1.5m since 1970. In 1980-85, the number of ministers dropped by nearly 1,500 and over 750 churches closed their doors, or became old folks' homes, restaurants, or, in a few cases, mosques.

Islam is Britain's fastest growing religion. In 1986 Muslims, for the first time, outnumbered Baptists and Methodists combined. Some 852,000 Muslims prayed to Mecca in 314 mosques. In 1960 there were just six mosques. Church of England officials say they can no longer count on drawing more than 1.5m people to Sunday services. All told about 20m British have some tie to a church (4m of them Catholic), if for many of the Protestants it is just a matter of baptisms, weddings and funerals. Anglican priests argue that after centuries of preaching duty to the Crown and the law, the Church of England is seen by young people as the defender of the established order. In a searching study of Britain's poor in 1985, "Faith in the City", a commission set up by the Archbishop of Canterbury found an alarming degree of social isolation among the underclass in inner-city and fringe-housing estates.

In the land of Wesley, Fox and the Salvation Army, religious enthusiasms have waned. Moral leadership seems to reside in the Queen who reminds her subjects of such golden-rule ethics as "treat others as you would like them to treat you". With the same consumerism and scientific doubt, American church-going has risen. The official claim is to 112m "Judeo-Christian" members. The fundamentalist revival, led by such television preachers as Jerry Falwell and Pat Robertson, is mainly a form of reaction to unwelcome social change: feminism, divorce, pornography, drugs, abortion and gay liberation, all perceived as threats by the lower middle class. American and British intellectuals alike are failing to articulate religious needs and hopes, leaving a spiritual vacuum that science is unable to fill.

The best of times

Ready or not, Britain is going micro, but education still lags woefully behind

A senior Japanese economist in the City of London, asked about the outlook for Britain, says he feels the recovery will last and that the future is in electronics, information services and biotech. Outside London, the biggest concentrations of microelectronic industries are along the M4 motorway corridor from Slough to Swindon, in Scotland's "Silicon Glen" and running up the M11 to Cambridge. But microelectronic products and processes continue to spread up and down the country, transforming Britain's manufacturing industry, finance, education, services and information processing. Here are some random examples:

- At Plessey's new semiconductor plant in Plymouth, engineers in space-suit outfits, working in sealed "clean rooms", bend over scanning-electron microscopes to put together integrated circuits. They aim to be down to a micron-sized chip by next year (a human hair is 80 microns) and get 500,000 to 1m transistors per chip within ten years. Such ultra-miniaturisation means complex information can be moved at ever-higher speeds on one tiny piece of silicon.
- Proof that such high tech can do almost anything comes when you look down the assembly lines at Austin Rover's giant Longbridge plant near Birmingham (the size of ten football pitches). A buzzing, clanking army of computer-run automated welders and robots rushes about putting together car bodies. In all the frantic activity and noise, except for a few supervisers in white coats riding around on bicycles (some of them Japanese from Honda), there is hardly a human being in

sight in Britain's biggest factory.

● You cannot learn high tech with a blackboard and a piece of chalk. So reasoned Mr Larry Rowe who learned electronics in the RAF and later at university. In 1949 on a £40,000 loan, he set up a teaching systems company in Norwich, L. J. Electronics, which makes robots, digital systems and other micro-teaching aids. Typical of the new, small high-tech industries starting up all over Britain, Mr Rowe's firm (with 70 employees) has to sell in Europe and America to find a big enough marketplace. So does Norwich's Datron Instruments, a pioneer in auto-calibration since it was set up in 1971, which has just opened branches in Florida and California. Of its £9.7m turnover in 1986, 73% was in exports.

● New electronic dealing systems and computer information services made the City's deregulation last year inescapable. A computer system's 8,000 terminals now allow traders to update prices for shares instead of the old face-to-face dealing on the stock exchange floor.

● Biotech is harder than the microchip to grasp but may change society more. A step toward cloning animals in Britain came in Edinburgh last year when foster ewes gave birth to lambs with genetically engineered embryos. At Nottingham University in 1986, as in Japan, DNA was put into a single cell of rice. With genetically engineered tobacco plants about to be field-tested in California and a new gene-spliced drug coming onto the American market, science is changing agriculture and medicine even faster than predicted. Among British biotech breakthroughs are the structural determination of DNA in 1953, the isolation of inferon in 1957 and the development of monoclonal antibodies in 1975. The anti-ulcer drug, Tagamet, and heart-protecting beta blockers also came from Britain.

● "The machine is not wrong. You are wrong", the teacher tells his 12-year-olds seated at their word-processors. "Press escape to edit mode and go back to command." Green letters dart about the screens. The class, "Introduction to Information Technology", at the Lord Grey Comprehensive School in Milton Keynes, typifies what one can see all over Britain. Teachers say they want children to learn how to retrieve and use knowledge, not just keep it in their heads. They could quote, alas, neither Wordsworth nor Shakespeare.

Look! It works

Talk to enough people in Britain and you find their troubles stem, however indirectly, from some social failure to adjust to science applied as technology. Nothing is wrong with science itself. Britain gave the world radar, penicillin and so many Nobel prize-winners. Cambridge's Cavendish Laboratory alone has produced over 80. The problem is to put the discoveries to use, and that takes engineers, factory managers and salesmen.

An industrialist worries how "Britain can stand the stresses and strains of getting to the future". The problem is not inventiveness", says another, "it's drive". A vicar warns, "The whole system is cracking at the seams". What's wrong? Everybody gives an outsider the same reply: education.

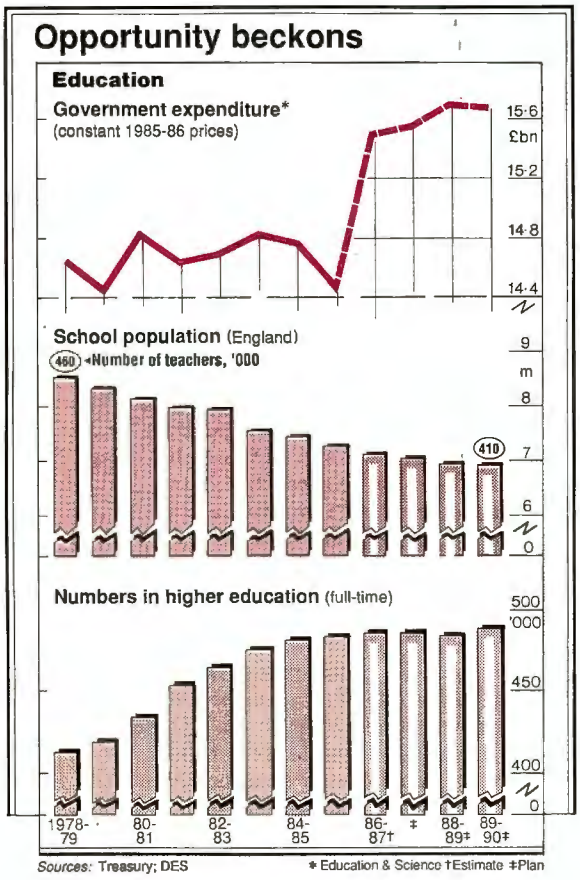
Fully 40% of Britain's 16-year-old school-leavers have no formal qualification (in West Germany just 10%). Another 30% enter apprenticeships of some kind (60% in Germany). In 1983-84 of Britain's 887,000 school-leavers, 30% in the rich South intended to go on to full-time further education, just over 20% in the poor North. Half of American school-leavers go on to college, but only 14% in Britain do (8% to 42 universities, the rest to 30 polytechnics and other institutions). In Germany 22% enter university; but so many drop out that fewer get degrees than in Britain.

A sharp cut in university budgets since 1979—denying 250,000 any chance to study after the 1981 freeze on expansion—has left a lot of unmet demand. How much can be seen, for example, at Plymouth's polytechnic, where the statistics and computing department in 1986 had more than 2,500 applicants for 90 places while electronic engineering had 1,400 applicants for 95. Oxford, where 40% study science, got 7,200 applicants last year for 2,800 places.

In the next ten years the number of Britain's 18-year-olds will fall by a third (against a fifth or so in America). While some will demand that the number of college entrants fall as well, Britain needs to resist this stupidity. The education secretary, Mr Kenneth Baker, has suggested one way to pay for more higher education is to get industry to foot part of the bill through student loans. American industry spent $600m in university-based research in 1986, much of it going to graduate students. This was up from $235m six years ago. Stanford University, whose industrial park led to Silicon Valley, gets about 6% ($10m) of its yearly research budget from private companies. It needs to. A year at Stanford, compared to Britain's free, state-paid education, costs about £12,000 a year.

Britain's universities turn out 76,000 graduates a year at a cost of £2 billion. Nearly 44% study science, technology, engineering or management. But the old saw about Oxford educating people to run the country and Cambridge to advance the frontiers of knowledge is still true. An Oxford don said:

> I think Oxford and Cambridge mirror, in an exaggerated form, what is true of the country. It's hen and egg, isn't it? I mean we successfully adapted from training clergymen, which is



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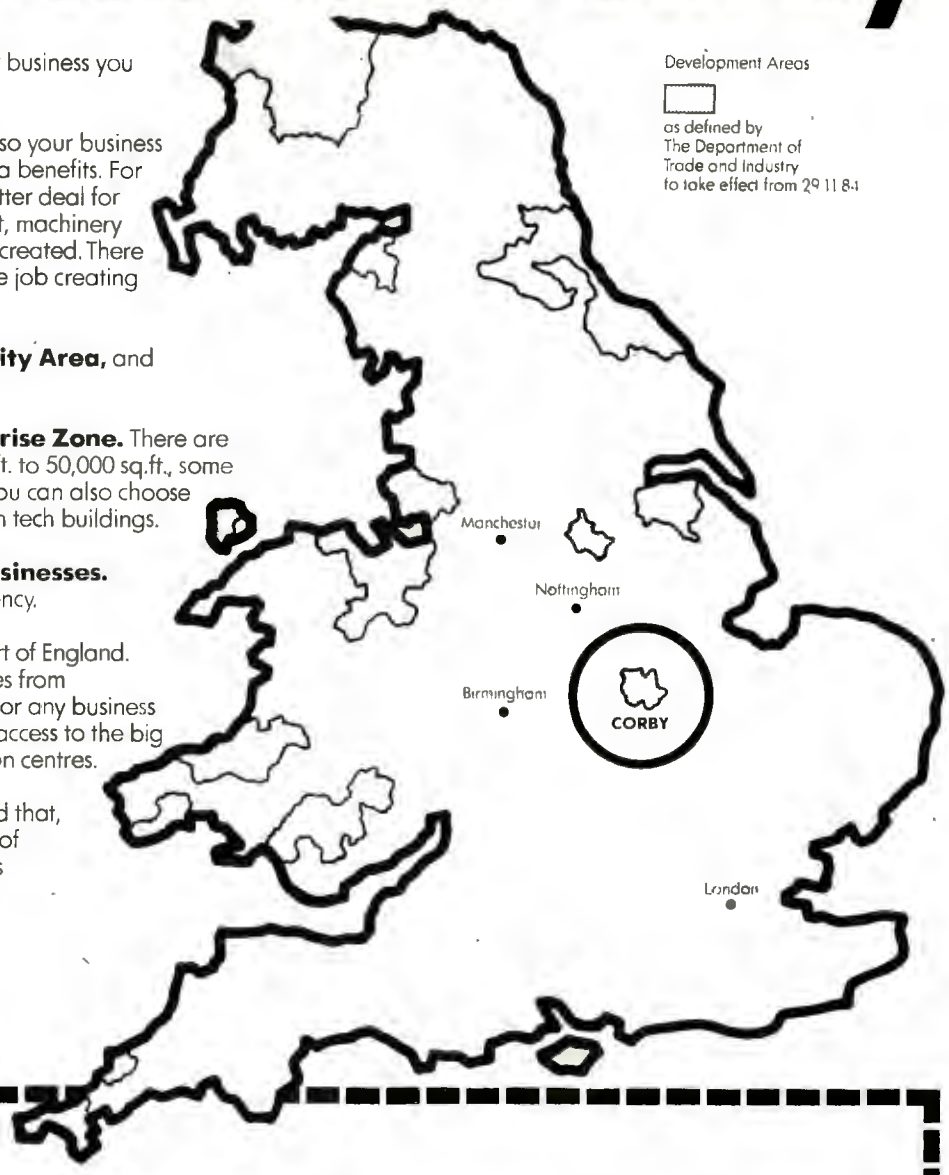

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Some tell you that the trouble goes back to public schools like Eton and Winchester. It is an old (but evidently true) generalisation that nine-tenths of Britain's traditions were invented in the nineteenth century. The great boarding schools go back of course for centuries, educating not just the aristocracy but quite large numbers of the middle class. The poet Gray went to Eton and his father was a hatter. It was between 1835 and 1885 when things started getting codified. From that period dates the mechanism to form boys in adolescence to run the Empire, of compulsory games, of hierarchy and authority, of starchy Anglicanism, of the stiff upper lip, of "not going into trade." Sir Peter Ramsbotham, a former ambassador to Washington, remembers Eton:

> You studied history and classics. There's no virtue in dead languages but it trained the mind. It was a means toward very clear thinking, sparse, succinct thinking. It gave you some love of poetry, taught you how to handle a book, what value was a book, how to use books.

Compared to an American, the average graduate of a British university is much better educated. There is more selectivity (or self-selectivity) before he starts. A bigger investment goes into each student. With eight to ten students per faculty member, the student does better than in a mass system (better still with tutorials). American comprehensiveness is admirable because everybody gets a crack at the system. The idea of being deemed stupider or brighter, based on an examination at age 11, and thereafter being educated according to the results, belongs to a class-ridden past. Not everybody goes to Harvard. But the American system is open enough so that in 1986 over half the student body at the state-supported University of California in Berkeley was of Asian descent.

The biggest shortcoming for the 9.7m pupils attending over 30,000 schools in Britain comes in technical training at the secondary level. Ten times as many clerical applicants in France have been shown to be proficient in word- and data-processors. A third of West German pupils get streamed into technical or commercial schools that lead to an apprenticeship. Another 45%, going into the equivalent of Britain's old secondary moderns, choose between mechanical technology, electronics, textiles or household studies at the age of 13, specialising still more at 15. In mutually agreed maths proficiency tests, the average British secondary pupil scored 12.9 points compared to 22.4 points for the average German.

Sir Claus Moser, Warden of Oxford's Wadham College, says that in about a third of Britain's secondary schools, mathematics is taught by people who lack maths degrees. He finds education Britain's biggest worry. "One shouldn't even have to discuss it. Our economic growth, quality of life, everything depends on it." Lord Briggs, who heads both Oxford's Worcester College and the Open University, says new training must be given to displaced workers. He argues:

> Everybody talks about them getting jobs in services. It won't happen. People are encouraged to apply the same productivity tests to services as they apply to manufacturing industries, to cut the cost of labour. If you want to buy a railway ticket at a London station, you've got to stand in a long line, two or three times as long as 20 years ago. It's the same on a London bus; 70% now have a combined driver and collector of fares. It takes that much longer to get from one point to another.

Mr Alan Tuffin, who heads the Union of Communication Workers (UCW), confirms this. There has been a steady drop in the number of communications and postal workers. British Telecom reported profits of over £1 billion in 1986 and the next day announced the redundancy of 400 workers in Birmingham. Households with telephones have doubled to 80% since 1964, but the number of telephonists has dropped from 80,000 to 30,000. Fewer maintenance men are needed when high-tech systems go underground. Computers cut down jobs in the postal service even as the volume of mail grows. Mailing a letter is a lot more efficient in Britain, phoning in America. Both systems will expand as Britain gets more telephone lines and open networks, microcomputers, printers, copying machines and data links. Even so, Mr Tuffin says, all union leaders find it the same: "Old-style work is not going to be available and services won't absorb enough. People have got to stay longer in school, get better trained, retire earlier and share what work there is."

The microchip is like the motor car. That threw blacksmiths, breeders, oat-growers, harness-makers, wheelwrights out of work. Imagine in 1900 doing without servants. So now there's a washing-machine, not the slavey with chapped red hands, a modern kitchen, not a toiling cook. When will there be a like harnessing of the microchip's potential?

Is greed good?

The post-industrial shift to services and information processing has made the City Britain's biggest earner

Mention the City of London and you hear it is unBritish and full of greedy young speculators at computers chasing quick killings and six-figure salaries. (A young broker on the BBC said: "The stock market will be a car park in five years and I'll have made a fortune.") It is also often said that the City ought to invest more in the home market in long-term capital projects and not just look to relative global share prices from day to day.

"It's their country too": says Sir Terence Conran, one of Britain's biggest retailers. Sir Claus Moser, who is also vice-chairman of N. M. Rothschild, a merchant bank, says: "The City is absorbing too many of our ablest people. If I were a dictator over Britain, I'd move nine-tenths of them into manufacturing industry and teaching. That's where Britain's future creation of wealth is going to be."

Debate about the City's role goes back a long way. The City rivals Wall Street in banking, insurance and securities. After the oil price rises in the 1970s, it became the centre of the Eurodollar market and international lending. The oil companies also made it their de facto world headquarters. With its new regulatory structure, the huge increases in international capital flows and the microelectronic revolution in financial information, London should remain a leading player in the orchestra of the world's stock exchanges, turning over $2 trillion a year in stocks, bonds and options. In liberalising exchange controls Mrs Thatcher has encouraged Britain to play this role in international finance, oil and multinational conglomerates.

All this has more to do with Britain's geographical location and its financial and dealing skills than its colonial and industrial past. Wall Street tends to be preoccupied with America itself and Japan, despite its growing role in exporting capital, has no tradition of foreign investment. London has the advantage of a record number of foreign banks and a tradition of free entry and equal treatment, plus markets in shipping, insurance, commodities and banking all located closely together, and an informal system of regulation and benevolent despotism run by the Bank of England.

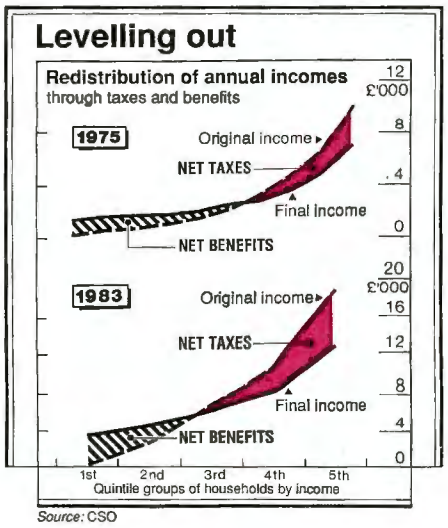
The charge that the City neglects British industry also goes back a long way. It was heightened in 1979-80 when foreign exchange markets treated sterling as a

petrocurrency and helped to push its value so high that imports flowed in, exports fell and many industries were pushed towards the wall.

The stock exchange and clearing banks rarely provided industry with long-term finance. Britain's industrial revolution was mainly financed by rich farming and London families. Mr John Forsyth, a senior director at Morgan Grenfell, a merchant bank, says: "The City, going back to the sixteenth century, has been an international entrepôt. It is and always has been an export industry."

Over the centuries this has helped make Britain rich, as is seen in the country houses and estates of south-east England, many of them the present homes of City bankers, accountants and oil men. In early 1987 the City's invisible earnings were running close to £900m a month, plus the spillover in earnings by hotels, restaurants and entertainment, the whole life of London. Since 1980, the cumulative surplus on Britain's financial services of £38.5 billion (at the end of the third quarter of 1986) has been greater than that on oil (£33.5 billion).

The City's high salaries are sometimes defended as the only way to keep the ablest young people from being hired away by Americans and Japanese. Lord Briggs says: "If British industrialists were prepared to pay as much and give their managerial entrants the same career opportunities when they're very young, they'd get better people. I see it very clearly at Oxford." General Sir James Glover, commander-in-chief of the United Kingdom Land Forces, confirms this view. Young officers, he says, tell him so few of their contemporaries are attracted to industry because of the lower pay, less chance of responsibility at an early age, the poor location of some industries and the possibility of union trouble.



Come fill the cup

Britain's consumers, like the Americans, are heedlessly buying everything in sight and getting into debt

Napoleon's quip, a "nation of shopkeepers", still piques the British, but British retailing is booming. Consumer spending went up in real terms by 5% in 1986. Consumer credit has doubled in five years, from £13 billion to £28 billion between 1981 and 1986 and house borrowing from £62 billion to £136 billion. With fewer children, people have more to spend on themselves.

Sir Terence Conran, whose new Storehouse group (a merger of British Home Stores and Habitat/Mothercare) made a profit of £116m before taxes last year, says he sees little evidence of "two nations". "You're talking to a shopkeeper here who's got an equal balance of stores in the north and Scotland and south-eastern England and we do not really see significant differences." With all the credit, 89% of the workforce holding jobs, two earners in most families, real wages going up 3.4% last year, a brisk black economy and government benefits, people have money to spend. Britain's share-the-wealth ethic redistributes a lot too. For example, in 1983 the top 20% of households had their original incomes cut from £18,640 to £12,920, while the bottom 20% had theirs increased from £120 to £3,630.

A trend to suburban shopping malls is on, led by the migration of food retailers in the 1970s. In Newcastle, which has one of the highest unemployment rates, a gigantic new metrocentre opened in 1986. Elsewhere in Britain, 190 more shopping centres are under construction. "Our greatest handicap is the conservatism of the left," says Sir John Sainsbury, chairman of the retail chain that has done much to speed the switch to shopping centres. He thinks that many Labour-run local authorities are too slow to accept changes in British social behaviour.

In just ten years, one Sainsbury's study shows, British car ownership has jumped from 55% to 62% (17% of households own two), refrigerators from 81% to 95% and freezers from 13% to 35%. Which means, with so many women working, most families want to shop once or twice a week by car and really stock up. Consumers are also choosier, influenced perhaps by the 26 hours an average person is said to watch television each week or by travel abroad (16m Britons took trips abroad in 1986, compared to 6m ten years ago). A Ford Escort, for instance, now comes in 50 versions, plus so many colours, trims and interior designs, you can practically get a unique car.

Upmarket

Most striking are the changes in eating habits. The Sainsbury's researchers find, aside from expected shifts away from sweets and fat to more salads and fruit juices and wholemeal bread, that there is a marked decline in such venerable British institutions as high tea, the big Sunday roast beef lunch or even the meal as a family gathering. More people eat alone, outside the house, or just have a snack (though gourmet cooking is in).

Britain should take a good look at what happened in America before turning its high streets into wastelands in the rush to build shopping malls. Americans, in turn, might take a look at the way, pioneered by Marks & Spencer, British retailers put their own brand on what is sold. Habitat, for instance, designs its own products and specifies to manufacturers how they want it done. British retailers claim it cuts down on sales and advertising costs, making the price to the consumer less.

City and country

A happy discovery about England is how much of the landscape that Constable painted is still around. One minute your train is in a decaying industrial city of tall brick chimneys, blackened factories and street after street of ugly council houses, all alike. The next you enter luminous rolling countryside of hills and hedgerows, woods and villages, sheep nibbling

grass. It's Aston Magna, Mary St Mead, the poet's England, Blake's "green and pleasant land".

It was steam power, with factories powered by coal, that packed the British together, herding 90% of them into cities and towns. The same steam, in ships and railroads, made imported American and Australian wheat cheap and shattered British farming. If Britain grows 75% of its own food today (practically everything but soya beans) it is by saying: river, stay away from my door. After submarine blockades in two world wars, farming has been subsidised. The EEC's common agricultural policy has begun to go bust and farming subsidies are being cut. Yet pastoral Britain is still romanticised. People work hard to preserve it. Too much so, grumbled some old farmers met in a pub in Chipping Campden in the Cotswolds. They complained that they needed the county council's permission just to paint a barn door.

Officials of the National Farmers Union (NFU) say public opinion is mixed. People feel farmers are getting rich and complain too much. At the same time, the grumblers want, to retain the countryside's bucolic beauty. This distancing from the facts of farming life has gone on a long time in Britain. It is like the country house, set in its park (the rose garden, the maze, the beech wood, the riding trails, the well-stocked lake). Early on, the home farm came into being to supply it with milk, eggs, vegetables and grain. But its barns were kept several hundred yards away. The smell of manure did not waft in her ladyship's window. The Louis-Quinze drawing room looked out, not on ploughland, but acres of lawn and Capability Brown landscaping.

Britain's farming crisis is the same as America's: how to arrest the trend towards ever bigger and fewer farmers. "Farmers" are hard to count. America has anywhere from 250,000 to 2.2m (the official, vastly inflated figure). Britain has from 295,000 (NFU membership) to just under 700,000 (half of them hired hands). It may be less. In both nations smaller farmers are being swept away, even if in output per acre, per head of stock, per labour or energy unit, or per $100 invested, they are more efficient. The effect of all government subsidies, lending, taxes, research or land set-asides has almost always been pro-big farmer, whatever the intent. What they should do is aim aid, credit and marketing solely at small farmers and, as Britain did before it joined the EEC, give them income, not price, supports. Scientists need to think in terms of cost reduction, not productivity.

Agricultural matters in Britain since by a stroke of luck, the mild, moist climate of its "rainy isles" is just what laboratory-bred biotech crops need. (India, eastern China and the Nile Valley are lucky too.) Sir Leslie Fowden, director of the Rothamsted Experimental Station, says average wheat yields have quadrupled since 1950 to 6.5 tons per hectare, with the best farmers getting 10 tons (the average American yield is 2.5 tons). Professor H. W. Woolhouse, director of the John Innes Institute in Norwich, which specialises in genetic engineering, predicts: "Science is going to change the face of British agriculture totally in the next 20 years". Scientific breakthroughs are coming in promising industrial fibre and fuel crops, not just in food. All the hedgerows heedlessly ripped out in Lincolnshire and East Anglia to profit from subsidised grain will take time to regrow. Professor Woolhouse expects future food crops to be so bountiful that he argues Britain ought to set aside 1m hectares, 20% of its arable land, and plant it in oak and beech forests right now.

Fewer and fewer every year

The worst of times

In the North they are putting new life in old cities and seeing things through

The brass is gone, the muck remains. What J. B. Priestley called the "sooty dismal little towns and still sootier grim fortress-like cities" of the industrial Midlands and the North must have looked, if smokier, much the same in the nineteenth-century Britain of coal, iron, steel, cotton, wool and railways. Priestley was writing in 1933. Except for modern shopping centres and tower blocks and the way so many Victorian stone fronts have been handsomely restored, the old mills, foundries, warehouses and tens of thousands of terraced houses are little changed. Then as now, factories stood idle, many were on the dole, feeling just as useless and defeated. Workaday factory towns without work, wage-minded men without wages. So why is this poorer Britain so often cheerier, somehow more welcoming and real?

● Imagine, late last year, coming into Liverpool for the first time on a wettish, wintry night. Outside the cavernous old station the streets were jammed with people, thousands of them milling around, with hoods and umbrellas up against the rain. Another Toxteth riot? Derek Hatton on the loose? Militants fomenting anarchy to set the stage for revolution? All of a sudden everyone starts singing "Jingle Bells". A stunt man dressed as Santa Claus scales the front of Lewis's store. Cheers. Fireworks explode. In the Adelphi hotel, splendidly seedy and grand, outer galactic monsters and men in silver space-suits swarm about, members of a "Dr Who" fans' convention. Down in the Merseyside pubs, pure she-loves-me-yeh-yeh-yeh pop is the electricity of the air, reminding you whose hometown this is. It goes right along with the humour ("Nothing growing in this economy? What about museums?") and quirky Liverpudlian pride in the bad old days ("And here is where they burned down the Squash Club"). Businessmen may not invest until the city council is rid of Trotskyites, but Britain's worst-case city has bags of character.

● Bradford was, and is, the wool trade, now half its former size, with one man watching 40 microelectronic looms. But the valley sits just on the edge of the Pennine moors, Heathcliffe country. Priestley, born and bred in Bradford

Downtown

("grim but not mean" Bruddersford in his novels), writes:

> However small and dark your office or warehouse was, somewhere inside your head the high moors were glowing, the curlews were crying, and there blew a wind as salt as if it came straight from the middle of the Atlantic. This is why we did not care very much if our city had no charm, for it was simply a place to go and work in, until it was time to set out . . . We were all, at heart, Wordsworthians to a man.

Bradford honoured Priestley in 1986 with a statue right in the heart of his old city. In bronze, clad in a raincoat, he sets out forever into the Pennine winds. Happily of the northern cities, its moors and the Brontes give Bradford a lead in tourism. Haworth, just 12 miles away, is Britain's second most popular literary pilgrimage after Stratford-on-Avon. In mist and purple heather one sees the Bronte parsonage as stark as ever against its moor, the house Emily made Thrushcross Grange in "Wuthering Heights" and the ruins that were Charlotte's Ferndean Manor in "Jane Eyre".

As Britain markets its past, fictional and real, tourism has come to be its biggest industry and biggest employer, bringing in £13 billion in the year that ended last March. The British Tourist Authority says 14.5m overseas visitors spent £6.7 billion in 1985. But it was the Britons touring Britain that matter most to cities like Bradford. Overseas tourists spend 60% of their nights outside London; 1.4m British make a living looking after them. Visitors, says Bradford's tourism officer, Ms Maria Glot, are a good reason why, as its new slogan goes, "Bradford's bouncing back".

● The left, businessmen all over the Midlands complain, is better at spending money than making it. Higher rates set by Labour-led local authorities, they say, drive investors away. A prime example given is Mr David Blunkett, the leader of the Sheffield city council. It spent £75m more than its £335m budget last year to provide 7,000 new jobs. With a payroll of 33,000 the council is Sheffield's biggest employer. Mr Blunkett, interviewed late last year, in turn blames Sheffield's steel firms for not redesigning their cutlery, silverware and pewter to compete with Sweden and South Korea. There is still a market for Sheffield craftsmanship, he says.

Mr Blunkett helped Mr Neil Kinnock oust Militants from the Labour party and is standing for Parliament himself. He exemplifies Labour's realist left-wing and feels Britain has become two nations already: "I think the Tory notion of unregulated private enterprise without dealing with the social consequences has led us into a divided society." Take a look, he says, at the stock exchange boom, British investment abroad and London's real estate values ("A house that 40 years ago cost £2,000 is selling for £350,000").

> People are living like that while our manufacturing base disintegrates under us. People say, look, this is the kind of society we live in: you make a quick buck where you can when you can. That you can make more by playing the stock market or being in the right place in property than by slugging your guts out in a factory.

How green is my valley

"In the 1820s", says Mr Tony Roberts, borough council secretary of the Rhondda Valley in South Wales, "this was moorland and trees. Speckled trout in crystal clear streams. By 1900 it was all pits. Teeming. Coal was king. In 140 years you've gone from 4,000 people in the Rhondda to 180,000 and back to 81,000. Full circle".

In December the pit wheels and shunting trains stopped altogether. The last of Rhondda's 66 mines closed down, ending a chapter of Glamorgan pits that stirred the world's imagination. The women in filthy rags and the small children who in the 1830s and 1840s pulled loads along underground tramways in 12-hour days are just faded engravings in the local museum, once a mine-owner's hilltop mansion. The worst of 70 mining disasters took 439 lives. In Rhondda's Aberfan, where 116 children and 26 adults died in a landslide from a coaltip just 20 years ago, a new £2.5m industrial site is coming in. "We don't live in the past", says Mr Roberts, who hopes, like everybody else where a livelihood has died, that enough light industry and tourism can be attracted.

Your correspondent went to the coalpits with two ex-miners, Mr Allan Rogers from the Rhondda and Mr Kevin Barron from South Yorkshire's Rother Valley, both Labour Members of Parliament. In South Yorkshire, where lower-grade coal is used to generate electricity, some mines are still open but the number of miners has dropped to one-third of what it was before the 1984-85 strike; 8,000 have

Not everybody is bearish

Museum piece

taken redundancy payments. Britain's steel production has fallen by a third in the past ten years; demand for Welsh coking coal has halved. Britain imports coal from America, Poland, Australia and South Africa, which Mr Rogers says, dump it cheaply to keep their own production going and earn hard currency.

South Wales alone has enough coal to keep Britain going for 200 years. When oil runs down in a decade or two, it may need it. The Welsh say: sink a pit and you dig a well. Once pumping is stopped, a pit anywhere from 500ft to 1,500ft deep gets flooded. It is easier to dig a brand new shaft and start from scratch. The miners say some of the Rhondda pits should have been put in cold storage, not shut down for good.

Unemployment in the coal valleys is just about the highest in Britain. Only 61 of Rhondda's 1,200 school-leavers in 1983 found jobs. Last July 89% of the Rother Valley's school-leavers had no work to go to. Mr Barron, a miner for 23 years until he was elected to the House of Commons in 1983 (he is Mr Kinnock's parliamentary private secretary), says that in 1961 in Maltby he was given a choice of jobs in mining or steel or joining the army, having failed his 11-plus exam.

> So I ended up a coal miner at 15 years of age. That was just how it was. I did what was quite natural in a coal mining town, which was that sons followed fathers and brothers into the mines. The sad thing about South Yorkshire now is those options which I never thought were very good anyway are not even available to young kids in our area.

The Rhondda was the last place in Britain where army troops were used to quell a riot. Winston Churchill sent them into Tonypandy in 1911. Tonypandy just now is getting a new £2.5m food store. A Gateway store in Treorchy is doing so well they are building one in Tonypandy too. This is about the only sign of prosperity in the mining valleys, with their bleak terraced houses, shut-down chapels and railway tracks, their grassed-over slag heaps and capped mines. In South Yorkshire's Dinnington, where a few black chimneys and winding gears at a pithead showed that one colliery was still going, a poster in the Job Centre window read: "Wanted: anti-vandal patrol. Men aged 30-50 needed to patrol Dinnington Comprehensive School to deter vandalism."

Last exit from Easterhouse

"Welcome to the Bronx" is the graffiti that hails visitors entering Britain's biggest council-housing estate on Glasgow's north-eastern edge. Easterhouse—15,000 units for nearly 60,000 people—is a scarred reminder that the best laid socialist plans "gang aft agley". There are three more fringe estates almost as big in Glasgow, 11 in the whole of Scotland. The city's intention 30 years ago was to demolish the dark bog of its century-old slums and move 250,000 Glaswegians out into the fresh air.

Glasgow's old "Stalinist" Labour councils failed, however, to consult the people who were going to live there. If joblessness, frustration and bad housing make a powder keg, Easterhouse is it. The flats are damp and leaky, thin-walled, hard to heat. Open decks invite crime and vandalism. Repairs are left undone. Drunken fights, murders (over 20 in 1986), gang brawls, sons in jail are part of daily life. Residents say the city uses Easterhouse as a dumping ground.

In 1984, 8,000 people applied to go elsewhere. Two pubs serve the whole place. Close to two-thirds of the households live on less than £75 a week, but the bus fare to Glasgow and back is £1.40. Many are trapped amid boarded or broken windows, treeless yards of discarded rubbish. "That's not to say a lot aren't making a go of it", says one cheery old lady. At least diets have improved. She recalls how many children in prewar days had rickets, bow legs, bad teeth and were stunted from lack of vitamins.

An independent inquiry in November proposed that the Glasgow district council, which owns 170,000 of the city's 280,000 houses, sell off 25% of them, up to 50% of the housing estates. Flats and houses could go, over ten years, to housing associations, co-operatives (a dozen now, 20 more forming), developers and private owners. The pragmatic Labour technocrats who have run Glasgow over the past decade are likely to go along with the proposal. Mr Paul Mugnaioni, who heads housing, says, "The big issue is power. Is the council going to behave in the old paternalistic way? Or do we look on housing, not as a charity, but as a

Nightscape in Easterhouse

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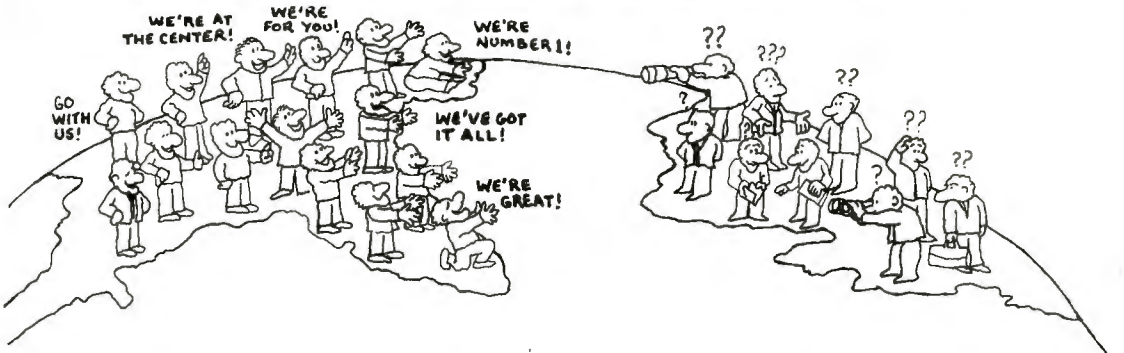

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business? I say the customer comes first." He recalls how in the old days, the councils used to send out "green ladies" (they wore green uniforms) to inspect housing ("You'd better tidy this up"). Such humiliations are a thing of the past.

Housing is Glasgow's main political issue, says Professor Duncan Maclennan of Glasgow University. "Everybody wants to be an owner-occupier. People are fed up with relying on an over-centralised, bureaucratic local authority for repairs and service. They want out from under the heel." He finds it ironic that Mrs Thatcher's privatisation of housing works best in Labour-controlled Glasgow where 58% of the housing is still in the public sector while elsewhere in Britain it is 30-40%. (Milton Keynes's council complains it lacks sufficient rental stock for its poor.)

This can-do spirit to remedy past mistakes has boosted Scotland's GNP per head. Held up as models are the way its Labour councils, private sector and government-funded Scottish Development Agency work together; how Silicon Glen has become Europe's largest centre of microchip production, employing nearly 40,000 people; and that 45% of pupils stay on in school after 17 (compared to 27% in England). "We've really got only two big things", says Mr John Davidson, the Confederation of British Industry's director for Scotland: "Educated young people from eight university and technical colleges with an industrial heritage, and North Sea oil."

Scotland's mythology of kilts and bagpipes, Robert Burns and Walter Scott, obscures an embattled history. Glasgow, which had just 80,000 people when James Watt invented his steam engine, grew to 1m between 1860 and 1900. Iron and coal were found near Glasgow and by 1910 it was making a quarter of the world's ships and rolling stock; its rails crossed America, India and South Africa. These industries have shrunk; electronics (over half American-owned firms), light engineering and whisky are the big money earners. Glasgow's population has dropped from 1.2m in 1955 to 750,000, but half of Scotland's 5m people still live within 25 miles of the city.

Even after a two-year campaign that "Glasgow's miles better", in November it came as a surprise (even more so in Edinburgh) when Glasgow was named European City of Culture 1990. Tourism, with 2.2m coming to Glasgow in 1984 attracted by its opera, ballet, symphony and art collections, will, it is hoped, triple. Even so, Glasgow is most famous for its football teams. To incite Celtic fans, whose badge is a shamrock, Rangers' supporters have a song. "The Sash My Father Wore". This refers, incredulous foreigners are told, to sashes worn by William of Orange's men when they defeated James II and his Irish Army in the Battle of the Boyne in 1690.

Home of "the best men in the world"

Left out

An underclass is being formed in Britain that has yet to respond

The British have long memories. Some Scots argue that Scotland is only now recovering from its decline in the 1920s after so many of its scientists and entrepreneurs died, along with the Glasgow Light Infantry, in the trenches of the Somme. Englishmen say the same thing. Remember Scott Fitzgerald's description of a first world war battlefield? "A century of middle-class love was buried here." The great nineteenth-century culture that made Britain what it was had ripened by 1914 and all the sense of obligation, duty and goodness was turned into pouring armies against barbed wire, machine-guns and shells.

It is this sense of obligation that is at issue now. Early on, one supposes, Mrs Thatcher spotted the social change: Labour's working-class constituency has dropped from about 70% to 35% of Britain's voters since 1945. As smoke-stack industry has faded, so has Labour's support. A Conservative party that neutered union bosses, privatised industry, sold council houses to their occupants, cut taxes and preached self-reliance was just the thing for Britain's new rising hard-working, technically qualified lower middle-class majority. She judged right.

This has created basic tensions within the Tory party. Harold Macmillan, in one of his last interviews, recognised that Labour's objective was to turn Britain's proletariat into a middle class and that it had succeeded. He felt this left it "out of date" and "talking too much about have-nots". But Lord Stockton's kind of Tory, formed by a privileged youth in the upper classes just before the first world war, felt a strong obligation to look after those at the bottom. In 1984 when there was violence on the picket lines at the coal mines, he decried "this terrible strike, by the best men in the world, who beat the Kaiser's and Hitler's armies and never gave in". Mrs Thatcher, from a lower middle-class background herself, had no such sympathy. Many British see the 1984-85 coal strike as a seminal event.

With her ex-working class, rising lower middle-class in mind, Mrs Thatcher accepted high unemployment and the transfer of British capital abroad to keep real wages going up and to enable Britain to play a major role in international oil, business and finance, which it is doing. When it came to North Sea oil income and its spending trade-offs, she opted to spend less on education.

In the United States, by contrast, real wages have declined since 1973. As Mr Frank Levy, a University of Maryland economist, analyses it, in the 28 years from the end of the second world war until the 1973-74 OPEC oil price rise, American workers' real wages went up by 2.5-3.5% a year. Productivity went up on average by 3.5% a year. The oil price rise led to both recession and inflation and by 1975 real wages in America had fallen by 5%. Productivity gains in 1973-79 slowed down to less than 0.9% a year. Real wages did not return to their 1973 levels until 1970, when the revolution in Iran and the second big oil price increase started the cycle all over again.

A Washington demographer, Mr Calvin Beale, ties the fall of real wages in America to competition with Japan and East Asia's cheap-labour industries. "If you cannot produce cheaply enough to compete", he says, "you've got to reduce your costs and your standard of living or go out of business." Company after company in the United States—airlines, railroads, meatpackers, steel—have renegotiated wages downward to hold on to their markets. Mr Beale says most Americans, outside high-tech, finance, Washington itself and other well-paid areas, are having to accept lower wages or defer home buying or do work that paid more ten years ago. Mr Levy says Americans do

not want to admit they are getting poorer. They will have smaller families, go into debt or more women will work to keep up consumer spending.

In Britain this has not happened. Real wages kept going up, rising by 3.4% in 1986, and companies keep losing their competitiveness and close down. As Mr William Waldegrave, the junior minister for the environment, explains it:

> We've taken the whole of this last recession by putting it on the unemployed. At no point did the real personal disposable income of people in work fall, as an average for the nation. If you take the average employed worker, he has steamed through the hard times, not moderating his pay demands, taking real pay increases every year and his standard of living has gone up.

This has meant 11% unemployment in Britain, 7% in America. Mr Waldegrave says that "the cost has been borne by rather few people, if you assume there is a relationship between the cost of labour and the amount of unemployed. It's absolutely critical".

Who gets left out? Nobody in Britain should go hungry or without a doctor. If you go on the dole tomorrow, you would get £30.80 weekly ($43) plus, if married, £19 ($26) for your spouse, plus a modest rental allowance, maybe £15-20 ($21-28). After 12 months you could get, as a couple, a weekly benefit of £60.65 ($86). A jobless 17-year-old who lives at home gets £18.40 a week ($26), and he is better off than in America where most states would cut him off after six months. In health care, Britain has fewer doctors (one for every 2,000 people, compared to one for every 508 in America) but more hospital beds (one per 113, compared to 170). Britain's medical crisis, as in America, is that advancing biotech is making some treatments so expensive that it will be hard for any society to afford to spread them around.

Unemployment's worse side may be the loss of self-respect. Like Arthur on BBC's "EastEnders", who goes to pieces staring at his television set, people tend to blame themselves for what is society's failure. (Arthur: "When I was a kid you knew what to expect. If they'd told me that I'd be a cabbage, I'd be prepared for it now.") For Britain's left-out 11%, enforced idleness is taking its toll. A young woman in Manchester describes it:

> People keep getting told that the place is depressed. That there's no jobs, all the jobs are gone. It starts in the home. Maybe the father's worked 20 years in the mill and is made redundant. Parents pass it on to children. They get to feel they're doomed to live out their lives on the dole. You hear them ask, "What's the point of going to school? What's the point of learning?" Some youngsters, after two, three years of doing nothing, they get where they say, "I'm not putting up with this any longer" and they get out and do things. They see all this despair and think, you know, the only way we can make it good is to do it ourselves. The Asians are doing it. And when that happens people resent it. They resent people getting up and doing things. And that's sad.

Bradford's Mr Mohammed Ajeeb, in 1985 Britain's first Asian lord mayor, says many of the city's 60,000 Asians who came here to work in since-automated mills, find employers unwilling to hire and train them in new jobs. Unemployment is 80% among their 16- to 19-year-old sons. "Despondency and disillusionment are quite common among them", says Mr Ajeeb. "With no prospects, they feel society has let them down. They feel unwanted." One hears a lot of casual racial slurs about Britain's 2m-plus "black" minority, some shouted at football games. But racism in Britain lacks the deep-seated reciprocal hate and fear it has at its worst in America, where 11% of its 238m people are descended from African slaves; including Hispanics, Asians and everybody else whose skins are not white, maybe one American in four.

In Birmingham, which has Britain's biggest concentration of black immigrants (113,000, or 15%, compared to 4% in Britain as a whole), an after-school talk on racism by teachers was observed at the Park View School, where 80% of the pupils are Pakistani. They say:

> *White teacher*: We treat the children as equals. What happens when they leave this place? We've got to prepare them for racism if they're going to survive.
> *Pakistani teacher*: Education is to equip them to cope. I told a girl, "You're black. You'll make nine applications and get one interview. A white child might get one with three."
> *Jamaican teacher*: I've taught here for 16 years and I'd be quite happy if England wasn't so cold. What I say is, don't try to create "racial awareness". Celebrate the differences. Observe Divali, Christmas, Muhammed's birthday.

Different but equal

It is five years since Lord Scarman saw an urgent need for investment in education, housing and job opportunities in Britain's inner cities. Such aid has been cut by a third. Since the 1981 riot in Brixton, its youth unemployment has doubled to 50%. Such neglect risks more riots, as happened in 1985. It also means failed schools, desolate neighbourhoods, wasted years. A growing number of young people will be uneducated for work and with little connection with the rest of Britain. One sign of strain is the aggression of hooligans at football games, the blokes with top-knotted boots who come for the fight and not the match. With all the brawls, families stay at home and the fans who go are penned apart in the stadium. Chelsea even has an electric fence. The black Marias, barking dogs and mounted police, their horses rearing, like the armed, helmeted, shield-bearing policemen if things really get rough, are a far cry from the old benevolent unarmed bobby. At Oxford station, where fans get gang-marched on to special trains for London, a policeman was seen to burst

into a phone booth and demand of some boys, "Who are you calling?"

The alternative to a future built on crime and making babies is jobs. What kind of jobs? In 1913, at the peak of the industrial revolution, Britain's biggest employer was not coal or steel, but domestic service. How many waiters are British? How many self-service stations would be handier with petrol-pump attendants? The tax allowance for a housekeeper has not gone up since 1945. Britain needs to stop perpetuating the ethos (imported from America?) that service jobs are demeaning and create some incentives for them.

Mastery of words

When it comes to the English language Britain is supreme

"Wonderful, wonderful talkers", says Eric Sevareid of CBS, who first came to Britain to report in 1937. "You stop with your microphone and a camera on the street corner anywhere in England and you go up and, by God, you'll get a strong opinion, said right out, colourful language, a beginning, a middle and an end. Whereas Americans have to mumble a bit and it's yeah, well, yeah, man, you know what I mean?"

The British look on the world as apparent, clear. They do not expect to be surprised. Americans find it more of a puzzle; they are more tentative, need more observation. The British are so articulate—they are able to think abstractly and put it into words—that it gives them an acknowledged supremacy in the English language.

Just look at the postwar outburst in the popular arts. A few serious British writers still matter—Kingsley Amis, Anita Brookner, Anthony Powell, Graham Greene and others—but the highest levels of imaginative talent seem less and less to go into fiction. The real outburst has been down a notch or two: best-selling novels, art, television series, theatre, humour, design, pop and rock. Maybe the flow of talent just had to go somewhere. That is, in the 1950s and 1960s you did not come down from Oxbridge any more to go into the colonial office (the colonies had vanished) or into the navy (its great days were over). Where did you go? So Britain (and the world) got "That Was the Week That Was" and "Upstairs Downstairs" and "Jesus Christ Superstar" and Harold Pinter and Carnaby Street and all the rest. Who writes the best spy thrillers? Detective stories? Historical romances? Serious plays (like "Road", "The Petition", "Breaking the Code" to name a few this season)? In recent years, the British have been beating the Americans at their own game as "Phantom of the Opera" and "Les Misérables" move to Broadway.

Some of the works, it is true, deal with loss of empire as Britain finds itself just another medium-sized European power. This theme of decline, betrayal, the worm at the heart, is perhaps at its strongest in the novelist John Le Carré:

> Connie's lament rang in his ears. "Poor loves. Trained to Empire, trained to rule the waves . . . You're the last, George, you and Bill." He saw with painful clarity an ambitious man born to the big canvas, brought up to rule, divide and conquer, whose visions and vanities were all fixed, like Percy's, upon the world's fame; for whom reality was a poor island with scarcely a voice that would carry across the water.

British pop and rock also speak of loss. Not this I-feel-chilly-and-grown-old upper-class despair, but in the anarchic, outraged cry of a jobless underclass that feels cheated. Merseyside must produce as many rockstars as Militants. A sense of something going wrong, of things not working, pervades rock music like Frankie Goes to Hollywood's hit cassette, "Liverpool", in songs like "Rage Hard", "Kill the Pain", "Is Anybody Out There?" See some of these youths in central London—green mohawks or skinheads, dirty jeans, tattoos—climbing out of the underground to gape at Lord Nelson on his column, victor of Trafalgar and the Nile, and it is like being in a museum of culture whose language nobody understands. Britain has settled continents, launched the industrial revolution, ruled the greatest empire in history. The youths are wondering who built it all.

Which empire?

The real success of British culture among the world's one billion English-speakers does not depend on protest or decline. It has partly to do with that other Britain where most of its people live. This is a society of civil, courteous, cosily old-fashioned values where people know their place, a society so orderly and predictable that characters emerge as stock figures to be handled with elegance and wit.

It also has partly to do with King Alfred beating the Danes at Ethandune a thousand years ago and decreeing that all free men would read and write English. A good rule of linguistics is that the farther you get from its place of origin, the more you find a language's older, more stilted forms. Innovation in language (just as in plant species, oddly enough) takes place in the core area. Which is why writing of all kinds is likely to be livelier in London than in Singapore, Bombay or Los Angeles, no matter how many new words the Americans invent (a truth driven home if you happen to write for both British and American newspapers).

Look at differences too in time, space and literacy. In Britain you are seldom more than two or three hours from London on a fairly good train. Nor more than ten miles from a news-stand that sells London-printed papers. Three-quarters of the British read one daily, whether posh or gutter. America has four times the number of people and is 35 times the whole United Kingdom's size. Trains are terrible, buses few and if you go at all, you mainly go long distances by car or aircraft. Outside about a third of the country which is near a few big cities, newspapers are poor or do not exist. American book sales are 24th worldwide. In newspaper sales per 1,000 people, Britain has 421, Germany 408 and Japan 575, but America only 269. The American census in 1986 found that 20m adults were illiterate. A recent study found that 106m cannot read as well as 11th grade secondary students and that 40% of Americans cannot easily use a road map. Small wonder so many American writers see their society as a chaos of individuality, where one encounters endless types of people, endless new situations. British writers find it easier to conceive of stabler world in which things can be taken for granted.

In humour, Americans tend to go for farce, the British for wit. Americans loved the maniacal zaniness of "Monty Python's Flying Circus", but mainstream British humour is more understated (like the *Punch* cartoon about the man with a machine-gun, besieged by policemen.

Rooted in the past

Bullets fly, armoured units move in and, crouched behind a wall, the police spokesman tells reporters, "We believe he may be able to assist us in our enquiries.") A classic American joke might be Mark Twain's description of a dentist pulling out a man's tooth. It was so imbedded in the bone, the dentist pulled out the whole skeleton and had to send the man home in a pillowcase. Some humour is transAtlantic; sit-coms like "Cheers" go down well in Britain and some of the British fondly recall old *New Yorker* cartoons.

Aside from books and the theatre, Britain's English-language supremacy can perhaps best be seen in serious television drama. Educated Americans who would not be caught dead watching glitzy fantasies like "Dallas" or "Dynasty" provide big public television audiences for such British productions as Masterpiece Theatre. Mr Jeremy Isaacs, the director of Channel Four, say such series pander to nostalgia for the imagined purity of a vanished world. "However safe and cosy and crinoline is the world of 'Upstairs Downstairs' or 'Sherlock Holmes Meets Miss Marple' ", he says, "or even the genteel decadence of 'Brideshead Revisited' or the imperial air of 'Jewel in the Crown', this is not the best British drama. That is far more abrasive."

The best drama being made for British television, Mr Isaacs believes, deals with the tensions of life, such as Alan Bleasdale's "The Boys from the Black Stuff" about unemployed youth in Liverpool or Dennis Potter's "The Singing Detective," with its daring mixture of hallucination, dream, memory and stream of consciousness. He criticises American television for not portraying the richness and complexity of life in the United States. "It's all shot in downtown Burbank in overlit, bland Technicolor instead of being shot in the ghettos of Detroit or Boston or Washington, DC", says Mr Isaacs. "If your mother is dying of cancer or your son of AIDS, American television will tell you what she or he is going through emotionally. But if you're just poor or unhappy at work or not well enough taught or failing in your ambition, you cannot look to American television."

Mr Isaacs finds British television draws heavily on the great English literary heritage, though that may make it too wordy. Others say all British culture is getting more visual. London is becoming a centre of design. It is design—the way past periods are so ingeniously restored in costume, setting, every detail—that makes British television drama so distinctive (Priestley's "Lost Empires" being a good recent example).

Is Britain's culture surviving its industrial and imperial decline? An American critic, Mr Joseph Epstein, thought not in *Commentary* last autumn: "There will always be an England; yet, slightly seedy and exhausted land that it now seems, there is a good deal less likelihood of there always being Anglophiles to admire it." Forty years ago, Mr Epstein says, "if it was English it was well made". Churchill towered over the age. A public-school education in classics, polished at Oxbridge, was the best there was. Britain's literary culture (the Russians excepted) ran deeper than any other.

Mr Epstein concedes that English acting is as good as ever (he had better, at the twilight of an age that saw Olivier, Gielgud, Richardson, Redgrave and Guinness on the stage all at once). He is grateful for Masterpiece Theatre. But he doubts that Henry James or T. S. Eliot, if alive today, would move to London (one bets they would; and what about Paul Theroux?). He happily quotes Philip Larkin's poem, "Going, Going".

> And that will be England gone,
> The shadows, the meadows, the lanes,
> The guildhalls, the carved choirs.
> There'll be books; it will linger on
> In galleries; but all that remains
> For us will be concrete and tyres.

Perhaps so. But Mr Epstein, much as he claims Britain's heroic age has been

Concreted for the future?

brought low by loss of empire, decides maybe it is not such a bad thing. For writers can now produce work that concentrates on "the small but crucial pleasures that make life bearable." On second thought he concludes that if "it can continue to produce writers of the special quality of Barbara Pym and Philip Larkin, then long live England." Which is just about what Mr Isaacs says.

Your Greece to our Rome

The special relationship is alive but the Atlantic is growing wider

The crucial fact for the twentieth century, Bismarck said, was that Britain and America spoke the same language. This may be the last time of that little truth. The two nations are moving away from the folk memory of shared experience. Mr Kinnock and his Labour party colleagues, without seeking concessions from the Russians, would first pull Britain out of the nuclear club and then forbid Americans to keep nuclear arms at any of their bases.

This policy is unpopular in Britain, but less so than it was. A 1983 Gallup poll showed 23% for unilateral nuclear disarmament, 67% against. By last September it was 33% and 57%. If Mr Kinnock replaced Mrs Thatcher as prime minister and put those policies into effect, it would be "goodbye NATO". The United States would not leave 330,000 troops in Europe without nuclear protection. A non-nuclear Britain could break the back of the American commitment that has kept the peace for 40 years.

This shift is partly generational. Mr Kinnock was not, as older British like to say of themselves, quoting Dean Acheson, "present at the creation". He was three when the second world war ended, five at the time of the Marshall Plan, six at the Berlin blockade and airlift, seven at the foundation of NATO, 11 when the Russians put down the East German uprising and 14 when they invaded Hungary. About the time Mr Kinnock entered politics, America was being castigated by the Labour left as the villain in Vietnam, trying to bomb peasant guerrillas off the map with B52s.

His defence policy raises a lot of questions. Can British voters alone say they want to give up the American nuclear umbrella (when allies like Holland, West Germany, Belgium and Italy have missiles too)? If elected, might Mr Kinnock change his tune as Mr Harold Wilson did in 1964? (He might, some say, but not his wife, Glenys, who is determined to ban the bomb.) In spite of Mrs Thatcher's steadfast loyalty, is there a new Anglo-American estrangement brewing? Sir Oliver Wright, ambassador to Washington in 1982-86, says: "The next five years will decide how serious it is. If Labour comes into power and puts into effect its decision, as a party, to scrap Polaris, cancel Trident and it closes the American bases, it might strike a fatal blow to the transAtlantic relationship."

Which keeps changing. As America has moved west (looking to Japan and the Pacific as competitors, Latin America as a danger), Britain has moved east (49% of its total trade is with the rest of the EEC, compared to 13% with the United States). It is no longer the bipolar, Washington-Moscow world, with Britain as Greece to America's Rome, as Harold Macmillan once suggested. Europeans, from long familiarity, see Russia as Russian as much as it is communist. There are other special relationships: America has one with Russia, its superpower rival, and with Israel; Britain with the EEC and Ireland.

The East Coast Ivy League Establishment in Washington, Anglophiles who saw the world through European spectacles, is not what it was, victim to mistakes in Vietnam and demographic change. What Britain and America have with each other and with no one else is a naval nuclear tie, Polaris, which may continue with Trident, and an intelligence tie (electronic listening posts, reconnaisance satellites, submarine tracking and early-warning radar). An end to one, or both, would break the special relationship in a practical way.

Would the Americans just pack up and go home? Opinion in Congress might well say, "Well, they don't want us. Bring the boys home." For 40 years the United States has stood guard over western Europe and East Asia. Some Americans keep asking, what good is it? They watch the television news and see a world spinning into anarchy—people shoot their presidents, set off bombs, let children starve. Worn down, Americans may have taken such setbacks as Vietnam or Japan muscling into its markets too much to heart. A *Washington Post* columnist Mr Jim Hoagland, commented not long ago, "A renewed distrust of the foreign entanglements that George Washington warned about seems to surface in a new sense of jingoism, and in talk of 'the widening Atlantic'."

Labour's defence policy looks a loser, but suppose that its social policies and time-for-a-change sentiment went against Mrs Thatcher. If wiser counsels prevailed, Americans would conclude that even if Britain let them down the United States was in Europe in its own best interests. The idea of 320m western Europeans ever going from being democrats to being communists would be enough to keep the Sixth Fleet in the Mediterranean and American troops in West Germany.

To say nothing of oil. Britain's North Sea oil may have peaked, but it has a good run for another ten years at least. The world's proven reserves are 700 billion barrels. Geologists reckon about the same amount is still left to be discovered. Of the 700 billion barrels, roughly speaking, about 100 billion barrels apiece are in the Soviet block, the Western Hemisphere and the Atlantic Basin, including the North Sea. (The oil-poor Pacific Basin has 20 billion barrels.) Another 400

The formula of dissent

billion barrels are in the Middle East, mainly in the Persian Gulf. This four-to-seven ratio is expected to grow to seven out of nine barrels in 15-20 years as the Western Hemisphere and Atlantic Basin get depleted.

American influence in the Middle East, except for what can be exerted through Israeli guns, continues to decline. Arab leaders express a preference for dealing with the British (the French are too blatantly self-interested). Mrs Thatcher has been quick to see that a role as trader and teacher in the Arab world could pay off when oil prices start to soar again in the mid-1990s.

Britain, like everybody else, will have to use less oil, bridge over with gas, probably swallow hard and build more (but safer) nuclear plants and go back to coal (but spend money to clean up the air pollution from coal). This is going to be a great transformation. If its leads to a swing to the left in Britain and West Germany and demands for a non-nuclear Europe, just as everybody is running out of oil, the two forces together might compel America to withdraw from the Eurasian continent. This would leave Europe on its own, as it was in the 1930s. Happily, the communications and high-tech revolution is pulling the other way, toward greater Anglo-American interdependence.

Blood is thicker

The special relationship stems not just from the alliance in two world wars. How does one measure the natural affinity of a common culture and language? As Mark Twain said, Americans are not Englishmen, but a good many have their origin in Britain and have merely undergone changes in a new environment. This correspondent is descended from two eighteenth-century British migrants to America, an impressed sailor from Wales and a Quaker from Lancashire (not to forget an Irish grandmother who fled from County Cork in the potato famine). Does one have less claim to the distant British past just because his family spent six generations on the other side of the Atlantic? John Greenleaf Whittier, that most American of poets, wrote: "We too are heirs of Runnymede; and Shakespeare's fame and Cromwell's deed." From Oxford to Godstow, along the Thames, there is a tow path that quickly became one outsider's favourite walk in Britain. It was a happy discovery to learn later that this was where, rowing up the river with the Liddell girls, Lewis Carroll composed his "Alice". It is as much a part of childhood on the North Dakota prairie as it is in Oxfordshire. Where does one culture end and the other begin?

Mr Denis Healey speaks of Americans in the 1940s and 1950s with a warm affection missing when he turns to them today. Mr Healey, now aged 69, landed with an American unit in North Africa during the war and, as a young major, was beach-master for the British, fighting beside the Americans, at Anzio. As international secretary of the Labour party under Ernest Bevin, he was about when GATT, Breton Woods, the IMF, the World Bank and later NATO were formed. "The habit of working with the United States was deeply ingrained during the war," Mr Healey recalls. "The postwar institutions were all inspired by this Anglo-American vision of world order. It was a very forward-looking, interventionist approach to world affairs. If I jump the 40 years to now the changes are colossal."

Not for the best. Mr Healey says "America now has little natural knowledge or understanding of European problems. Dean Acheson's rather cruel remark, 'Britain has lost an empire but not yet found a role', at least showed he did. Our experience of the third world due to our imperial past is hardly acknowledged or known by the present American leadership."

The most serious falling-out was over Suez—the sight of the United States pulling the rug from under Britain was a painful shock. But America's defeat in Vietnam was a failure of knowledge, not power—what Greece did best, not Rome. The British advisory mission there (Sir Robert Thompson, Mr Dennis Duncanson) had an intuitive wisdom of Asian Leninism born of hard-won experience in Malaya. But the Labour government in London—Mr Healey was Harold Wilson's defence secretary in 1964-70—never backed them up. (Mr Healey: "What fed me up to the teeth was the Johnson administration trying to persuade me to put troops in Vietnam when America was fighting a war it should never have been involved in and fighting it with none of the skill shown by our own forces fighting in Borneo at the same time. Vietnam had a traumatic effect on British respect for the United States.")

It falls on him now, as Labour's shadow foreign secretary, to defend Mr Kinnock's defence policy. Mr Roy Jenkins of the Social Democrats, like Mr Healey a former Labour Chancellor of the Exchequer, voices the most widely shared rebuttal: "You can be for unilateralism and you can be for NATO. But you cannot be for a non-nuclear NATO."

No one still active in public life did as much as Mr Healey to maintain Britain's defence capability. The original agreement on Polaris was made by the British prime minister, Mr Macmillan, and President Kennedy, but Mr Healey oversaw the deployment of four Polaris submarines, each carrying 16 missiles. This is still Britain's main nuclear deterrent, which is due to be replaced by new, larger submarines carrying Trident missiles, costing at least £8 billion. In the 1960s Mr Healey also played an important role in developing NATO's nuclear strategy. In 1983 he and James Callaghan publicly opposed Labour's pledge unilaterally to get rid of Polaris.

Looking back to 1964, Mr Healey says:

> We went ahead and brought it [Polaris] in. I think now, personally, it was a mistake. We had a chance to opt out then. I think in some ways to be dependent on a foreign country for a nuclear system gives you the worst of both worlds. You have continuously to make concessions to that foreign country for the sake of continuing the system. And renewing it, in the case of Trident.

Not for turning

Britain's vague, diffuse feeling of losing ground, of something being wrong that has got to be set right, explains why Mrs Thatcher has been at No 10 Downing Street for seven-and-a-half years and could well be there quite a few more. British society is trying to accommodate itself to a new technology, a difficult transition. At a time of wavering confidence and will, energy and drive, Mrs Thatcher has an ample personal supply.

She is often compared to "a headmistress in a boy's school", trying to get her pupils to pull themselves together. In a searching profile of Mrs Thatcher in *The New Yorker* last year, Mr John Newhouse argued that "Thatcherism is not really about economics". He quoted Mr Peter Riddell of the *Financial Times* that it is "essentially an instinct, a series of moral values and an approach to leadership rather than ideology". Mr Newhouse found her "singlemindedness" her secret to success (reminding one of C. P. Snow's notion that in the corridors of power "tenacity" is what counts most).

Tenacity always has a price

The right mixture?

"Mrs Thatcher's great thing", says one of her Tory ministers, "is that she has made us see, at last, that there is no free lunch. Thatcherism is to get away from the welfare mentality, to make people self-reliant. She's the British equivalent of the sheriff with his six-guns, taming the old Wild West". "She cannot see an institution without hitting it with her handbag", another Tory MP—Mr Julian Critchley—has wickedly observed. "She knows what's good for us. Tells us what to do", says a senior civil servant. Yet another Tory MP, Mr David Howell, has remarked in a BBC radio interview: "Mrs Thatcher does regard a great many men as 'old women', sitting around the Athenaeum or somewhere, fudging and nudging and compromising while the ship of state sinks". Mr Brian Walden, a columnist and former Labour MP, wrote not long ago of the British voters: "They respect Mrs Thatcher, but do not like her. They like Mr Kinnock, but do not respect him. They want Labour's social policies, the Tories' defence and trade union policies, with a dash of Alliance economic policies thrown in."

Many of Britain's elite, caught up in the past, miss an essential point about Mrs Thatcher, if an outsider of limited experience may say so. This is that she has shrewdly calculated or intuitively grasped who the British voter that matters now is: somebody who works hard, wants to learn the new techniques, has saved up, is buying a home and is fed up with paying through the nose to support people who do none of these things. These are former working-class men and women who have risen this past generation into the lower middle class. You do not hear much from them, but they vote. This has not struck a majority of the elite, anyway not everybody this correspondent interviewed. Mrs Thatcher's achievements—cutting unions down to size, slowing inflation down, privatising industries, selling council-owned houses and flats—will not be turned back.

A clever scholarship girl who did well in an old-fashioned system, she has neglected education, a possibly crucial failure she now (in Mr Baker's appointment) seems out to remedy. And she has not stopped Britain's industrial decline. In just six weeks, going about the island, one heard of shoemakers in Norwich, dockyard workers in Plymouth, railway men in Swindon—all in the rich South—about to lose their jobs. To say nothing of the miners in Wales or Yorkshire or the unemployment queues all over the North (the main reason, perhaps, for the IMF's report that the average Briton was poorer than the average Italian). And to anyone watching the AWACS-Nimrod debate in the House of Commons, the sense of technological humiliation in the nation that invented radar was painfully evident.

A problem, as the transition into electronics and new science evolves, is that the people who harness them will have to be rewarded. The future belongs to those who work harder, use their elbows, make more money. Many British are going to resent it. It is often mentioned. Sir Terence Conran put it best:

> I'm sure you've found this sort of feeling in England: that anything successful is wrong. It's a total reversal of America where it's assumed anything successful is right. I've always described it as when I was struggling hard, doing things well, but making no money, I was a hero. The moment I went on to do exactly the same things but made money out of them, I became a capitalist swine.

A self-made microchip manufacturer says, "In America they applaud success. In Britain they don't. Sometimes you feel things are stacked up against you". A merchant banker remarked: "The City's popularity has suffered from its success in foreign markets." A good many British do say they would rather have less money and have more time for the garden or the pub. They want a quiet life and, as one put it, "don't really like being trodden on by these aggressive Flash Harry types". If Mrs Thatcher goes, it may be more of a vote against that particular type—the new meritocracy which high tech brings—than because Mr Kinnock has beaten her. She is a meritocrat herself. The grocer's girl from Grantham who goes out and becomes prime minister, doing the impossible. She speaks for tens of thousands like her. Maybe tens of millions.

At the end of the day there is something in the British character that makes them do the impossible. How did they have the gall to rule India (with just a dozen British officers to every 800 sepoys?) Or defeat the Armada? Scale Everest? Explore the Nile? Or assemble in short order a small naval flotilla to sail thousands of miles to beat Argentina in the Falklands? Britain may no longer lead the van, colouring the map red everywhere it goes. But travel the earth and see the regimental bands marching up the polo grounds of Lahore or Delhi or Muscat, and you would think that the sun had never set. The bureaucrats trained and left behind in Singapore or Nairobi are just as fussy and inflexible as any in a post office in Ealing.

Somehow in Britain the myth survives, the garden parties and the pageantry, the country cottage and cosy pub, the golden spires and chiming bells. The British talk of doubt and despair. At heart do they really believe it? The British don't fail. They succeed. And make life a lot more gracious and decent for the rest of us. These are times of marvellous prospects and terrible problems, times of renaissance and times of decline, the best of times, the worst of times.

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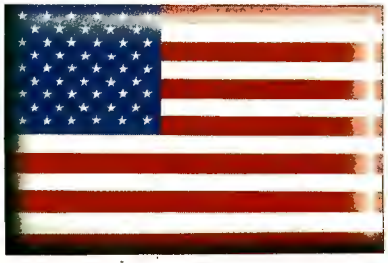

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IRELAND'S ECONOMY

Europe

How the government spent the people into a slump

And soon they must vote

The people of the Irish republic are deeply in debt to the outside world—three times as much per head as Mexico. Their unemployment (19%) and interest (13.5% for a prime borrower) rates are rising fast. Their currency is overvalued against those of their main trading partners, Britain and the United States, and their exports are declining.

Their main economic problem is embarrassingly simple and self-inflicted. Their government has borrowed vast sums, and spent them on welfare services that can be sustained only by more borrowing. Their pile of official debt has outgrown both the domestic economy's capacity to pay taxes, and the domestic capital market's ability to raise money. They have habitually borrowed abroad to bridge the gap. Since their country is tiny and vaguely lovable, and they pay lip-smacking rates of interest, their creditors have for several years allowed them to carry on borrowing.

Now, enough is enough. The combination of high real interest rates and enforced government economies is driving them ever deeper into a recession that is already severe. They must now cut the standard of living that most of them are dissatisfied with, and govern the country in a way it can afford. The general election declared this week is about who is to do the cutting, by how much, and where. It is a wonder anybody wants to win. The victor will face a dreadful mess.

The Irish tried for 30 years to cut their economy off from the real world, and found it did not work. In the mid-1960s they began to drop their quotas and tariff barriers, and the opening did them good, attracting for the first time substantial foreign investment in industry, particularly from America. In 1973 Britain at last joined the EEC, so Ireland could as well. They now operate one of the world's most open economies. Imports and exports combined are worth more than GDP.

Entry into the EEC has cut the proportion of their exports going to the United Kingdom from two-thirds to one-third. It was also meant to remedy their economic backwardness, boost their social services, rescue their outdated agriculture, and promote their industrial development. Because they are more agricultural than any of the then nine EEC members—they still have 16% of their workers on the land—the common agricultural policy (CAP) poured money into their economy. (In 1985 net EEC transfers to Ireland amounted to I£1,128m—a subsidy of I£320 for every man, woman and child.)

All that money and much more was lavished on social services that had, until then, been deplorably low. New houses, new cars, higher pensions and welfare benefits, better schools and hospitals—all proliferated in the 1970s. So did state industries, with generous subsidies. So did new factories set up by foreigners, attracted by an English-speaking but practically union-free location within the EEC, as well as by capital grants, tax holidays and clever publicity.

Buying jobs from foreigners

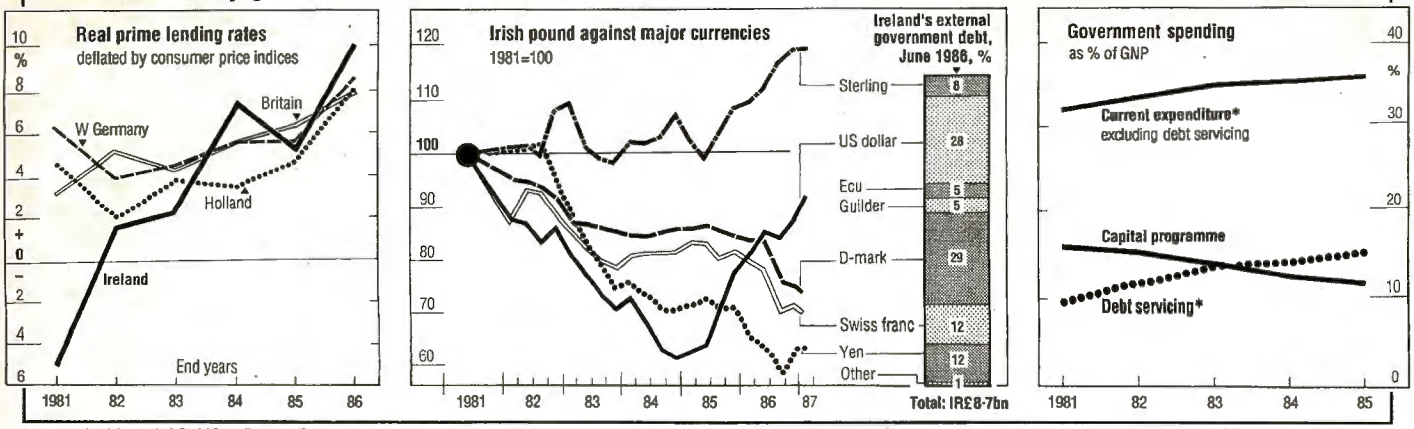
For more than a century their main export had been people. Politicians won votes by promising jobs for all who stayed at home. In the 1970s net emigration stopped, and (since the birthrate in Catholic Ireland has always been above the European norm) the country's population grew for the first time since the famine years of the 1840s, by half a million to more than 3.5m. The stay-at-homes married young, and produced children.

Ireland therefore now has by far the youngest population in Western Europe. It has also, belatedly, been becoming much more urban. About one-third of the resident Irish now live in the greater Dublin area, which has therefore (outside its gracious but run-down Georgian centre) become a sprawl of nasty housing estates, with crime and drugs to match.

For a while it seemed that new jobs in new industries would absorb the new Irish labour force. Then, in the early 1980s, the tide of unemployment rose all over Europe—and fastest of all on its western fringe. American and Japanese firms seeking an offshore manufacturing base turned to the Far East and supplied Europe from there. A tiny start was made on reining back Europe's agricultural overproduction, and Ireland's beef and dairy farmers were the first to feel the pinch. The young Irish have turned again to emigration. Priests and parents denounce the "uncaring" government; the young escape to a richer and more enjoyable world abroad.

Recession has cut imports, as has the drop in oil prices. In 1985 the country, usually a net importer of goods, notched up a small trade surplus; the surplus for 1986 will probably be some I£700m. But exports also declined, by 5% in 1986 compared with 1985. Ireland spends about 6% of its GNP on imported oil. If

How the money got more expensive and less worth spending



Sources: National Economic & Social Council; Morgan Guaranty; Bank of Ireland; Central Bank of Ireland

* 1981 and 1982 figures adjusted for transfer of Post Office and Telecoms

the price of oil firms up in the year ahead, a solid trade deficit will re-appear. Exports are unlikely to increase much. Practically all Ireland's recent increase in sales to mainland Europe was made up of beef and butter sold "into intervention"—unwanted food, for cold storage. The EEC cannot for very long indulge such extravagance.

Ireland's international environment has, to put it mildly, taken an unlucky turn. The cost of security, arising from the troubles across the Northern Ireland border, went up in the early 1980s by a surprisingly modest 1% a year in real terms. Domestic extravagance deserves much more blame. Government spending on social services soared from 28.9% of GNP in 1980 to 35.6% in 1985. This was not an investment in the future. The outgoing government of Dr Garret FitzGerald claims much credit for improving education; but spending on that, as on housing and health, has declined in real terms each year since 1983.

Social disservices

The really vast rise in welfare spending has been on unemployment compensation. Between 1980 and 1985 the rates of benefit were raised by 9% in real terms. The number of recipients more than trebled, from 68,000 in 1981, to 250,000 now. The numbers of old-age pensioners and of young children also soared, as did the government's bill for their support.

Even if the Irish economy were strong enough to bear this new financial burden, there is no chance of shoe-horning the money out of the Irish taxpayer. Workers in the country's largest industry, farming, pay practically no tax at all. Wage and salary earners bear a horrendous tax burden, so methodically cheat. A single person earning average wages should pay tax-plus-insurance at 65.5% of each extra pound earned (resented even more because higher-rate taxpayers pay a marginal 59%). Instead of reform, successive governments have patched the system with exceptions and exemptions. Tax collectors are few, unsuccessful and underpaid.

To get in its money, the government imposes value added tax at the penal rate of 25% on most transactions, and crushing burdens on drink, tobacco and petrol (raised again this week). Tax on goods and services makes up 46% of all tax revenue; the proportion in Britain is only 30%. The main curb on Irish rates of VAT is the fact that British rates apply over the border in Northern Ireland, where the customs men are too busy watching out for terrorists to waste much time on illegal importers. With a 49% difference in the price of petrol, and 35% in the price of whiskey, Irish pubs and petrol stations within 20 miles of the border are desolate, as customers go north to fill their vehicles and themselves with cheap British liquids. Dublin shoppers go on the spree in Belfast, just two hours away. The amount in tax, and the number of jobs, lost by the republic are incalculable.

Industries in the republic need low taxes, since their other non-wage costs are so high. On top of the stiff transport costs to and from an island, Irish electricity is by far the most expensive in Europe. The Irish used to attract footloose investors by promising them all sorts of subsidies and tax holidays. The EEC said these discriminatory concessions for foreign investors were unfair. So the Irish cut to 10% the rate of tax on the profits of manufacturing companies, indigenous and foreign, and guaranteed that it would not increase this before the year 2000.

With tax revenue thus limited, the government borrows to keep its social services running. Exchequer debt outstanding doubled, to I£20 billion, between December 1981 and December 1985. The cost of servicing it more than doubled, to £1,967m in 1985—12.9% of GNP. Of that, I£781m was paid in interest to foreign lenders. In 1986 payments of principal and interest to foreign creditors cost nearly I£2 billion.

The recession was further deepened by the soaring real cost of borrowing at home. In 1981 the nominal basic cost of borrowing in Ireland was 17%. Inflation at over 20% more than wiped that out: the real cost of borrowing was minus 5.2%. Now the nominal interest rate is 13.5%, but inflation has gone right down to 3.2%, so the real interest rate is a penal 10%.

Even with this return on offer, Ireland's own investors are unwilling to buy government securities. Theoretically, the Central Bank controls flows of capital in and out of the country. In practice the flow is not merely uncontrollable, but unquantifiable. Even before Dublin's financial markets made their own "little bang", money was moving in and out of the country at the touch of a button. Ireland's financial institutions are now locked into the wide world's. Dublin's most famous company is Guinness, whose finances have not recently moved through orthodox channels.

In 1986 the Central Bank of Ireland announced "black holes" in its accounts: capital flows that it had simply lost track of, to the tune of I£1.5 billion, the value of two months' exports. The missing money is identifiable by guesswork. Part of it was funds from medium-sized investors, moved (probably, and if so illegally) out of deposit accounts in Irish banks into English or Northern Irish building societies to evade the FitzGerald government's new Deposit Interest Retention Tax, rudely christened DIRT. More of it was made up by remittances due to Irish financial institutions that their managers had prudently kept in foreign denominations, for fear of the devaluation of the Irish pound that politicians kept denying was imminent.

The once insular Irish economy had become a disadvantaged fragment of the wider economy of Western Europe. This

change is most clearly seen by experience with the European Monetary System, which is accidentally pulling the exchange rate of the Irish pound in quite the wrong direction.

Bad luck with the EMS

Joining the EMS was Ireland's boldest venture into Europeanism. In 1979 the government took the plunge, although their largest trading partner, Britain, stayed out. Ireland's own pound, or punt, would float or sink in a new partnership. A new Central Bank was housed in the most aggressive building in Dublin.

Ireland still did about half of its overseas trade with Britain, and had even higher costs. Employment would be promoted by a slight devaluation of the Irish pound in relation to sterling. At first, this happened. Sterling, buoyed by North Sea oil, soared ahead of the D-mark, which dominated the European monetary block. By the early 1980s the Irish pound was down where they wanted it to be—worth just over 80 pence English, thus promoting Irish sales to Britain, and discouraging British exports to the newly open Irish market.

By 1987, things have moved in the opposite direction. Ireland's biggest trading partners are Britain (33% of exports), the United States (10%) and West Germany (10%). The American dollar has lately declined in terms of Irish pounds, as in terms of practically every other currency: bad for Ireland's American exports, but not much to be done about it. Against the D-mark the Irish have negotiated a useful series of devaluations, the latest on January 12th.

Against sterling, outside the EMS, the punt has moved the wrong way. The D-mark, soaring upwards, has dragged its EMS partners after it. The Irish pound is almost at parity with sterling—an upvaluation, willy-nilly, of Ireland's currency by almost 20% in terms of its main trading partner. Irish goods have become dearer in Britain, British and Ulster goods cheaper in Ireland.

The added misfortune (see chart) is that the Irish pound has lost most value against the currencies in which its official debt is highest; each time that happens the cost of repayment rises, in terms of punts and of Ireland's public finances. Ireland's money-managers and industrialists eagerly question visitors about each new rumour that Mrs Margaret Thatcher has relaxed her hostility to British membership of the EMS. She hasn't.

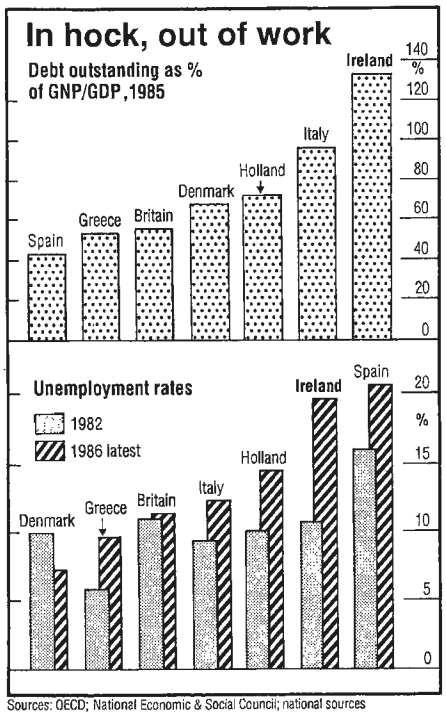
The politics that make it worse

The nature of their politics dug the Irish into their economic hole, and makes it very hard for them to climb out. Like Americans, they fight their political battles with almost no ideological weapons. The main dividing line is which faction one's grandfather belonged to at the end of the civil war 60 years ago.

The entire spectrum of opinion in the Irish republic's parliament could fit without bulges inside a conventional European Christian Democratic party. Politicians, all professing fervent faith in the family and free enterprise, run an economy more heavily dominated by the state than any other in Western Europe. People switch votes not for beliefs, but for favours received or promised.

The state spending spree that got them into their present debt-plus-deflation was brief and politically motivated. Between May 1981 and November 1982 the Irish voted in three general elections, and emerged with a differently named conservative-led minority or coalition government each time. In the process all state handouts were increased, and everything in sight was subsidised by one side or the other or both. The people are now paying the penalty for this competition in extravagance. It began in December 1979, when the then governing party, the slightly more nationalist Fianna Fail, acquired a new leader, the open-handed millionaire Mr Charles Haughey. He promised lavish state handouts and tax cuts, called elections in May 1981, lost by a whisker and in opposition promised more.

His opponents were a loose coalition of the Fine Gael party—slightly more urban and bourgeois, so slightly less free-spending than Fianna Fail—and the fading Labour party. In seven months the coalition government collapsed: its leader, Mr Garret FitzGerald of Fine Gael, wanted a tighter grip on state finances than Labour would put up with. In January 1982 Mr Haughey's promises won him a fresh election, by the narrowest of margins. He spent as vigorously as he could. In November 1982 he was out again, and Mr FitzGerald's coalition was back with a decent majority but continuing economic disagreements.



Sources: OECD; National Economic & Social Council; national sources

To be fair, Mr FitzGerald's Fine Gael-Labour coalition has considerably reined back the spending excesses it inherited, and restrained foreign borrowing as best it might. Mr FitzGerald and his finance ministers have seen the need to cut back on social-welfare handouts. But their Labour colleagues regard such payments as their special protectorate, and have prevented any coherent action against them. So the public finances, and the coalition, have collapsed.

Even economy-minded politicians are put under exceptional strain by Ireland's super-fair electoral system. Under the type of proportional representation called the single transferable vote, each constituency returns members of more than one party. There is competition not only between parties, but between rival candidates for each party. A constituent who wants a favour directs the request first to the politician he or she voted for, and if unsatisfied switches promptly in revenge to that person's main rival.

Majorities are usually small, and one malcontent voter may swing the votes of a whole family, clan or village. The political future of senior ministers often depends on securing a new housing subsidy for an old lady, or a job for her grandson. It is wonderfully democratic, and (together with incredibly low ministerial salaries) ensures that Irish politicians remain properly humble. It also ensures that small but necessary economies—the closure of a creamery, a sugar-beet factory, a branch railway—do not get made; and that large but painful economic measures, such as the nation desperately needs, are ruled out.

The new element in the coming election is the new Progressive Democrat party, committed to stiff expenditure cuts and almost equally stiff cuts in personal taxation. Whatever their score of votes, they should ensure that economic questions are fully argued out this time.

Yet the next government will most probably be formed by Mr Haughey and his rural-based Fianna Fail supporters, longing to hand out money after four years in opposition. Irish bankers fear that, to their shame, the International Monetary Fund may have to step in to impose the stringency that their own politicians cannot muster. Some politicians should be pleased if outsiders did the dirty work that they know is needed, but cannot do themselves.

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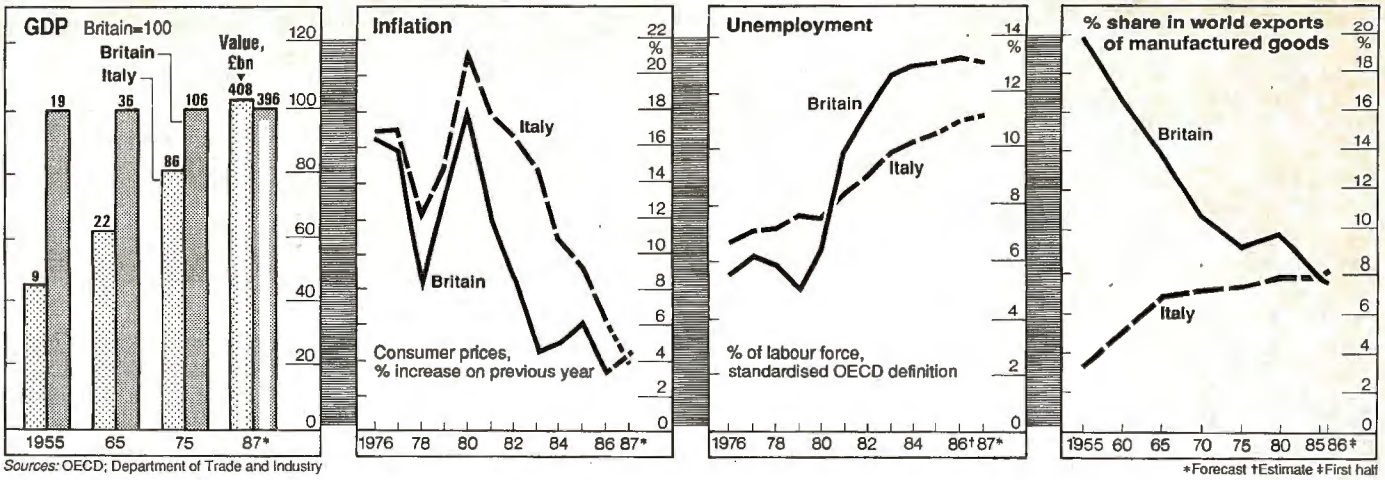


Sources: OECD; Department of Trade and Industry

*Forecast †Estimate ‡First half

Italy's vita is now more dolce

Britons still think of the Italians as their poor relations: waiters in Soho, or slum-dwellers in Naples, or peasants working the land. Actually, 1987 is the year when Italy looks set to overtake Britain to become the fifth largest industrial economy. Since the two countries have almost identical populations, this also means that the average Italian is now richer than the average Briton.

Comparing the relative size of two economies is always a tricky calculation. The easiest method is to use the market exchange rate to convert Italy's gross domestic product into sterling. If the pound remains at its current rate of around £1 = 1,980 lire, then Italy's GDP will be 3% bigger than Britain's this year. In 1960, Italy's GDP was just half that of Britain, and even as recently as 1980 it was only three-quarters the size.

The sudden sprint by the Italians since 1980 is not the result of faster growth. On the contrary, during the past six years, Britain's real GDP has grown by an average of 1.9% a year, Italy's by only 1.2%. Instead, the jump in Italy's GDP relative to Britain's reflects the recent decline in the pound which automatically boosts the sterling value of Italy's GDP.

Economists argue that it is misleading to use market exchange rates when comparing living standards in different countries. Exchange rates do not reflect the relative domestic purchasing power of currencies, and it is clearly nonsense to claim that an economy is bigger simply because its currency's exchange value rises. Economists agree that purchasing power parities (PPPs)—the exchange rate which equates prices in two countries—should be used instead; unfortunately they disagree on the correct rate. On most estimates, sterling is now undervalued against the lira—ie, its PPP is above its current rate. On that basis, Britain's GDP might still exceed Italy's.

However, that ignores Italy's thriving black economy, which is estimated at around 20-30% of its GDP; Britain's is put at a more modest 5%. If this unrecorded activity is included, there is no doubt that the Italians are now richer.

For those who remain unconvinced, another way of comparing living standards is by looking at the ownership of consumer durables, which are easier to count than GDP per head.

British visitors to Milan, impressed by the smart cars and flashy clothes, have long suspected that the Italians are richer than themselves. In Italy, 67% of households have the use of a car, compared with only 58% in Britain; 81% of Italians have washing machines, against 77% of Britons; and 14% of Italian families boast dishwashers, compared with only 3% in Britain.

True, Britain has more televisions: 34 per 100 people compared with Italy's 24. And virtually all British homes have running water (or at least they did before last week's freeze), compared with only 75% of Italian dwellings. Moreover, national averages are probably even more misleading in Italy than in Britain. Italy's north-south split is wider: average GDP per head in south-east England is roughly 40% higher than in the north of the country; in Italy, average income in prosperous Lombardy is double that in Calabria.

During the 1970s, Britain and Italy were Europe's terrible twins. Both countries had high inflation, balance-of-payments deficits and militant trade unions. Both had to be bailed out by the IMF. During the 1980s Italy, like Britain, has pulled up its socks; and in 1987 the Italian economy is likely to out-do Britain on more than just income per head. For instance:

- Italy's inflation rate is expected to dip below 4% this year, just as Britain's looks set to creep back to or above 5%. Italy has had more success in reducing wage inflation. During the past 12 months, wages have risen by only 3% in Italy—less than half the 7½% jump in Britain. Reform of the *scala mobile*—the system which automatically linked wage rises to prices—has helped to moderate pay rises. Also, Italy's membership of the EMS must take some of the credit.

Throughout the 1970s, Italian firms were happy to hand out big pay rises, knowing that devaluations of the lira would keep them competitive. Membership of the EMS has put an end to that easy option; to remain competitive, industry must now raise its productivity and trim its costs. A recent comparative study of the two economies by the National Institute of Economic and Social Research says that, in recent years, Italian firms have been strikingly more successful in adopting new technology and finding new markets than their British rivals.

- Italy has overtaken Britain as an exporter of manufactured goods: its share of world exports of manufactures rose from 3.3% in the mid-1950s to an estimated 8.1% last year; during that period, Brit-

ain's share fell from 20% to 7.7%. Last year, as Britain's current account moved into deficit, Italy had a £3 billion surplus.

● The cost of reducing inflation—in terms of higher unemployment—has been lower in Italy than in Britain. In the late 1970s, Italy's unemployment rate was well above that in Britain; today, using the OECD's standardised definition, Italy's is 11%, Britain's 13%. However, young people have suffered much more severely in Italy because of the high degree of job security enjoyed by those in employment. Some 35% of 16- to 24-year-olds in Italy are without jobs, compared with 22% in Britain. Only 3% of adult men in Italy are on the dole.

Better than a donkey

Italy has not achieved its success through orthodox finance, because its budget deficit is huge. In 1986, government borrowing amounted to almost 13% of GDP in Italy, compared with Britain's 3%. Italy's public-sector debt is equivalent to 100% of GDP; in Britain the ratio is about 55%. The explosion in Italy's public debt means that its politicians will face some tough decisions over the next few years. The battle for being the junior member of the world's top group of five—behind America, Japan, West Germany, France—has yet to be decided.

Economy

Coming up roses

Since the 1970s, January has become the month of sterling crises. This year it has brought a batch of cheery economic news:

● Unemployment fell in December for the fifth consecutive month. If—with the help of the special employment measures—it continues to fall by 15,000-20,000 a month, the jobless total will dip below 3m by the autumn.

● Manufacturing production is picking up. It rose by 2.1% in the year to November; in the three months to November, it rose at an annual rate of 5.8%.

● This has brought sharp gains in manufacturing productivity, and hence a slowdown in unit wage costs. Productivity in manufacturing increased by 4.7% in the 12 months to November; in the year to the first quarter of 1986, productivity had been absolutely flat. The 12-month rise in manufacturers' unit wage costs has fallen from 8% at the start of last year to 3.1% in the 12 months to November—a smaller increase than in Japan or West Germany. The optimists conclude that British exports will rise.

● In December, the government's tax revenues exceeded its spending by an unexpectedly large £1.2 billion. The PSBR looks likely to undershoot its 1986-87 target of £7.1 billion , fuelling speculation that the chancellor of the exchequer, Mr Nigel Lawson, will have plenty of room for tax cuts in his 1987-88 budget, now announced for March 17th. On some estimates he could have at least £3 billion in hand—almost enough to snip 3p off basic income tax.

The more logical conclusion from the good news is that Mr Lawson should leave well enough alone. If growth is recovering as the figures suggest, the economy hardly needs a big boost from tax cuts. There are some signs that the economy is overheating, and inflation is on the rise. When output recovers, employment is always slow to respond. This automatically boosts productivity, and cuts labour costs. The underlying rise in unit wage costs remains close to 5% a year.

Some other indicators of inflation are flashing red: industry's input prices are picking up; the fall in sterling is feeding through to import prices; M0, Mr Lawson's favoured measure of the money supply, looks likely soon to go above its 2-6% annual target rate; there has been a small rash of official and unofficial strikes, as users of British Telecom and Waterloo commuters know.

If Mr Lawson used most of his revenue buoyancy to reduce government borrowing, that would please the City, and help to bring British interest rates more in line with those abroad.

City scandal

An arm's length from Westminster

Something nasty in the City has long been what the Conservative government feared in an election year. This week, it was luckier than it might have been. Only hours before a critical House of Commons debate, two bits of potential nastiness were averted. BTR, the industrial conglomerate, dropped its bid for Pilkington, the glass manufacturer; and two senior executives at the merchant bank of Morgan Grenfell resigned over their bank's handling of last year's Guinness purchase of the Distillers whisky company, following forceful intervention by the chancellor of the exchequer and the governor of the Bank of England. But the Guinness saga is not over yet, and the government knows it will have to work hard to remain distanced from scandal in the voters' minds.

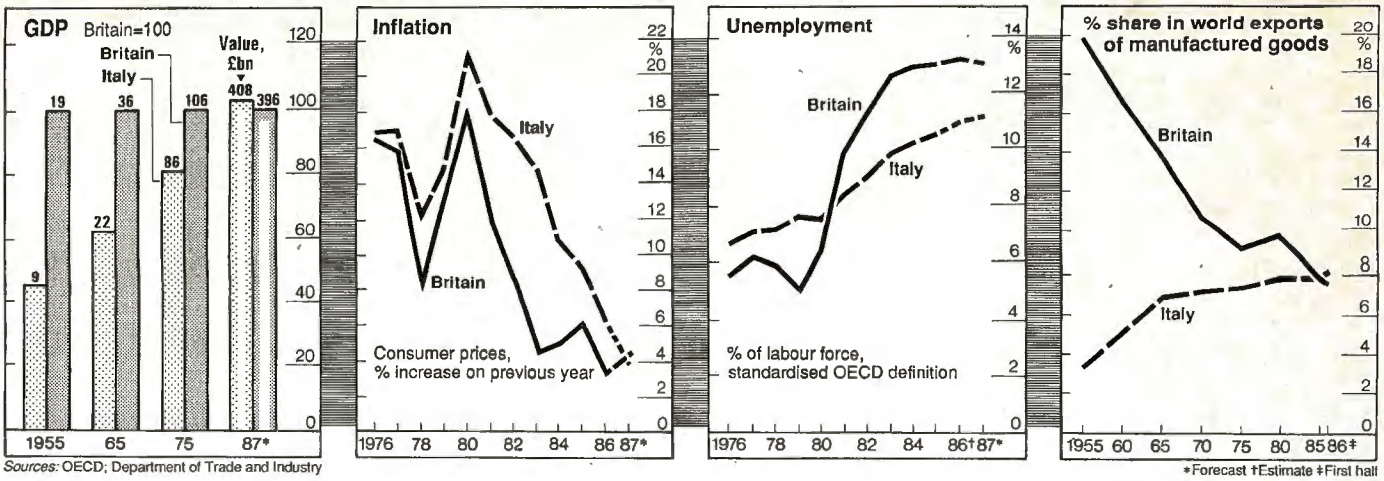
So far, it may have succeeded. The latest National Opinion Poll, carried out in the early days of the affair, found the Tories more popular than they have been for two years. To damage a Tory government, a City scandal has to percolate so deeply into the public consciousness that the party is somehow associated with sleaziness or corruption. In neither of these instances has there been any whiff of ministerial impropriety, even given the awkward fact that Guinness happens to be the family firm of the secretary of state for trade and industry, Mr Paul Channon.

The government's concern about possible fall-out is apparent in the fact that the chancellor of the exchequer, Mr Nigel Lawson, approved the governor of the Bank of England's decision to take control of events at Morgan Grenfell. The chancellor's involvement in the enforced resignation of the two directors has caused some unease among one or two of his own backbenchers, who want to know whether he exceeded his legal powers. The chancellor also promised tougher treatment of insider dealers, and prosecutions if necessary even before the Department of Trade and Industry inspectors complete their report on Guinness.

Morgan Grenfell is no fly-by-night fringe bank. Other elite firms at the very heart of the City were involved in the Guinness bid—including Cazenove, the stockbrokers, and Freshfields, the Bank of England's own solicitors. The DTI report is not expected for some time. Meanwhile more measures may be called for, to enforce greater disclosure to shareholders and to give the Takeover Panel statutory power.

The bid by BTR might have stirred up more political fuss than Morgan Grenfell and Guinness. Mr Channon's decision

BRITAIN



Sources: OECD; Department of Trade and Industry

*Forecast †Estimate ‡First half

Italy's vita is now more dolce

Britons still think of the Italians as their poor relations: waiters in Soho, or slum-dwellers in Naples, or peasants working the land. Actually, 1987 is the year when Italy looks set to overtake Britain to become the fifth largest industrial economy. Since the two countries have almost identical populations, this also means that the average Italian is now richer than the average Briton.

Comparing the relative size of two economies is always a tricky calculation. The easiest method is to use the market exchange rate to convert Italy's gross domestic product into sterling. If the pound remains at its current rate of around £1 = 1,980 lire, then Italy's GDP will be 3% bigger than Britain's this year. In 1960, Italy's GDP was just half that of Britain, and even as recently as 1980 it was only three-quarters the size.

The sudden sprint by the Italians since 1980 is not the result of faster growth. On the contrary, during the past six years, Britain's real GDP has grown by an average of 1.9% a year, Italy's by only 1.2%. Instead, the jump in Italy's GDP relative to Britain's reflects the recent decline in the pound which automatically boosts the sterling value of Italy's GDP.

Economists argue that it is misleading to use market exchange rates when comparing living standards in different countries. Exchange rates do not reflect the relative domestic purchasing power of currencies, and it is clearly nonsense to claim that an economy is bigger simply because its currency's exchange value rises. Economists agree that purchasing power parities (PPPs)—the exchange rate which equates prices in two countries—should be used instead; unfortunately they disagree on the correct rate. On most estimates, sterling is now undervalued against the lira—ie, its PPP is above its current rate. On that basis, Britain's GDP might still exceed Italy's.

However, that ignores Italy's thriving black economy, which is estimated at around 20-30% of its GDP; Britain's is put at a more modest 5%. If this unrecorded activity is included, there is no doubt that the Italians are now richer.

For those who remain unconvinced, another way of comparing living standards is by looking at the ownership of consumer durables, which are easier to count than GDP per head.

British visitors to Milan, impressed by the smart cars and flashy clothes, have long suspected that the Italians are richer than themselves. In Italy, 67% of households have the use of a car, compared with only 58% in Britain; 81% of Italians have washing machines, against 77% of Britons; and 14% of Italian families boast dishwashers, compared with only 3% in Britain.

True, Britain has more televisions: 34 per 100 people compared with Italy's 24. And virtually all British homes have running water (or at least they did before last week's freeze), compared with only 75% of Italian dwellings. Moreover, national averages are probably even more misleading in Italy than in Britain. Italy's north-south split is wider: average GDP per head in south-east England is roughly 40% higher than in the north of the country; in Italy, average income in prosperous Lombardy is double that in Calabria.

During the 1970s, Britain and Italy were Europe's terrible twins. Both countries had high inflation, balance-of-payments deficits and militant trade unions. Both had to be bailed out by the IMF. During the 1980s Italy, like Britain, has pulled up its socks; and in 1987 the Italian economy is likely to out-do Britain on more than just income per head. For instance:

- Italy's inflation rate is expected to dip below 4% this year, just as Britain's looks set to creep back to or above 5%. Italy has had more success in reducing wage inflation. During the past 12 months, wages have risen by only 3% in Italy—less than half the 7½% jump in Britain. Reform of the *scala mobile*—the system which automatically linked wage rises to prices—has helped to moderate pay rises. Also, Italy's membership of the EMS must take some of the credit.

Throughout the 1970s, Italian firms were happy to hand out big pay rises, knowing that devaluations of the lira would keep them competitive. Membership of the EMS has put an end to that easy option; to remain competitive, industry must now raise its productivity and trim its costs. A recent comparative study of the two economies by the National Institute of Economic and Social Research says that, in recent years, Italian firms have been strikingly more successful in adopting new technology and finding new markets than their British rivals.

- Italy has overtaken Britain as an exporter of manufactured goods: its share of world exports of manufactures rose from 3.3% in the mid-1950s to an estimated 8.1% last year; during that period, Brit-

pay—ironically, given that 85% of them are shareholders. They drew the traditional lesson from the news, in the final month of pay negotiations, that BT's interim pre-tax profit, of £1.06 billion, was 11% up on the previous year.

The company has made valiant efforts in the last two years to make itself more efficient. It has cut its workforce by 5,000; and it has raised turnover per employee from £28,100 to £35,900. As a result, it is looking every day more like the hi-tech, glamorous company its advertising would suggest it is. But its difficulties over pay have a distinctly nationalised flavour. The unions' leaders hope to make BT pay for efficiency and flexibility. The National Communications Union (NCU), which represents 110,000 engineers and 30,000 clerical workers, is led by a former Labour MP. The union argues that pay and working practices are two separate issues—and that the "going rate" for a flexibility deal is a 4½% salary increase.

Four unions are involved. The two that represent telephone operators and supervisors have already settled their pay rise; their members are working. The others have rejected BT's offer (complicated, but worth about 5%), and have voted to strike for 10%. After the company suspended some engineers for refusing to work overtime, the repair work that the engineers would have done stopped in some parts of the country.

The NCU and the Society of Telecom Executives are keen to hit businesses rather than homes. Technology is against them, though: the new exchanges installed in the City require less maintenance than the old. Most companies laid in new capacity before Big Bang: it will be some time before they need more. True, three exchanges linking London to satellites and cables are not being looked after. But under the liberalised regime, customers can now call in independent maintenance firms to fix a dud handset or a maverick switchboard. In the old days, only BT's engineers could. This is no help if faults lie at the exchange, where the company engineers still have monopoly power.

One beneficiary of the strike ought to be Mercury, the Cable and Wireless subsidiary that competes with BT in offering long-distance and international links (and, in the City only, a local service). The biggest financial firms, according to the Plessey division that installs City telephone systems, have already asked for links to both BT and Mercury—precisely as an insurance against the failure of one or other. To individual users, who depend on BT for connection to Mercury's long-distance loop, this is no consolation.

Sodom and Greater Manchester

First came the bishops, then the football commentators, now there is the chief constable. The latest in a long line of self-appointed prophets of our time, Mr James Anderton, appears to put as much effort into fulfilling a former role as Methodist lay preacher as into his present job as chief constable of the Greater Manchester police. His message is fire-and-brimstone morality.

Mr Anderton is against pornography, gays and the permissive society, and says so, vigorously. Last month he described AIDS victims as "swirling around in a cesspit of their own making". This week he caused further outrage when he accepted a radio interviewer's suggestion that God may be using him as a prophet. The Labour-controlled police committee of Greater Manchester is pink with indignation; even the Home Office was alarmed enough to arrange (separate) meetings with the chief constable and his committee to discuss the matter.

Chief constables were once petty barons given a free rein in policing a medium-sized town or the rural parts of a county. After the number of police authorities was reduced from 126 to 42 in 1964, they were transformed into grand dukes. Their power can be curbed in small ways by their elected police committees; somewhat more so by the home secretary, if they step too far out of line. But as their jobs become increasingly politicised, and they are called on to curb rioters, massed pickets and hippies, the press has started to listen to their opinions. And like most important people, they have not been able to resist the temptation to express them.

The aptly named Mr John Duke, of Hampshire, did more than see off the hippies who tried to camp within his purlieus last summer: he went on television and condemned them as a "convoy of pollution". On the more liberal wing of the profession, Mr John Alderson, of Devon and Cornwall, had plenty to say about the social and economic ills that lead to crime before leaving the force to become an academic and Liberal politician.

If he wants to keep his job, Mr Anderton may do well to heed an aphorism of the late Lord Stockton: "If people want morality, let them get it from their archbishops." He seems scarce inclined to do so: he once publicly chastised a fellow-speaker at a conference for not saying enough about God in a speech about housing. The speaker was Mgr Derek Warlock, the socially-minded Roman Catholic Archbishop of Liverpool.

Newspapers

The Weekly Worker

Starting a new left-wing popular paper in Britain is proving to be an ulcerous business. The managers of *News on Sunday* (first issue due in April) have had to interrupt their planning to sort out a row with the editor-in-chief, who has now resigned. The newspaper hopes to sell a million copies. But its future as a business venture looks fragile.

European experience suggests that high circulations and left-wing views do not easily mix. The ailing *Le Matin* is the nearest thing France has to a solidly socialist paper. West Germany's socialist co-operative paper, *Taz* of Berlin, has had recurrent financial problems. Energetic papers like Italy's *Repubblica* and France's *Libération* are readable and left of centre; but their sales are not in the same league as Britain's tabloids.

News on Sunday has £6.5m in the bank, raised by issuing equity, mostly to trade unions and to Labour-controlled local councils' pension funds. When they were offered shares, some of the councils' fund managers argued that the estimated return of 18% a year is less than they would like for the high risk. Council politicians decided to back the project anyway. Trade-union bosses have generously invested their members' money, mostly for political reasons: Britain's biggest union, the TGWU, has thrown in £550,000, and its general secretary, Mr Ron Todd, has a seat on the board.

The arrival of two new national titles in

the past year has made it a little easier to guess about *News on Sunday*'s chances. Its biggest problem is lack of cash: for starting a newspaper, £6.5m plus £3.5m in promised overdrafts is small change. The *Independent*, aspiring only to half the circulation, began with more than twice as much money. Sunday tabloids have needed more: £20m is not unheard of for a relaunch alone. *News on Sunday*'s advertising and promotions budget is only £1.8m. Persuading readers to try a paper is an expensive business: rival publishers

claim that a new tabloid title needs at least £5m-worth of promotion.

The paper's managers argue that the figures leave out a lot—such as the free promotion the paper will get from sympathetic Labour-supporting lobbies like CND and the unions, and the job advertisements it is sure to sell to Labour councils. It will probably have to succeed at its first shot, or go under. Council pension funds might not cough up the cash for a relaunch.

The *News on Sunday* has some things on its side. To break even, it will need less than one-twelfth of the Sunday tabloid market. The three-month-old *Independent*'s aim was to get almost one-sixth of the market for daily quality papers; it has not succeeded yet, but the total market has grown since it arrived. Though printed at the presses of the *Daily Telegraph* in London and Manchester, the new Sunday paper will be written mostly in Manchester, where journalists' wages are lower than in London. And the unions whose members will work for it have agreed to use modern technology.

The *Mirror* apart, the British popular press is overwhelmingly Tory. So the *News on Sunday* has an opening in supporting the Labour party, which got 8.5m votes at the most recent general election. But what do Labour voters want to read? The departed editor-in-chief, Mr John Pilger, argued that the paper's high principles were being threatened by Sunday sleaze. His successor is bound by a charter to give the readers a diet with plenty of improving roughage. He has to back official strikes and to protect the environment—and also to support nuclear disarmament and call for the withdrawal of British troops from Ireland. Not easily digestible at the average family's breakfast-table?

Moving employees

Re-rooting

Britons are hard to uproot. Jobs are moving south, but northern workers are slow to follow. British companies, desperate for mobile managers and technical staff, now offer anything from mortgage help to new school uniforms to persuade their employees to move.

Only one British company in ten has a written policy on relocation. In America, that most mobile of countries, nearly three-quarters of big companies have guidelines for moving. With the British north-south jobs gap widening, more will have to follow the American lead.

Moving is not cheap; in 1986, relocation costs averaged £10,000 per employee. Companies are prepared to pay £50,000 or more to senior people. The Confederation of British Industry estimates that each year roughly 250,000 Britons move home to follow their jobs, making the annual bill £250m.

Switching houses is the difficult part. The average Yorkshire house fetches £26,778, while in Greater London, destination for the ambitious, the figure is £65,035. Many in the north stay put rather than exchange their castle for a relative hovel. Moving north presents a different dilemma: an eventual return to head office will mean coming back to higher house prices. Between 1983 and 1986, house prices in London rose three times faster than those in Yorkshire.

Only the keenest employees will move if it means a financial loss. One-off expenses like removal and legal fees are now routinely paid by employers; disturbance allowances, which cover indirect moving costs like refitting carpets, vary according to the worth of the worker. Big companies often pay married employees about £2,700, two-thirds of which is tax-free. In principle, moving expenses are taxable but local tax officers use their discretion. Employees with the most convincing arguments for their expenses can get payments free of tax of up to £7,266 for moves into London and £4,095 for moves elsewhere.

Family considerations are harder to compensate. Parents are reluctant to move once children reach secondary school, so some companies respond by paying for private education.

Specialist relocation agencies started by curing housing headaches. By valuing and then buying employees' houses, agencies like Black Horse Relocation, a division of Lloyds Bank, free companies to pay for a new home. The range of services they offer has increased as business has grown; they can now move a whole firm from Manchester to Milton Keynes.

Pay the game

South Wales produces a brilliant line in fly halves, the tactical equivalent in rugby union of the quarterback in American football. Its greatest exponent these days is 24-year-old Mr Jonathan Davies. This young wizard of the oval ball has recently ruffled the game's establishment. He disclosed in a magazine interview that, given the choice between the glory of playing amateur rugby union for Wales and £100,000 "clear after tax" for signing up to play professional rugby league in the north of England, he would take the money.

At present, he cannot hope to make anything like £100,000 from his talent in rugby union, either in cash or in kind. Rugby is at much the same point as tennis was when it cold-shouldered Mr Lew Hoad, Mr Ken Rosewell, Mr Pancho Gonzalez and others for playing for money. Only in 1968 did shamateurism at last gave way to honest professionalism at Wimbledon tennis.

The old Freddies who still dominate rugby's English bureaucracy insist that players should make financial sacrifices for the love of the game. They cite like a mantra an international rule that "the game is an amateur game and no-one is allowed to seek or receive payment or other material reward for taking part in the game". If they get their way, international players will receive only £15 a day in pocket money for participating in rugby's inaugural World Cup in Australia and New Zealand this year. Yet rugby union could well afford to pay more. For the two most recent big rugby internationals at Twickenham, £1m in cash was returned to disappointed applicants for tickets—which suggests that ticket prices could and should be raised.

Davies plays for pocket money

In England, rugby union players and supporters tend to be well off. In Wales, it is a sport for all classes. Many players are frankly hard up. They have to think twice about whether they can afford to play rugby for fun, just as did the players in northern England who decided to set up the professional rugby league in 1895 when they were denied compensation for the wages they lost playing rugby union.

The French may come to the rescue. Irked by the "absurd" idea of £15-a-day pocket money, they are threatening to pay their World Cup players more—whatever the international board eventually decides.

BUSINESS THIS WEEK

James Baker, America's treasury secretary, and **Kiichi Miyazawa,** Japan's finance minister, called for closer co-ordination of economic policy. The Fed's Paul Volcker said the dollar had fallen far enough.

To stem the D-mark's rise against the dollar, West Germany's **Bundesbank** cut its discount rate from 3.5% to 3%.

Morgan Grenfell, the bank that advised Guinness in its takeover of Distillers, accepted resignations from its chief executive and its head of corporate finance. **Heron International** confessed that it was paid to buy Guinness shares.

Rupert Murdoch's News Corporation claimed control of Australia's **Herald and Weekly Times** after a six-week bid battle. To try to thwart the deal, the Fairfax media group put up a $1.7 billion counter-bid.

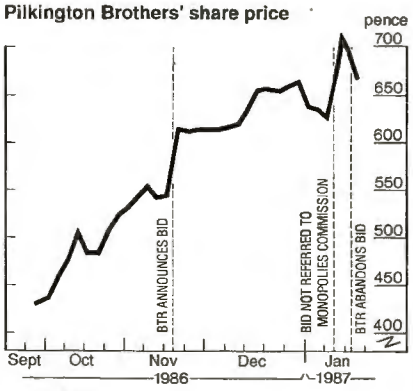
On the day his yacht was put out of the America's Cup, **Alan Bond** bought two television stations and other broadcasting interests from Kerry Packer for $730m.

The Neill report on investor protection at **Lloyd's of London** was critical of the insurance market's self-regulation but did not suggest anything to replace it.

After serving for barely a month as managing director of **Fermenta**, a Swedish biotechnology company, Sune Dahlberg resigned over his role in issuing misleading profit forecasts.

Gulf Resources of America abandoned its bid for IC Gas. Britain's monopolies commission let its inquiry into the deal lapse.

Pilkington Brothers' share price



Source: Datastream

A £1.2 billion bid for **Pilkington**, the British glass multinational, by BTR was withdrawn. Pilkington's workforce was pleased. The City marked the shares down.

Digital Equipment challenged IBM's dominance in mainframe computers by bringing two new machines to market. The biggest costs $4.8m, undercutting IBM.

A joint venture between **Olivetti** of Italy and **Canon** of Japan is set to become Europe's second-biggest photocopier maker.

Engineers at **British Telecom** went on strike—the first since the utility was privatised in 1984.

USX reached a tentative agreement with America's **United Steelworkers** union to end a 25-week strike.

Britain's **Grand Metropolitan** is buying RJR Nabisco's Heublein subsidiary—distillers of **Smirnoff** vodka—for $1.2 billion.

Jacques de Larosière, the ex-managing director of the IMF, was named as governor of the **Bank of France**. He succeeds Michel Camdessus, his successor at the Fund.

American Airlines is buying 15 Boeing 767s and 25 Airbus Industrie A-300s for $2.4 billion.

Toshiba plans to begin assembly of **one megabit memory chips** in West Germany later this month.

Economic and financial indicators are on pages 99-100.

Corporate scorecard

Company	Period	Net profit $m*	% change on comp period**	Sales $m*	% change on comp period**	Comment
Alcan Aluminium	Y Dec 31	244	‡	5,900	+2	The Canadian aluminium producer says improved efficiency and higher ingot prices helped it reverse a 1985 loss of $180m.
British Gas	H Sep 28	79†	+8	3,890	−2	In its first report since privatisation, the monopoly supplier of Britain's gas said that it lost sales as customers switched to cheaper oil.
Champion International	Y Dec 31	201	+23	1,100	−8	America's and the world's biggest paper producer said net profits rose by 69% in the fourth quarter, helped by cost cutting and higher productivity.
Citicorp	Y Dec 31	1,060	+6	—	—	Net profits at America's largest bank exceeded $1 billion for the first time. Profits in its consumer banking division rose by 41% to $462m.
Honda	N Nov 30	387	−46	12,800	−3	The Japanese car and motorcycle maker said that the translation of export revenues into Japanese yen was hurting its profits.
Landis & Gyr	Y Sep 30	34	−13	820	+1	The Swiss electronics company plans share and bond issues to raise about SFr280m, and is looking around for acquisitions.
Matsushita Electric Industrial	Y Nov 20	553	−15	18,430	−7	Japan's biggest consumer-electronics company blamed a 21% fall in export revenues on the yen's sharp rise. Domestic sales rose by 1%.
Rockwell	Q Dec 31	149	+19	2,900	+3	The American defence and electronics group's net profit was bolstered by $29m drawn from its over-funded pension schemes.

Y = Year ended. N = Nine months ended. H = Half-year ended. Q = Quarter ended. *Converted at average exchange rates. **Based on local currency figures. † = pre-tax profit. ‡ = loss in previous period.

This announcement appears as a matter of record only

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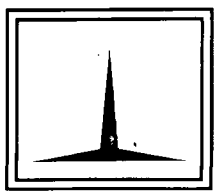

January 1987