

state," which "have resulted in greater instability (just look at the housing market), lower investment, lower growth and higher unemployment." Eatwell warned that "the short-term drives out the long-term. The opportunity to make a quick speculative turn will always be more attractive than the interests of the financial classes are opposed to the interests of all other classes." His alternative recommendation was that "the government itself must adopt a long-term view, investing in infrastructure and in education and training."

Along similar lines, the Engineering Employers Federation, which brings together 5,000 U.K. engineering firms, has composed a letter to Major, calling for the government to forward a "new industrial vitality" in Britain, to prevent the "irreversible decline" of British manufacturing. The letter attacked the government for over-concentration on "financial and other service sectors" relative to manufacturing, and stressed the "long-term merits of recovery based on greater investment in plant, machinery, education, and training."

On Sept. 27, the weekly *Observer* wrote that the previous week's 5,500 layoffs at the U.K.'s leading industrial firms—British Aerospace, Ford, and Vickers—"contributed to another bleak chapter in the recent history of Britain's manufacturing sector." But, the paper went on, "Britain's manufacturing industry has been in continuous decline since 1979, with a litany of factory closures, company bankruptcies, and staff redundancies. . . . Productive capacity has been slashed, new investment has declined by 12%, and Britain, once the workshop of the world, now suffers a deficit on trade in manufactured goods for the first time since the Industrial Revolution." The *Observer* emphasized that manufacturing jobs have declined in the U.K. by 36% since 1979, with "a remarkable 2.6 million people" having lost jobs in industry in the last 13 years. This process "is causing irreparable damage to the nation's industrial base."

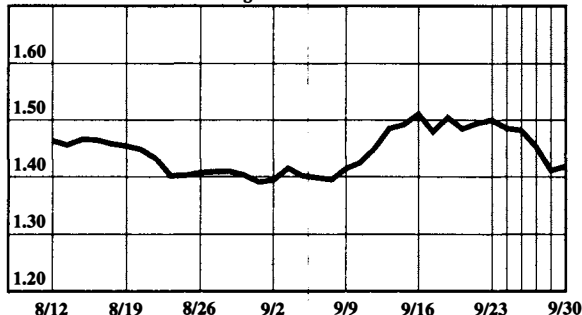
The paper blasted the various industry secretaries of the Thatcher-Major years, for having withdrawn government support for such industries as steel, shipbuilding, and automobiles, and for having "shifted the emphasis from manufacturing to services." Equally, the *Observer* stated, "successive secretaries of state reinforced the doctrine that competition should determine industrial policy. In contrast, many sections of business, including the Confederation of British Industry, were demanding a more interventionist approach, supported by public sector investment in the national infrastructure. . . . The lack of any coherent industrial strategy has been felt most notably by the declining defense manufacturing sector. . . . Critics are quick to point out that many other countries have successfully developed their economies with a positive industrial policy. Japan's capital investment per employee during the 1980s, for example, was almost three times that of Britain."

The *Observer* concluded on the ironical note that a key British Aerospace capability is being bailed out by Taiwan, at the same time that the historic BAe airplane-manufacturing plant in Hatfield in the U.K. is being closed down.

Currency Rates

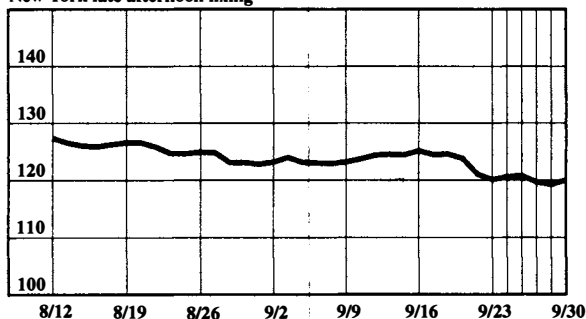
The dollar in deutschemarks

New York late afternoon fixing



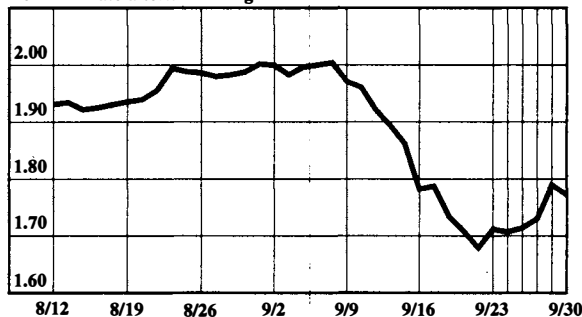
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

