*A* Punch *drawing on the eve of Queen Victoria's Golden Jubilee in 1887. Notables, from Germany's Crown Prince to the King of the Cannibal Islands, came to London for the festivities—military parades, balls, a yacht race, a Buffalo Bill Wild West show, a Hyde Park party for 26,000 children. The grand procession of "Royalties," said* Vanity Fair, *"looked like a fine stream of gold."*

# Britain

Nowadays, a minority of Americans trace their roots to Britain's shores. Yet the island nation still looms large in the United States—as the source of its early settlers, its national language, and its key institutions and traditions (the justice system, tolerance of dissent, respect for individual liberty), and as an old ally. On occasion, Americans have also looked at Britain with a certain anxiety, wondering what lessons its descent from world economic supremacy might hold for *them*. Britain's recurrent postwar woes (Harold Macmillan, 1961: "It's exciting living on the edge of bankruptcy") drew conflicting appraisals from U.S. scholars. So, for other reasons, did Margaret Thatcher's second re-election this past June. The "iron lady," age 61, seemed to be getting somewhere, and thus had a chance to exceed even William Ewart Gladstone in total service (12 and a half years) as Britain's prime minister. Here, Richard Rosecrance tracks Britain's economic ills, which actually began a century ago, during the imperial reign of Queen Victoria. Paul Johnson recalls the lost opportunities of the post-World War II era. Will Hutton analyzes the "Thatcher Revolution's" zigzag course.

## WHY ENGLAND SLIPPED

*by Richard Rosecrance*

At the Great Exhibition in London in 1851, the first world trade fair, Britain played host to more than six million visitors. Architect Joseph Paxton's "blazing arch of lucid glass" in Hyde Park, the 1,850 foot Crystal Palace, sparkled with exhibits from 34 countries.

The entrants all had something to show; the United States' display included the McCormick reaper and a sewing machine. But more than half of the exhibits came from Britain's industrial cornucopia: a great steam hammer and hydraulic press, locomotives and machine tools, furniture, pottery, textiles, even a functional flush toilet. Britain was already experimenting with electric machines. As London editors did not fail to note, mid-19th-century British science, and economic and political acumen, were the envy of the world. Wrote Queen Victoria in her diary that year: "We are capable of doing anything."

Indeed, the Royal Navy's defeat of the French and Spanish fleets at Trafalgar (1805), and Wellington's victory over Napoleon at Waterloo (1815), had inaugurated a "British century." During Victoria's 64-year reign (1837–1901), Britain's population would more than double (to 37 million). Its gross national product (GNP) would more than quadruple. As early as 1860, Britain produced 20 percent of the world's manufactured goods, more than three times as much as the United States, Germany, or France. By the late 1870s, one-fourth of all world trade passed through Liverpool, Cardiff, Glasgow, London, and other British ports. The mighty pound, tied to the gold standard in 1844, made London banker to the globe. At Victoria's Diamond Jubilee in 1897, Britain's flag waved over a quarter of the world's population and nearly as much of its lands. There were "settler dominions" (Canada, South Africa, New Zealand, and Australia), colonies in Africa, Southeast Asia, and Latin America, and of course India, the "jewel in the crown," a British possession for nearly 150 years.

## 'Weary Titan'

Mid-Victorian Britain exercised imperial sway at small cost.* Only 70,000 troops, who would be dwarfed by a Super Bowl crowd, garrisoned India. British warships did rule the waves, in the sense that no ship could cross an ocean without at least implicit British consent. In 1850, the foreign minister, Lord Palmerston, dispatched a squadron to Greece to assist one Briton—Don Pacifico, a Portuguese-born moneylender who had acquired British citizenship at Gibraltar—whose home had been burned by a mob. The *civis Romanus sum* principle was upheld; Greek officials provided restitution.

Britain also seemed, in other ways and to many people, "the mirror for our future," as the French novelist Stendahl had put it. The English instructed the world on political and social progress. The Continent was in upheaval: in 1848, there were antimonarchical revolts in France, Germany, and elsewhere. Yet 19th-century Britain was, most of the time, at peace abroad and at home. During what came to be called its Liberal Era, the nation whose mills and mines had launched the Industrial Revo-

*During the 1860s, Britain's military spending was under £30 million per year, a bit more than one percent of its GNP. Two researchers, Harold and Margaret Sprout, find this amount, adjusted for inflation, to be only "one to two percent of average U.S. military expenditures in the 1950s and early 1960s."

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*Lord Northbrook (center), Viceroy of India, in Simla, a British-built mountain resort north of Delhi, in 1875. Once a summer capital, Simla remains, as V. S. Naipaul noted, "an English country town of fairyland."*

lution during the 1760s became not only "the workshop of the world," but the first society to spawn a large urban middle class. It had an agenda of progress. Richard Cobden, a textile merchant and leader of the "Manchester Liberals," toured Continental cities preaching peace and prosperity through world trade. Other nations were starting to industrialize; Britons were prospering—real wages grew—and moving on to what reformers such as John Stuart Mill called "improvement." Laws such as the Factory Act of 1847, which limited the workday for women and for youths (aged 13 to 18) to 10 hours, were passed to help better "the condition of England."

With a few exceptions, mid-Victorian Britain did not have to fight to govern or extend her empire; once colonized, native peoples generally complied with British requests. In the settler dominions, the Colonial Office was mostly a servant to local sentiment. Since Britain did not obstruct political development, the settlers had no reason to oppose her. Until the end of the century, the British ruled their empire, and secured obedience around the world, on the cheap.

Yet by 1913, Britain's economic primacy was gone. The nation's share of world trade had fallen to 14 percent, and the leading industrial power was now the United States, followed by Germany. From three percent before 1850, Britain's industrial growth rate sank to 1.5 percent during the 1890s. In 1870, Britain produced twice as much steel as Germany; in 1913 Germany made twice as much as Britain. U.S. and

German firms won old British markets in machinery, chemicals, and textiles. Britain, lamented Colonial Secretary Joseph Chamberlain in 1901, had become a "weary titan."

What had happened? At the time, not many asked the question. The ambitions of Britain's rising men of commerce, Thomas Carlyle's "captains of industry," shaped the Liberal Era. The Anti-Corn Law League, which opposed the tariffs on imported food that protected the landed gentry, became a symbol of the dawning conviction that Britain's future required free trade abroad and minimal government at home. After the Corn Laws were repealed in 1846 by Robert Peel's Tories—stealing the Liberals' thunder—all British parties moved to support Free Trade.

## Taking on Water

A boom began during the early 1850s and continued for 20 years, despite a "cotton famine" that struck the Lancashire textile mills during the 1860s, when the U.S. Civil War reduced supplies of cotton. Thousands of jobs were created by the railways—by 1855 Britain had seven times more track than France or Germany—which hauled coal and iron to the works that built British ships and steam engines (and to the vessels supplying the industrializing Continental nations).

The turn came during the 1870s. Britain's capital was growing, but Britons chose—without any real debate—*not* to use it to modernize their now-aging industrial base. The "Tory democracy" of Victoria's favorite prime minister, Benjamin Disraeli, had other priorities. During his 1874–80 regime, Disraeli sought lasting power for his long-sidelined Conservatives by winning the affection of the working classes via new government activity. Parliament passed a Public Health Act and Rivers Pollution Act, and legalized picketing by trade unions and collective bargaining with employers, with whom the unions won equal rights. Disraeli bought control of the French-built Suez Canal (1875), the route to India; and, in deference to rising imperial sentiments, he had Queen Victoria crowned Empress of India (1876).

The British imperialist movement did not really take hold, however, until new Continental tariffs proved that Europeans would surround their new colonies with high duties. Then Britain had to enter the lists to maintain her overseas trade. After Britain occupied Egypt in 1882, the imperial race for Africa was on in earnest.

The Empire was popular with Britons, and, for all its inequities, brilliantly managed. Of the 10 million who emigrated from the British Isles during 1870–1910, three-fourths went to the Empire. A thriving enterprise, employing, among others, 20,000 administrators and nearly 150,000 officers and men, it was governed by stalwarts from Eton, Harrow, and other public schools. As Bernard Porter observed in *The Lion's Share* (1975), "many were good at what they did, but good for little else, which made their dependence on the empire even greater."

At home, the Empire provided a "sense of pride and achievement."*

Great Britain's tangible gains were elusive. India was important; for a while, it accounted for 40 percent of Britain's cotton-cloth exports. But other lands—notably those in Africa—produced scant economic rewards. As the Empire grew, few noticed ominous trends close to home. Britons lived well—perhaps too well—during the late 19th century. They paid cash for their imports and sold their exports on credit supplied by the bankers in the City of London. As late as 1872, they still sent 42 percent of their exports to Europe. Then Continental tariffs rose, and Britain needed other markets, prompting a focus on the Empire and agricultural countries. Britain still had abundant capital, because Britons invested and saved when they were a rising power, aiming for long-term growth. As they reached preeminence, however, they were tempted to rest on their oars.

The boat seemed to be riding high; in reality, for many years it had been steadily taking on water.

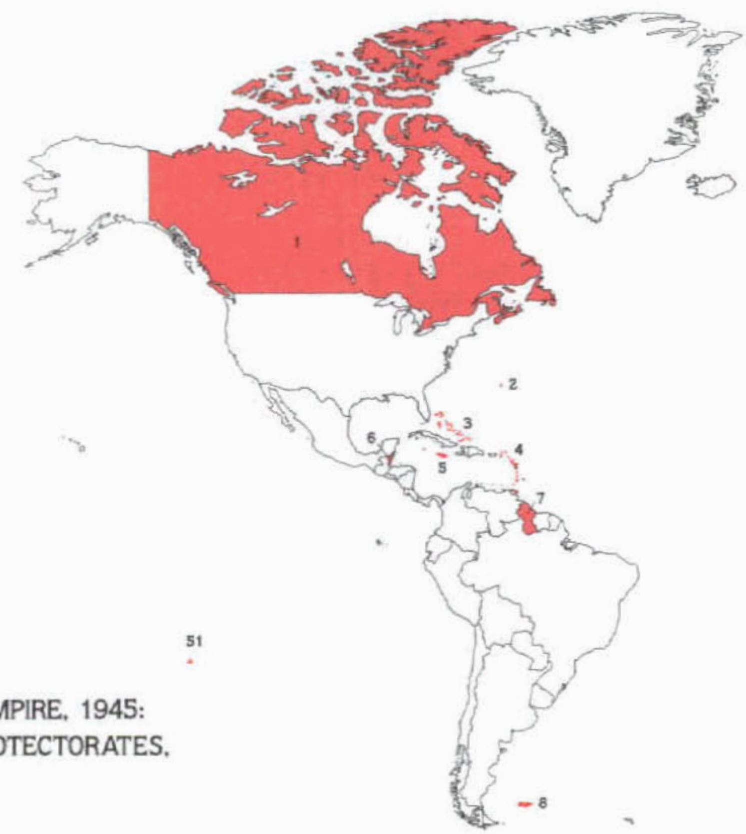
### Advantages of Backwardness

Only later would economic historians note that, all through the 19th century, Britain's "visible" trade was in deficit. The British sold fewer goods abroad than they purchased. That their national balance of payments remained in surplus was due to "invisibles"—earnings from shipping, insurance, and financial services—and to income from foreign investment. Especially during the second half of the 19th century, when earnings on British securities dropped to 4.6 percent, savers sought higher returns abroad. London bankers and officers at the big investment houses obliged by scouting out foreign ventures.

During the 1820s, British capital flowed to Latin American countries newly independent from Spain. The focus shifted to the United States in the 1840s, then to Europe and back to Latin America. The investments—typically in securities of railways, gold mines, ports, canals, and gasworks—carried risks. Defaults were common, first in Latin America and then in the United States. Some Britons lost their fortunes in Peru or the American Midwest. During the 1880s, London's Baring Bank collapsed as a result of shaky ventures in the Argentine. Nonetheless the outflow of investment rose. By 1914 Britain had shipped £4 billion abroad—41 percent of all foreign investment around the world.

During 1860–80, Britain was investing in its own economy to the tune of 10 percent of its GNP, with only three percent going overseas. By the decade before World War I, however, domestic investment had

*For a while. The "new imperialism" that emerged during the 1880s was cheered on by a jingoist British press. But dark headlines soon recalled Rudyard Kipling's worry about Britain becoming "drunk with the sight of power." Massacres of British units occurred during fighting with the Zulus (1879) and in Khartoum (1883). The Boer War (1899–1902) in South Africa, which involved 100,000 British and colonial troops and cost more than all other late 19th-century British military ventures combined, ended in the Boers' defeat. But the war persuaded many that Britain's days of easy invincibility were over.




THE BRITISH EMPIRE, 1945: DOMINIONS, PROTECTORATES, & COLONIES

1 Canada

2 Bermuda*

3 The Bahamas

4 The Caribbean Islands:
Turks & Caicos
British Virgin Islands
Cayman Islands
Anguilla
St. Kitts-Nevis
Antigua & Barbuda
Montserrat
Dominica
St. Lucia
Barbados
St. Vincent & The Grenadines
Grenada
Trinidad & Tobago

5 Jamaica

6 Belize

7 Guyana

8 Falkland Islands

9 Republic of Ireland

10 Malta

11 Gibraltar

12 The Gambia

13 Sierra Leone

14 Ghana

15 Nigeria

16 Namibia

17 South Africa

18 Lesotho

19 Swaziland

20 Botswana

21 Zimbabwe

22 Mauritius

23 Zambia

24 Malawi

25 Tanzania

26 Seychelles

27 Kenya

28 Uganda

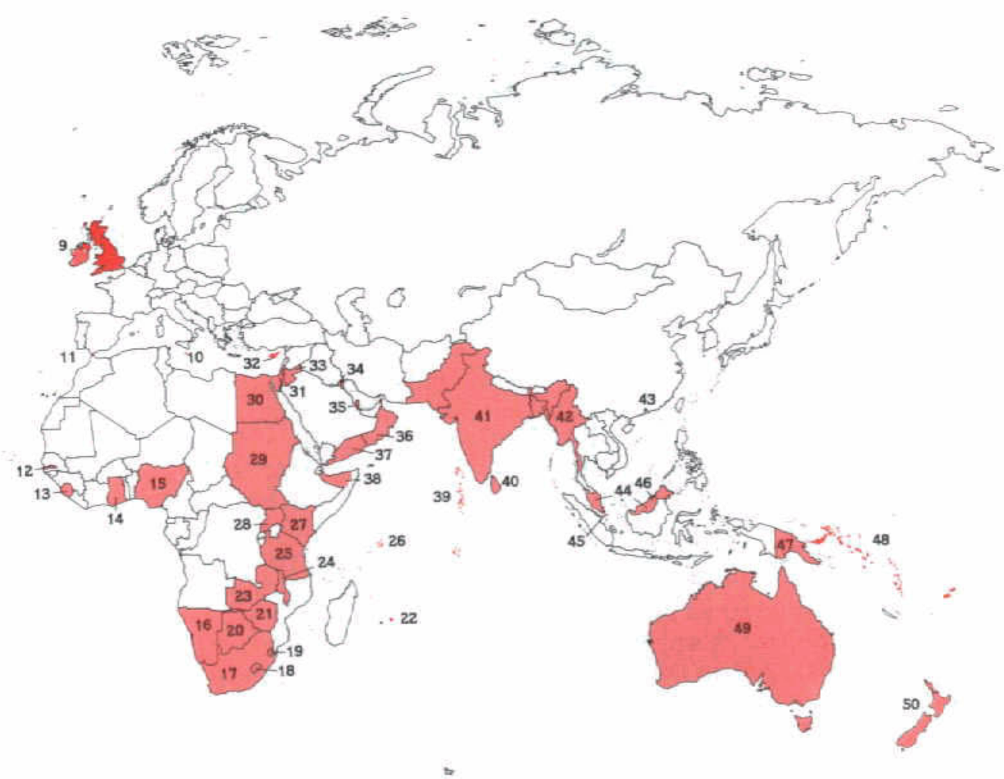
29 Sudan

30 Egypt

31 Israel

32 Cyprus

33 Jordan




34 Kuwait
35 Qatar & Bahrain
36 Oman
37 South Yemen
38 Somalia
39 Indian Ocean Territory:
Maldives
Chagos Archipelago
40 Sri Lanka
41 India
Pakistan
Bangladesh
42 Burma
43 Hong Kong
44 Malaysia
45 Singapore
46 Brunei
47 Papua New Guinea
48 South Pacific Islands:
Nauru
Kiribati
Solomon Islands
Tuvalu
Vanuatu
Western Samoa
Fiji
Tonga
49 Australia
50 New Zealand
51 Pitcairn Islands

(Not pictured: British Antarctic Territory and St. Helena)

*Places listed in red remain British-ruled. All names are current (e.g., Belize was British Honduras in 1945). The largely symbolic British Commonwealth has 49 members; Ireland withdrew in 1948, South Africa in 1961, Pakistan in 1972.

sunk to 8.7 percent of the GNP, with more than five percent being invested abroad. At this time domestic investment exceeded 20 percent of GNP in both the United States and Germany.

The results were dramatic. Between 1875 and 1900, Britain's productivity increased at a solid 1.2 percent per year. During the next 40 years, however, it fell to 0.4 percent—far below Germany's 0.9 and America's 1.2 percent. Economic historians excused this by citing the "advantages of backwardness" that accrue to latecomers, who can buy new technology off the shelf from industrial pioneers. But Britain's slowdown was not just relative; it was absolute.

## 28 Britons and 3,828 Germans

The country's failure to invest in plant and machinery was shaped by failures of labor and management. First, leaders of the stronger trade unions that supplanted the old craft unions pressed for higher wages and shorter hours, often with success. If these gains had been offset by higher productivity, the economic impact would have been slight; they were not. And unlike some of their overseas competitors, British managers did not try to reduce friction with labor through incentive payments, bonuses, and overtime. Already by the end of the century, any change in working practices led to strikes.

Second, when British managers were under pressure to reduce costs, they preferred lowering wages to economizing through labor-saving machinery, afraid that the latter might not yield quick returns. But wage cuts would only further reduce productivity, by alienating workers and further delaying mechanization. As late as 1913, when more than 25 percent of U.S. coal was being cut at the mineface by machine, only eight percent of British coal was hewn this way.

British management was weak. The early enterprises were family firms. They went through a cycle: from the grandfather whose drive and imagination had started the firm, to the solid entrepreneurial father who lent it new strengths, to the indolent third generation. "Tired of the tedium of trade and flushed with the bucolic aspirations of the country gentleman," economic historian David Landes notes, "the children of affluence . . . worked at play and played at work."

Training workers interested neither businessmen nor politicians in Britain. The Germans, who were spending a hefty 2.5 percent of their GNP on education by 1914, stressed technical training. The British, who did not even introduce compulsory primary education until 1880 (free schooling began only in 1891), tended to rely on the fortuitous emergence of talented tinkerers, especially in the metal trades and engineering. (Example: Isambard Kingdom Brunel, the idiosyncratic mid-century builder of the Great Western Railway and the 18,000-ton ship *Great Eastern.*) German managers took pains to develop new products in chemicals and other areas; British entrepreneurs focused research on

## WAGES OF PROGRESS

In his novel *Sybil, or the Two Nations* (1845), Benjamin Disraeli described Britain as a land of "the rich and the poor." Prosperity slowly eased some of the inequities he saw, but Victorian Britain remained a lopsided society.

If the future belonged to commerce, landed nobles still had great wealth. At one time, there were 44 owners of more than 100,000 acres. The Duke of Sutherland's 1,358,000 acres were larger than Bedfordshire, Berkshire, and Buckinghamshire combined. The Duke of Bedford's annual income exceeded £300,000 (about £20 million today). To the Duchess of Marlborough, "trouble" was readying 30 rooms for guests at Blenheim Palace.

The other England had humbler concerns. An 1868 *Fortnightly Review* article told of flats for Lancashire factory hands which had a room dubbed "a parlour," often with a bookcase or a piano. But such amenities were rare.

For coal miners, who numbered 118,000 as the 1840s began, home life was tolerable only in comparison with the pits. "The men work in a state of perfect nakedness," noted an 1842 study, aided "by females of all ages... naked down to the waist." Dickens described brickmakers' homes as "hovels" with "pigsties close to the broken windows." Textile workers toiled *and* lived in "sweat-shops." In 1890, lawmakers heard testimony about a room of nine by 15 feet "in which a man, his wife, and six children slept and in which same room 10 men were usually employed, so that at night 18 persons would be in this one room [with] three or four gas jets flaring, a coke fire burning in the fireplace, sinks untrapped, closets without water... "

•

Ship owner Charles Booth, studying poverty in London during the 1870s and '80s, found thousands living hand-to-mouth. One example: "Michael H.," age 38, a docker "in poor health." His wife, Booth recorded, "is consumptive. A son of 18 who earns 8s regular wages as a car man's boy, and two girls of eight and six, complete the family. Their house has four rooms but they let two." Although clergymen "send soup two or three times a week," practically "no meat is bought,"and "the food consists principally of bread, margarine, tea, and sugar. No rice is used nor any oatmeal; there is no sign of any but the most primitive cookery... "

Such conditions reflected Britain's early reliance on a subsistence wage theory (if people earned more than they needed to live, they would simply work less). A result of dependence on this theory was pressure for reform, reflected in Chartism (a movement calling for, among other things, the enfranchisement of workingmen), trade unions, and a general politics of labor. It was soon accepted that even employers in trouble must not, as Tory Robert Peel said, take steps that "bear on the comforts of the labouring classes." What finally brought social peace during the mid-Victorian era was a shift to high-wage employment, spurred by railway construction and shipbuilding. Better pay brought worker contentment (as it conspicuously did not in the industrializing United States), even as it also opened the way for other countries' fateful advances in world trade, at Britain's expense.

ideas that would return quick profits. Even so, staff scientists and engineers were indifferently paid. As late as 1910 at the Woolwich Arsenal, a major munitions works, chemists earned only £100 a year, the same as ordinary workers.

While American firms had integrated production and marketing groups by the end of the 19th century, British managers kept separate organizations. The marketers frequently got and gave short shrift. In 1899, Britain sent 28 salesmen to hawk British wares in Switzerland; they had to compete with a horde of 3,828 German drummers. Elsewhere, British salesmen, as historian D. H. Aldcroft observed, often were "ignorant" of the countries to which they were sent.

### Churchill's Mistake

Rising foreign competition presented British manufacturers with three choices: to make higher-quality products (enhancing profits); to reduce costs (through labor-saving devices); or to send traditional products to new markets. Mostly they took the third option. While sales to Europe declined (accounting for only 35 percent of Britain's exports in 1912), shipments to Africa, Asia, Australasia, and Latin America rose. But this would work only until Britain's competitors turned their sights on the developing world, including Britain's own free-trading empire.

Britain might also have tried to innovate. But here, too, the record is undistinguished. Take steel. Along with textiles (wool first, and then cotton), metalmaking had been at the core of the Industrial Revolution. But the conversion of pig iron into steel long remained difficult. Then, spurred by the need for arms occasioned by the Crimean War (Britain's blundering struggle with tsarist Russia during 1854–56), inventor Henry Bessemer devised a method of low-cost, quantity production. From the steelworks he set up in Sheffield in 1858 and from the sale of licenses, Bessemer made a fortune. But odd things happened. Threatened by steel, ironmakers invested heavily—not to make steel, but to increase the number of iron-puddling furnaces. And, when ways of making higher-quality steel in open-hearth furnaces were developed in England by Sir Charles William Siemens and others, most British steelmakers clung to the Bessemer process. On the eve of the First World War, 22 percent of British steel came from Bessemer converters, which the Germans had all but abandoned.

Similarly, Britain had early success in autos, chemicals, and electrical products. But here U.S. producers could offset high labor costs by investing large sums in machinery; the Germans benefited from both low wages and high investment. The story was repeated over and over. Britain built the first functional electric power station at Godalming in 1881, but the United States and Germany were quicker to use electric motors in manufacturing and to press urban electrification. Eventually the lead reversed. It was Chicagoan Charles Yerkes who built the first


*London's financial district, circa 1909. The Bank of England (center) was founded in 1694 to finance parliamentary government. The monarchy lost the power of the purse in the Glorious Revolution (1688–89).*

underground rail network in central London; by 1913, subsidiaries of the U.S. firms General Electric and Westinghouse were two of the four main producers of electrical equipment in England. Herbert Austin and then William Morris launched the small, cheap motor car in Britain before 1914, but by then others had shown the way; Henry Ford had begun mass production of the Model T in 1910.

Finally, two world wars wrote "finis" to British economic power. The British government could pay for only 36 percent of its World War I costs. John Maynard Keynes, managing Britain's wartime finances, borrowed abroad (e.g., from the Morgan Bank in New York), levied taxes, peddled bonds, and disposed of British foreign assets (half of which were eventually sold off). Losses of merchant shipping to German U-boats, and of overseas markets for textiles, added to the drain. One day in February 1917, Keynes calculated that Britain's gold supply would not last "more than four weeks." Only U.S. entry into the war averted financial ruin.

Post–World War I inflation priced British exports out of many markets. The high value set for the pound after 1925—when Winston Churchill, as chancellor of the Exchequer, proudly returned the pound sterling to its prewar value—helped to control inflation. But it ruined the British export trade, worsening both unemployment and labor tensions, which culminated in the great General Strike of 1926. Then came the 1930s Depression; the remaining British exports fell by 50 percent. Domestic investment increased, but much of it was devoted to housing and to remedying past depreciation of plant and equipment. During the inter-war period, unemployment never fell below one million, or about 10 percent of the work force. The years after World War II saw a renewal of the old trends—inflation, low productivity, an aging manufacturing base. Decline became irrevocable.

### Is It America's Turn?

Recently, many U.S. politicians, businessmen, and others have speculated that the United States is catching the "English disease." Japanese officials, Harvard's Ezra Vogel finds, believe that the United States is "going the way of England very fast." There are indeed a number of parallels between what Americans face today and what happened to the British economy during the 50 years prior to World War I:

1. During the reign of Victoria and her two successors, Britain's growth in worker productivity slipped well below one percent a year. In comparative terms, U.S. productivity growth has fallen from nearly three percent as recently as the early 1960s to one percent today.

2. Britain's domestic investment and savings rates fell below those of foreign competitors. The contemporary U.S. savings rate, three percent of its GNP, is at an all-time low. The 17 percent of America's GNP that is invested, much of it in office buildings, is largely provided by foreign loans. Concentrating on quarterly profits, U.S. corporate chiefs have invested abroad (e.g., Mexico, Taiwan, Singapore) rather than in new plant and technology at home.

3. Increasingly, British exporters turned away from the toughest export markets (especially Continental Europe) and toward less-developed agricultural countries. Facing difficulties selling much more than farm products in Japan and Western Europe, Americans are now trying to expand industrial markets in the Third World.

4. Although Britain was the largest market for imports, London failed to respond to Continental tariffs with retaliatory trade restraints of its own—which might have forced the tariff countries to reconsider their course. (Britain did not finally abandon Free Trade and adopt tariffs until the Depression year 1932.) Today, Washington has stewardship over the largest and freest market, but its leaders have not generally sought to bargain with U.S. trading partners to open their markets.

5. British innovation lagged in chemicals, the electric industry, and low-cost automobiles. U.S. firms have largely deserted consumer electronics, including video cassette recorders, compact discs, televisions, and stereo equipment. They are suffering in steel, autos, construction, machine tools, shipbuilding, and semiconductors.

6. British public education failed to meet the standards of Germany, the United States, and other countries. Today, U.S. high school and college education, expensive as it is, does not assure competence in mathematics and science equivalent to that provided to Japanese and West German youths. A U.S. business school graduate knows about the same amount of math as a Japanese eighth-grader.

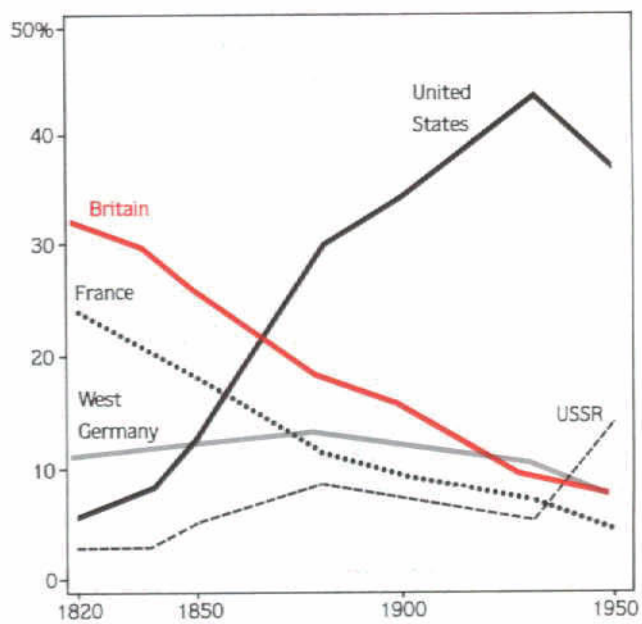
7. Finally, British military exertions in two world wars inexorably exhausted overseas assets and reduced earnings that might otherwise have been devoted to reinvestment at home. Today, U.S. peacetime military commitments and high defense spending have led to huge deficits, absorbed investment capital, and otherwise swallowed up resources. The U.S. government has had to borrow abroad. While present-day Britain is a creditor nation, the United States became in 1986 the largest debtor nation; today, according to congressional estimates, U.S. government and private borrowers owe $400 billion to foreign lenders, notably those in Japan which emerged in 1986 as the leading creditor nation.

One should not make too much of the similarities between Empire Britain and present-day America. The United States remains Number One in terms of its GNP (which is nearly double that of Japan and at least three times that of Germany) and total industrial output. Britain had few resources beyond coal. The United States still has large reserves of coal, natural gas, iron, and much else.

But, to repeat, U.S. investment in *domestic* plant and equipment in recent years has been low relative to that of other industrial countries (even Britain). And since 1950, the U.S. share of world GNP has been halved to about 20 percent. In key industries, the United States is losing ground.

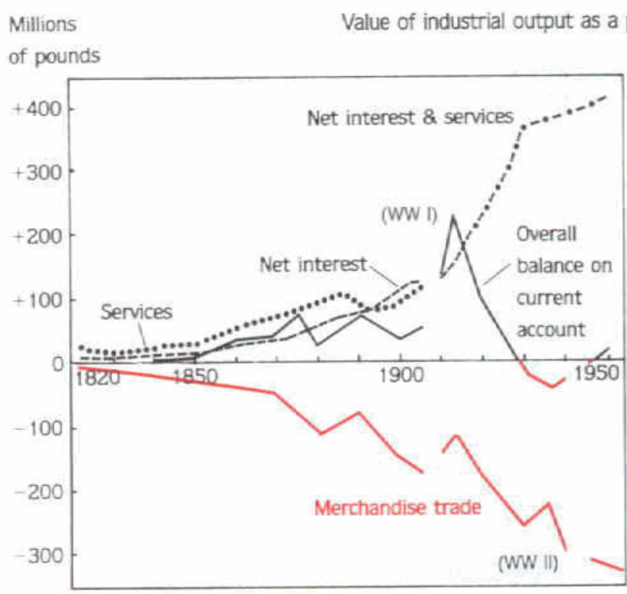
The 1986–87 decline in the value of the dollar and the rise of the yen have slowed this process but not reversed it.

Further detail could be added, but the net picture would not be affected. It seems fairly clear that America's recent behavior, at home and abroad, has already begun to have consequences in 1987 for economic growth not unlike those ignored by that onetime "mirror" for the future, 19th-century Britain.




**PRODUCTION**

Value of industrial output as a percentage of world total.




**BALANCE OF PAYMENTS**

For a time, Britain's income from interest and services—such as earnings on foreign investments and revenue from shipping—offset its deficit in merchandise trade.

# THE ENGLISH DISEASE, 1945–79

*by Paul Johnson*

Speaking at Zurich University in 1946, Winston Churchill called for "something that will astonish you . . . a kind of United States of Europe" based on a French-German "partnership." They "must take the lead together." With Britain, "America, and I trust Soviet Russia . . . must be the friends and sponsors of the new Europe."

Churchill's condescension reflected an odd view: Britain could still be an independent power, retaining the role bestowed by an empire. He saw Britain as the intersection of three overlapping circles: the Anglo-American world, the Commonwealth, and Europe. That idea was barely plausible after World War II. It made no sense at all after the 1956 Suez Crisis, which showed that neither the Commonwealth nor the "special relationship" with Washington could help Britain protect what she saw as a vital interest.

To others, the reality was plain. "England," wrote West German chancellor Konrad Adenauer, "is like a rich man who has lost all his property but does not realize it."

Postwar delusions, however, would not shape Britain's foreign policy as much as its domestic affairs would. Prime Minister Clement Attlee, under whom the Labour Party won its first long lease on power (1945–51), faced up to Britain's inability to sustain the Empire. In 1947–48, independence was granted to India, Pakistan, Ceylon, and Burma. But grand schemes would continue—at home, and with unintended, indeed uncontemplated, consequences.

After World War II, Continental Europeans put the rebuilding of their battered economies ahead of social reform. The West Germans undertook the renovation of their manufacturing base and their unions, which would produce the *Wirtschaftswunder* ("economic miracle"). The core of French technocrats who devised the Monnet Plan modernized their shattered country's agriculture and rebuilt industries. Britain's priorities were different.

The island nation needed exports. Old sources of "invisible" trade income were gone; among the assets that Britain lost in the war was half of its merchant shipping, a key source of revenue. The country had a huge foreign debt (£23 billion) and, for the first time, almost no reserves of gold and dollars. Allied help (including more than $2 billion in U.S. Marshall Plan aid) was still required. So was wartime austerity; rationing of food, clothing, motor fuel, and other necessities continued until 1954.

But instead of a plan for Britain to begin earning its way in a competitive postwar world, what Attlee's ministers produced was a broad expansion of the role of government.

With scant debate—the sharpest exchanges in Parliament concerned the "un-English haste" of the legislation—the Attlee regime fulfilled a campaign promise by nationalizing major industries. Coal, power, gas, transport companies, and the Bank of England were bought out, at high cost, in 1946–47; iron and steel firms followed in 1949. Meanwhile, Labour inaugurated the Welfare State.

### 'White Heat'

The origins of the Welfare State lay in the 1930s, when British industry grew more efficient as Free Trade was abandoned, firms grew larger, and science and technology played a larger role in education, business, and government. Yet high unemployment and its associated miseries persisted. Slowly, a consensus—mainly middle-class, tied to no one party—formed around a policy of state action to promote social justice. In 1935, the blue-ribbon Liberty and Democratic Leadership Group issued a plan for broad public ownership of the economy. The old debate about the virtues of "a wholly... capitalist system and one of State ownership," said the group, was "wholly beside the mark." The economy would be "mixed" for "years to come."

Thus the unity that the English found during World War II inspired not merely resistance to Hitler but a yearning for social justice. Churchill's wartime coalition made a contract with ordinary Britons: Along with the quest for victory, the creation of an equitable society would proceed. The machinery required to win the war was equally the instrument of welfare economics.

The 1941 budget (whose philosophy was based on John Maynard Keynes's new pamphlet, *How to Pay for the War*) was the first to deal with the national income as a whole, marshaling all resources to meet goals fixed by political decisions. The postwar goal—in effect, the Welfare State—was outlined in a government study by the social reformer Sir William Beveridge in 1942. The Beveridge Report proposed a national insurance scheme, and called for reforms in health, education, and housing, and for the creation of jobs. The means to these ends were outlined by wartime measures. Rationing and war taxation ensured

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*Labour Party leader Clement Attlee—age 62, an Oxford-educated socialist from a coal merchant family—after Labour's 1945 victory. "After the long storm of war," said one of his ministers, "we saw the sunrise."*

equality of consumption; national service and allocation of manpower ensured equality of sacrifice. The Emergency Hospital Service foreshadowed public support of health care. A 1943–44 White Paper committed the government to the maintenance of "high and stable" employment.

Although the ideas behind the Welfare State were essentially the product of a consensus, its strong endorsement by Labour and the suspicion it aroused among many Conservatives pointed to Attlee's victory over Churchill in 1945. After power thus fell into Labour's lap, the legislation followed in a rush.* And for a while, the expense seemed bearable. Britain's economy had performed relatively well during and after the war. In 1950, Britain's gross national product (GNP) was $47 billion against only $90 billion for West Germany, France, Belgium, the Netherlands, Luxembourg, and Italy combined—the six countries who would, in 1957, form the European Economic Community (EEC).

There was, to reiterate, a problem, as in earlier decades: lack of export income. Churchill, regaining No. 10 Downing Street at age 77 in 1951, inherited what would be recurring troubles—red ink in the balance of payments, and depleted reserves of gold and currency. Even so,

*The National Health Service, National Insurance, and Industrial Injuries Insurance acts all passed in 1946. So did the National Assistance Act (1948), which replaced the old Poor Laws by having government assume care of the indigent. Housing acts (1946, 1949) spurred low-rent projects. A Town and Country Planning Act (1947) provided for the building of entire new towns.

the Tories embraced the Welfare State. They raised family allowances, unemployment benefits, and old age pensions, and plunged into housing, building 300,000-plus residences a year.

Thus arrived "Butskellism." The term, combining the names of Churchill's lieutenant, R. A. Butler, and the Labour Party leader Hugh Gaitskell, stood for the assumption that the two major parties shared common ground. The Conservatives, as Britain's quasi-governing party, had sometimes initiated reforms (e.g., repeal of the Corn Laws in 1846). But most often they merely civilized the radical changes introduced by others. And so the Tories co-opted and even extended the Welfare State. If the costs were high, they would not be borne by propertied Britons so much as by those who lived on highly taxed salaries and wages.

A consumer boom developed. Churchill's successor as Tory leader, Anthony Eden, won on a "peace and plenty" platform in 1955. Yet by 1959, when Conservative Harold Macmillan managed to persuade voters that they had "never had it so good," the boom was already fading, and in the arts Britain's "angry young men" were following the lead of playwright John Osborne, whose ***Look Back in Anger*** dealt with the career frustrations of even the educated working-class Britons. By the Swinging Sixties, Britain was struggling with "stop-go" inflation and recession—and with growing radicalism in its unions.

This radicalism had begun during the mid-1950s, when the largest union, the Transport and General Workers (1,434,000 members today), created by Ernest Bevin in 1922 as the sheet-anchor of a politically moderate labor movement, shifted to the Left. Wages climbed; indeed, during 1964–66, pay rose twice as fast as productivity. Partly as a result, by the mid-1960s British exports were being priced out of world markets. Harold Wilson, the pipe-smoking economist who in 1964 led Labour's return to power after 13 years of Tory rule, promised change—a new British competitiveness in trade forged in "the white heat of the technological revolution."

## I'm All Right Jack

But Wilson was soon in combat with the unions, and forced to impose an economic austerity program that included a wage-price freeze. Recalled the secretary of the cabinet, Sir Burke Trend: "We were fixing things once again, horribly inefficiently, at the last moment."

By 1970, Britain was overtaken by the Six in GNP per capita and much else. And after Britain finally joined the Common Market in 1973, the gap continued to widen. Some industrial giants stumbled. Rolls Royce, the maker of aircraft engines and luxury cars, went bankrupt in 1971; British Leyland, maker of trucks and buses, collapsed in 1975. In 1976, with the treasury bare and inflation as high as 23 percent, Britain had to seek a $3.9 billion bailout from the International Monetary Fund (IMF), at that time the largest IMF loan ever approved for an industrialized country.

There was plenty of blame to spread. The wartime spirit of shoulder-to-shoulder sacrifice had been succeeded by a "get-mine" mentality that ran from boardrooms to the shop floor, brilliantly satirized by the 1959 Peter Sellers film *I'm All Right Jack*. Rather than sell abroad, British managers piled up perks and pressed a merger mania. Newly minted London millionaires built fortunes, as one of them remarked, by "making money, not things." So low was the entrepreneurial spirit that when oil was discovered in the North Sea (eventually making Britain an oil producer on the scale of Kuwait), British Petroleum and other drillers had to go to foreign suppliers for oil rigs, and other equipment and services. Not until the late 1970s, when the drilling had peaked, had British firms won even two-thirds of the North Sea equipment business.

## Turning Yellow

Some of the roots of Britain's postwar economic woes ran deep into the country's unique history.

During the 200 years after Britain became the first nation to industrialize, it was the only major industrial power that had not suffered the convulsion of revolution, civil war, or foreign conquest. Oddly, this was no blessing. That is, Britain had not suffered those fundamental breaks with the national past that, in France and Germany, for instance, promoted social and economic dynamism. The nation had no bill of rights to protect the many assumptions of a liberal society. It had instead the Common Law tradition, arbitrated by judges, which upheld rights of liberty and property—the legal framework within which the first modern industrial society was created.

But in 1900, Britain's trade unions created the Labour Party, to promote "legislation in the direct interest of labour" and oppose "measures having an opposite tendency." Unlike other Western socialist movements, Labour was not primarily Marxist or even socialist, but a form of parliamentary syndicalism. The unions owned it. They sponsored Labour MPs, paid Labour's election costs, and, under the party's charter, dominated Labour policy. Thus Britain's unwritten constitution, revised and shaped by parliamentary acts, began to tilt toward the unions. The 1906 Trade Disputes Act, for example, granted unions immunity from civil actions for damages "alleged to have been committed by or on behalf" of them. This was unique in the West, a privilege that even the Fabian socialists Sidney and Beatrice Webb found "extraordinary."*

On this legal plinth rose a structure of union privilege—a counter to that of the upper classes. The Trade Union Act of 1913 legalized the spending of union funds on political objectives (e.g., the Labour Party); it

*The Webbs, playwright George Bernard Shaw, and others, founded the Fabian Society in 1884 to promote an evolutionary socialism that rejected Marxism and the need for class struggle. The Society helped to create the Labour Party, and is affiliated with it today as a research arm.

also required union members to "contract out" of their political dues if they did not want to contribute to Labour. The courts upheld Common Law protection for individuals against unions. But the unions could lean on Labour-dominated parliaments to plug holes in their umbrellas. Thus the House of Lords in *Rookes* versus *Barnard* (1964) held against unofficial strikes in breach of contract; the next year, Harold Wilson's government legalized such strikes.

## The Easy Way

Growing union power was exerted in a variety of ways. In 1969, Wilson proposed "In Place of Strife" legislation designed to reduce the number of strikes. But when unions put pressure on Labour MPs, even Wilson's own cabinet, as he later explained, simply "turned yellow" on the issue. New forms of strike action appeared: "Mass picketing" tactics used at Saltley Coke Depot in 1972 overwhelmed police trying to keep the pits open. In a rash of 1973–74 strikes—led by coal miners seeking to use the OPEC oil price increase to win 40 percent pay raises—such techniques helped destroy Edward Heath's Conservative government.

Heath, who attempted to introduce a statutory code of union conduct, called an election on the issue of "Who Governs Britain?" Labour won, and soon not only repealed Heath's code but extended union privileges; in "closed shops," an employee could be dismissed for declining to join a union. As Lord Denning, supreme justice on the Court of Appeals, noted, the unions could now "do as they will." Unionization moved above 50 percent of the work force for the first time, compared with 25 percent or less in the United States, France, and West Germany.

Union power contributed to slow economic growth in three main ways. First, it curbed profits and productivity growth—hurting capital investment, which in 1950–75 was the lowest of any major industrial power. Second, it greatly increased the pressure of wage inflation, especially from the late 1960s on. Third, union demands on government tended to increase the size of the public sector. Between 1790 and 1910, the share of Britain's GNP accounted for by public spending averaged 13 percent; after 1946 it was never under 36 percent. It passed 59 percent under a Labour government in 1975.

But Labour was never an efficient instrument of reform. Labour governments, for example, took no steps to tax wealth, or even capital gains, until the boom of the 1950s and early 1960s was already over. What Britain's working classes won from the post-1945 expansion was the illusion of affluence, in the form of cars, televisions, and other "consumer durables." Real wealth remained in roughly the same hands.*

*Despite war and postwar taxation, the top five percent of the population owned 75 percent of the wealth in 1960, down only slightly from 79 percent in 1936–38. Just one percent received 58 percent of all investment income, and held 81 percent of stocks in companies. Estate duty, the one form of tax on wealth, did not effect a redistribution of property. During 1956–59, this levy yielded 3.5 percent of central government tax revenue. The figure today: .01 percent.

*A British export: The Beatles—John Lennon, George Harrison, Paul McCartney, Ringo Starr—in New York, 1964. U.S. films (e.g.,* Rock Around the Clock*) and musicians had brought rock to Britain during the 1950s.*

One reason why Labour could not effect change in society's rewards was the low priority the party and its union backers accorded to educational progress—the great failure of both 19th- and 20th-century England. The Whig Henry Brougham had advocated a comprehensive state school system as long ago as 1810: The English have yet to establish such a system.

Primary education was available to all by 1900, but only a tiny proportion of the working class got the equivalent of a U.S. high school education, and virtually none went to universities. Secondary education for all was not made a reality until the late 1940s. The Newsom Report of 1963, *Half Our Future*, told a dismal tale of failure to cultivate the potential of children between 13 and 16 years with no more than average ability. As for higher education, between 1890 and 1910, six universities were created in England and Wales, none at all in the 1920s, and only three university colleges in the 1930s. In 1962, total student enrollment was not much over 200,000, and a huge spending program merely doubled this figure by the mid-1970s.*

Educational failures were at the heart of Britain's decline as a dy-

*While 50 percent of U.S. high school students, and 22 percent of those in West Germany, go to college, only 14 percent of young Britons do. More than half enroll in Britain's 42 universities; the rest enter other institutions, including the nation's 30 polytechnics, colleges of technology, commerce, and art. British students are beset not by a lack of ambition or money (in essence, all tuition is state-paid), but by a lack of facilities. Last year there were 7,200 applicants for 2,800 places at Oxford, and 1,400 for 95 places in the electronics department at Plymouth's polytechnic.

namic society. High economic growth cannot be sustained without high investment in education—in technical skills and in social responsibility via the liberal arts. The Establishment, including the Labour leadership, fobbed off the working class with a minimum education. The country has had minimal growth in consequence.

Education also provides a typical example of the English timescale of reform. The pioneers make a proposal; a quarter of a century later it is generally accepted by enlightened opinion; chance and accident, financial cuts and economic crises, the churches, the Lords, and other obstacles to progress delay it for another quarter century; implementation takes 10 years or so. By then the reform is universally accepted as obvious common sense, and pious regret is expressed that it was not accomplished sooner. Meanwhile, the rest of the world has moved on, usually faster.

In buying stability at the cost of change, the British risked being forced to take drastic steps. Education and labor are two examples. Britain's 1973 entry into the Common Market is another.

A century ago, by choosing empire-building as the easy alternative to industrial efficiency, Britain's leaders became the prisoners of hubris and, in leading a Europe-wide competition for colonies and resources, set themselves up for one world war followed by another. By the 1970s, having wasted a quarter century of peace and economic buoyancy, they found themselves pushed unwillingly into a Continental system of the sort their predecessors had always wished to avoid.

## Leaving a Prison

It is not clear whether the English elite ever grasped the notion that if Common Market membership would stimulate Britain's rapid economic growth, the jealous French would not permit "les Anglo-Saxons" to join. But then the English enthusiasts were not noted for clarity of thought. Britain's aims were at times said to be economic, at times political. Neither could be quantified. But if Common Market membership would weaken Britain economically, how could it strengthen her politically? The enthusiasts had no answer. "The inescapable need," one of them wrote in the *Sunday Times* in 1971, "is for an act of faith."

Britain's net economic returns from Common Market membership since 1973 remain debatable. But it is hard to ascribe to that membership the fact that Britain's growth long lagged behind that of its Continental partners (and any calculations are clouded by the fact that Britain's growth rate is now higher than that of the Common Market). More clearly positive to Britain has been a stroke of fortune: North Sea oil, which gave her economy a lift, provided a (temporary) boost to export earnings, and put needed cash in the Treasury. The oil would come to seem an almost tangible reward for the privations that Britain had suffered in two world wars.

But the oil did not rekindle the old optimism. During the mid-19th century, educated and enlightened people, most notably in Britain, felt strongly that an age of reason was dawning. They believed that mankind would progress toward a style of life in which each individual would obtain, by inalienable right, not merely a rising standard of material comfort, but intellectual, cultural, and spiritual fulfillment. This was the liberal ideal. There was rising confidence that the ideal could be realized.

Such confidence did not imply hubris. John Stuart Mill, for instance, wrote modestly not of "progress," or even of "reform," but of "improvement." There would, in the decades and centuries to come, be countless marginal "improvements" in all aspects of life, which would bring about a true, but gradual and peaceful, revolution in the human condition.

This was an essentially English concept, reflecting the empirical optimism that the English experience seemed to justify.

But postwar events dimmed that optimism. The position in which the English found themselves as they approached the 1980s was a dangerous one. They felt they had lost their greatness, and feared they were losing their self-respect.

In fact, the English predicament was not as serious as many of them supposed—indeed, were taught to suppose by their harassed and nervous leaders. The "greatness" the English relinquished—their role as a world power—was more a source of weakness than of strength; it inhibited rather than liberated. The notion that the English, having given birth to the modern world, became in the true sense effete, is misconceived. The English did not step down from a throne: They left a prison. They became freer than at any time in the last hundred years, free to decide on the direction in which they wished to go, without regard to the wishes of imperial partners and subordinates. Their responsibilities to others were handed over gracefully, or snatched from them: they could now make their own choices, as a self-governing, independent island people. They eased off the burden of a bankrupt estate, and now had to make their own way in the world.

## Milton's Message

The death of an empire should be the rebirth of a people. But this was not the way the postwar English saw it. And herein lay a danger. The English suffered bitterly. They felt they had forfeited caste and status. They resented a world in which their high, authoritative tones were no longer heeded, or even heard. They watched, in bewilderment and some anger, as humanity ordered its affairs without their supervision, often in the face of their advice. The loss was felt as keenly on the Left as on the Right. If the longing of the English to rule was frustrated, so was their equally eager desire to do good. There was still, among the English, a hunger to be significant. They wished to count as they once did; the knowledge that they did not bred a certain despair, which in turn provoked a quest for remedies that may have proved to be desperate.

For a while, during the exhaustion of the 1970s, it seemed that the English ought to sit quiet for a time, to invoke a national mood not, indeed, of repose, but of concentration and introspection. But they are activists: They suspect the process of thought unrelated to practical decisions. They feel they must deploy their energy; the risk was that they would deploy it in the wrong direction, pursuing false solutions (e.g., Common Market membership) to nonproblems (e.g., concern for international "status"). In my view, for the English to lose an empire is no great matter: To lose their judgment is serious.

The English have worried themselves throughout history. Lamentation recurs in fact and myth. Arthur is a figure of tragedy, Alfred the Great an often bewildered statesman, nobly exhausted by what must have seemed insuperable difficulties. *The Anglo-Saxon Chronicle* (circa 890) is a narrative of distress: Wailings at the Danes, at the Normans, at the depredations under Stephen, sustain one theme—"God Almighty have mercy on that wretched place!"

The Magna Carta (1215) was drawn up by men who believed themselves not on, but over, the brink of catastrophe. A staunch reformer like Thomas Brecon might have rejoiced at the Reformation; but he reported, as Henry VIII neared his end, that "the state of England was never so miserable as it is at present." Worry, worry was the Elizabethan theme. "Never was there, my Lord," wrote Samuel Pepys in 1659, "so universal fear and despair as now."

What distinguished the modern chorus of self-doubt was a nagging anxiety about Britain's performance in the league-tables of material prosperity. The English, who invented modern competitive sport, have been obsessed by the statistical evidence of their decline in the world economic championship race. This has touched their pride, with reason.

## Why Worry?

From the dawn of recorded history, their island provided a generally high standard of life for those fortunate enough to inhabit it. The English have been good providers for themselves, making industrious use of the modest resources nature placed at their disposal. But for more than a century, Britain was in relative (and, until recently, pronounced) decline by comparison even with audacious newcomers. That Britain should be overtaken by the United States was bearable, had indeed been predicted as long ago as the 1840s. More galling, in the 1960s and '70s, was the astonishing recovery of a truncated Germany from her terrible adversities. France, long the object of English hostility or condescension, enjoyed a higher standard of living; so did Switzerland (once the mere holiday home of the upper-middle class), Holland (a former economic satellite), and Belgium (a Foreign Office creation). Italy did just as well.

Only 123 years ago, Lord Palmerston, airily justifying the destruction by the Royal Navy of the Japanese port of Kagoshima, commented: "I am inclined to think that our Relations with Japan are going through the usual and unavoidable stages of the Intercourse of strong and Civilised nations with weaker and less civilised ones." As early as 1970, Japan was already the second largest industrial state in terms of real GNP, and was turning the British dominion of Australia into an appendage for her raw materials.

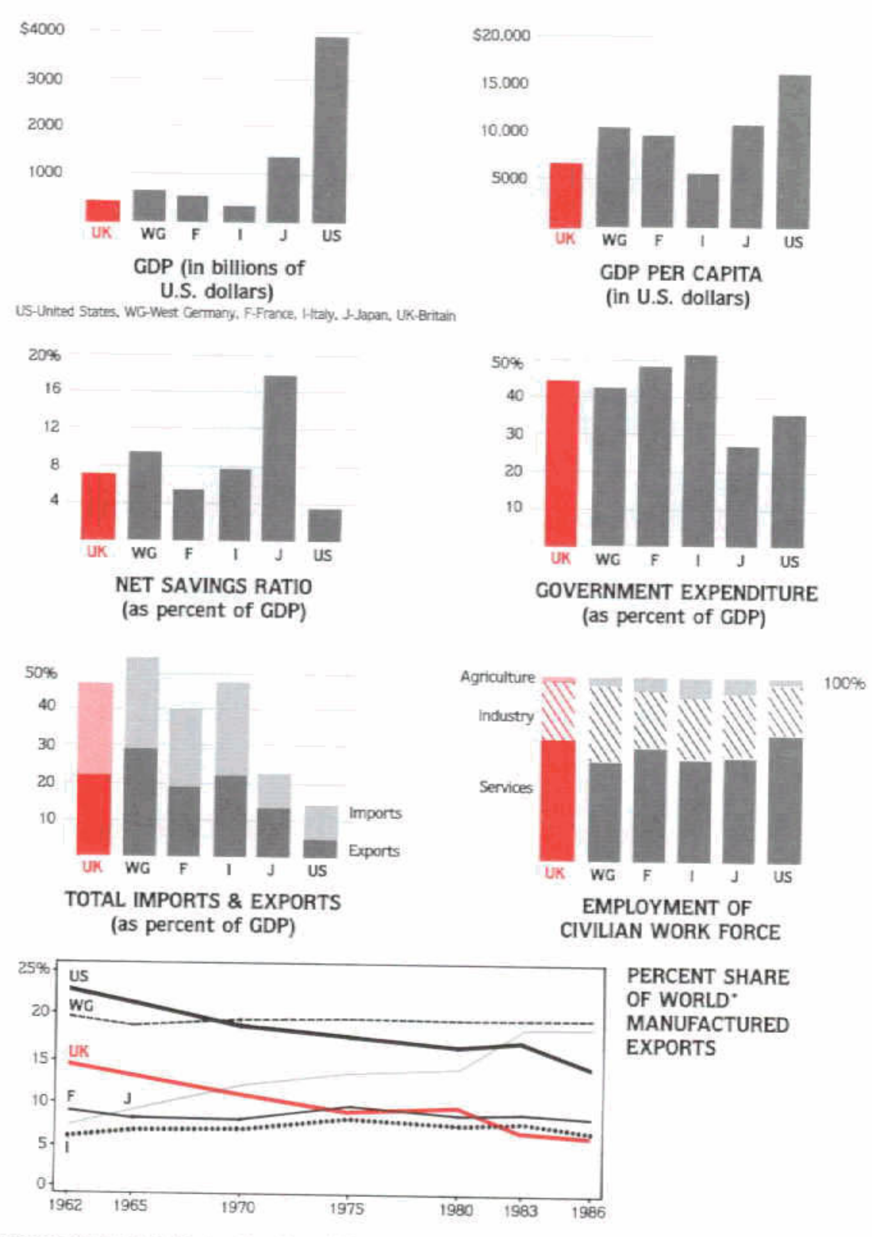
Why should the English have worried? Were they not, in the long view, better off than ever before in their history? The answer is irrelevant. To the highly competitive English, honestly acquired wealth is the reflection and reward of moral probity: "Virtue" said John Locke, is "much the best bargain." To admit failure in the race to affluence was to confess a collapse of national character.

The English have always strived for the paradox of motion within a framework of stability: The stability remains, the motion falters. Thomas Hobbes generalized from English attitudes to propound a Galilean theory of politics in ***Leviathan*** (1651): "I put for a generall inclination of all mankind, a perpetuall and restlesse desire of Power after power, that ceaseth onely in Death." Substitute "standard of living" for power, and we have an accurate observation both on the acquisitive world today and on the fear of the English for their place in it. Angry and bewildered, especially during the Sobering Seventies, the English suffered from an acute reinfection of the disease they had transmitted to the world.

The English have been—still are—one of the most active races in history, with an enormous capacity for good, and evil. On balance, they have performed useful services to humanity. As the 1970s ended, having lost their hubris and survived, they were poised for a fresh experience, "a nation not slow and dull, but of quick, ingenious and piercing spirit; acute to invent, subtile and sinewy to discourse, not beneath the reach of any point that human capacity can soar to."

The words are those of John Milton, the great English poet of renewal and recovery.

## HOW BRITAIN STACKS UP




*Represents 14 leading industrialized countries. Source: OECD, Department of Commerce—International Trade Administration. Statistics are for 1985.

# THATCHER'S HALF-REVOLUTION

*by Will Hutton*

"What have you changed?" someone asked Margaret Thatcher upon her election as Britain's prime minister in 1979. Her reply: "Everything."

Eight years later, both before and after her re-election this past June, she outlined what she had accomplished, or hoped to, with a series of catch phrases. "People's capitalism." A "lame-duck economy... [turned]... bulldog economy." "Every earner an owner." "An England free of socialism."

Pundits lumped it all together: The "Thatcher Revolution."

Revolution is not a term to be used casually in Britain. An upheaval there, even a shakeup, is a monumental undertaking. After all, Britain is very old. No other country its size has more venerable institutions. National departments, like the Treasury and the Lord Chancellor's office, that would be familiar to British citizens of 500 years ago. A parliament that has met for 700 years. A monarchy whose antecedents go back more than 1,000 years.

Britons take comfort in the very lineage of their institutions, as witnessed by the Royal Wedding of 1981. On the air, a British TV broadcaster noted that foreign newsmen often asked him how the nuptials of Prince Charles and Lady Diana, "so soon after [race] riots in Brixton and Toxteth, could be such an occasion of national celebration." The answer, he said, voice quavering, was that the royal couple (shown waving from a Buckingham Palace balcony) "represent our future."

But Britain's future looked bleak in 1979 as Mrs. Thatcher took office. Despite the best efforts of James Callaghan's departing three-year-old Labour government, Britain still lagged behind its Common Market partners. Over 1,000,000 (5.2 percent of the work force) were unemployed, economic growth was low, and inflation (10 percent) was rising. A basic reason for these ills was the collapse of consensus government, as practiced by Labour cabinets (and followed by most Tory regimes) since World War II. Ignoring pay curbs set by the Callaghan government, unions had pressed high wage claims—and employers, ignoring threats of official sanctions, complied. Meanwhile, London bankers flouted government controls on currency exchange and on lending.

Anxiety that 30 years of relative economic decline could continue compelled British voters—including an estimated one-third of Britain's 13 million union members—to turn to fresh leadership. It came in the person of a once obscure Tory named Margaret Hilda Thatcher, a grocer's daughter from the Lincolnshire town of Grantham. (It was less often recalled that she had attended Oxford, and was married to the wealthy heir to a paint-making firm.)

Why Mrs. Thatcher? She had vaulted herself from obscurity by leading a party putsch against Edward Heath, the last Tory prime minister (1970–74). What seemed obvious to Mrs. Thatcher when she became party leader in 1975, and to the voters in 1979, was that more of the same as an answer to Britain's difficulties was intolerable. Labour had been in power for 11 of the previous 15 years, and its economic tools—government intervention (e.g., wage and price controls) and Keynesian deficit spending—seemed less and less effective.

## Like Hitler's Bombs

That failure was due partly to another old British tradition: institutional autonomy. At least since the Middle Ages, the basic building blocks of British organized society—guilds, banks, employers, universities—have cherished their independence. They do not easily concede the government's right to interfere in their affairs, be they unions whose wage demands are to be curbed, businessmen whose prices are to be fixed, or banks whose lending policies are to be controlled. The government-union-bank-industry consensus that operates to varying degrees in West Germany, Scandinavia, France, and Austria, although cited by Labour politicians as a model for successful intervention, did not seem applicable to Britain, where institutional autonomy is a principle that the state not only respects, but around which it is organized; departures from the principle are uneasy and discordant.

When Mrs. Thatcher moved into No. 10 Downing Street in May 1979, she signaled her understanding of the prevailing climate. "Where there is discord," she said, quoting St. Francis of Assisi, "may we bring harmony." But her aim was not to harmonize different interests; it was to make them harmonize with her own. Her plan was to force on the unions, the corporations, and the financial institutions the autonomy they claimed to cherish. Let them stand on their own feet, she said. No more subsidies and legal protection, in return for bargains that only government seemed to keep. Sound money, free markets, and a strong but aloof state—the old pillars of industry and empire—would prevail again.

The Thatcher plan was both radical and conservative. It aimed at preserving the satrapies of society—from the financial houses of London's City area, to the large multinational firms and the landed estates—

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*The failure of a long strike called by miners' union boss Arthur Scargill, here at a 1985 London rally, showed labor's fading power. In 1979, roughly 30 percent of the electorate were union members; now only 22 percent are.*

by forcing drastic changes on their proprietors. Henceforth, they would have to earn their keep. In doing so, they would restore themselves and the economy to health.

As a conservative, Mrs. Thatcher would direct her energies mainly toward the unions and their allies, including the Labour Party and its Fabians. The party's consensual, interventionist, and protective attitudes represented all that she deplored; the state as nanny. Even some Tories, dubbed "wets" by Thatcherites, were infected.

But in May 1979, all this was only dimly apparent. The "Iron Maiden," as the London *Daily Mirror* dubbed her, knew her mission, but the means for accomplishing it were hazy. At the time, the ascendant economic doctrine was "monetarism." It had been gaining in interest among specialists since its guru, Chicago economist Milton Friedman, published *Capitalism and Freedom* in 1962. Monetarism emphasized simple fiscal virtues: limited borrowing, self-discipline, and, in general, "good house-keeping." Though dismissed by postwar economists of the so-called Keynesian borrow-and-spend school, these virtues appealed to Mrs. Thatcher. The government could leave economic management to the markets, said the monetarists. To tame inflation, the state need only set targets for the growth of the money supply, and prices would fall in line. The less government intervened in the economy, the less it would have to spend, and the less money it would have to print. The less money printed, the less the money supply would grow. This would roll back state outlays, make businesses stand on their own, and reduce inflation all at once.

With her first budget, the self-described "conviction politician" signaled a decisive break with the past. There would be reductions in taxes,* as well as in government borrowing and spending; interest rates would rise to levels necessary to bring down inflation. The results were disastrous. Over the next two and a half years, thousands of firms closed, industrial production fell by nine percent, and 1,500,000 *more* people were thrown out of work. Mrs. Thatcher, said Labour critics, had caused more economic damage than Hitler's bombs.

The prime minister had bad luck. Just when she determined to raise interest rates, Britain became a net exporter of North Sea oil—whose value, thanks to the OPEC producers' price increases of 1979, had suddenly doubled. Foreign investors rushed to buy the once-scorned British pound, now a petro-currency, quickly raising its value. Result: goods imported into Britain became cheaper and easier to buy, and British exports became harder to sell. British manufacturers were on the rack. If such troubles came with North Sea oil, said one industrialist, "why not leave the bloody stuff in the ground?" The head of the Confederation of British Industries promised a "bare-knuckle fight" over the government's laissez-faire policies.

### Uncrowning Keynes

But the Iron Maiden held firm. Said she: This "lady is not for turning." Her ministers insisted that the markets must be free to act. No relief was coming in the form of further government spending or borrowing, or an engineered fall in exchange rates. Those were the remedies of yesteryear.

Not surprisingly, Mrs. Thatcher's ratings in the polls plunged.

But now came some good luck for Thatcher: a struggle within the Labour Party. Arguing that the party's consensus strategy had led only to a Conservative victory, Labour's radical wing demanded a commitment to fundamental leftward change—in defense policy, in the institutions of "capitalism," and much else. Other Labourites, wary of the electorate's fundamental conservatism, wanted the party to stay in the mainstream. Yet this required union cooperation that would not be forthcoming: In the past, wage curbs had not revived the economy, only eroded workers' pay. At a 1981 conference, Labour's constitution was amended to reflect the radicals' views. Soon after, moderates led by

*Thatcher's tax cuts lowered the top rate on personal income from 83 to 60 percent. Beginning during the 1960s, spurred by high tax rates and sporadic government controls on salaries, British employers had offered white-collar staffers myriad untaxed fringe benefits, such as low-cost mortgages, college scholarships for their children, and country house weekends. The most common perk: a car. Even in 1981, nearly two-thirds of the autos on British roads were company-owned.

former foreign secretary David Owen broke away to form the Social Democratic Party (SDP).

That year, 1981, was the nadir of Mrs. Thatcher's fortune. Before the Royal Wedding in July, tensions between white Britons and the Asians and West Indians (who now account for four percent of the population) erupted in Britain's first real urban race riots. The recession pushed unemployment close to 3,000,000, yet the inflation rate stayed in double figures. But the budget that year not only continued "good-housekeeping"; it reduced government borrowing and raised taxes, in flagrant disregard of Keynesian anti-recession doctrine. The Tories soon fell behind both Labour and the rising SDP in the polls. As Tory losses in by-elections mounted, the betting in Westminster and the media was that Mrs. Thatcher would not long survive as Prime Minister.

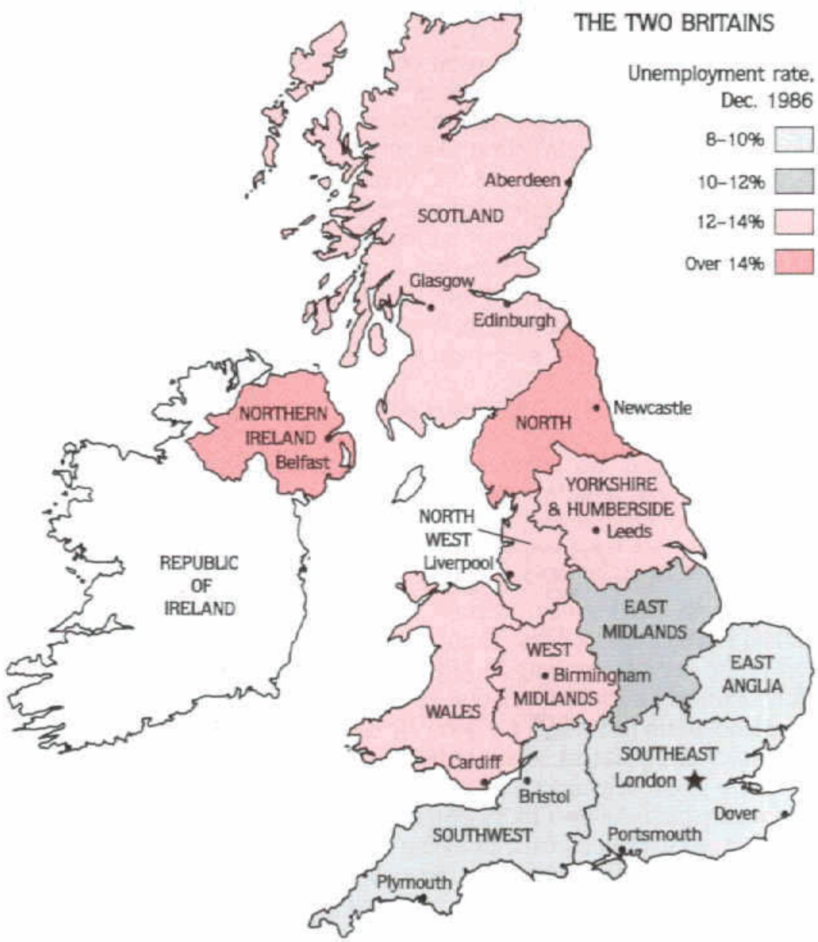
## Galtieri's Gift

But again the lady stood strong. She slashed subsidies to industry and housing, and reduced spending on roads, hospitals, and schools, though less sharply. Yet while government borrowing declined as a share of national income, personal taxes rose as overall government spending continued to increase, due to welfare costs (swollen by unemployment) and a defense build-up. In contrast to Ronald Reagan, her ideological kinsman in Washington, Mrs. Thatcher bluntly told the voters that "taxation is the only moral way to pay for higher spending." The money supply, interest rates, and inflation all stayed high.

Monetarism had failed. Sir John Hoskyns, head of the prime minister's Policy Unit, has since conceded that both exchange and interest rates were grievously mismanaged. "The Government," he says, "didn't really understand the operations of monetary policy." Yet Mrs. Thatcher never lost sight of her goals, including the dismantling of "labourism." The unions' legal power had to be reduced, along with their base in large manufacturing firms, the public sector, local government, and their supporters in intellectual circles. Although monetarism had gone astray, Mrs. Thatcher judged correctly that the bankruptcy of the alternatives had given her wide latitude for error.

Union leaders thundered about "days of action," and called national one-day strikes. But they were poorly supported: The social security system proved an effective, if expensive, safety net for the unemployed, and (as during the 1930s) those who had jobs were too grateful to strike on behalf of others. Indeed, among lower-class youths a new culture grew up around welfare. Angry over their dim career prospects, and earning just enough on the dole* to exploit Britain's tolerance of eccen-

*A jobless 17-year-old living at home gets $26 a week, which continues after six months, unlike unemployment benefits in most U.S. states. For adults on the dole, payments start at $43 a week, plus another $26 if married, and a rent allowance of perhaps $21 to $28. After 12 months, a jobless couple receives $86 a week, or nearly $4,500 a year, in a nation where average household income is £10,263 ($16,596 today).




tricity, they adopted "Mohawk" haircuts and androgynous dress to express individuality, separateness, and indifference to politics—an apoliticism that helped Mrs. Thatcher by denying her opponents a potential wellspring of support. And while some intellectuals complained about Tory callousness, their concern was not echoed by many voters.

With the opposition divided, Mrs. Thatcher needed only a modest success in order to launch a comeback. Her chance came during the spring of 1982, when the Argentine junta's leader, General Leopoldo Galtieri, ordered the seizure of the Falkland Islands (which Argentina claims as the Malvinas Islands). Meeting on a Saturday, the House of Commons called for retribution. As *Hermes*, *Invincible*, *Fearless*, and other Royal Navy ships sailed south toward Argentina, the old Establishment, from Foreign Office mandarins to Labour's Fabians, talked anxiously of a negotiated settlement. Thatcher, faithful to a more ancient English sentiment, vowed to save the 1,800 islanders from "the iron heel of the invader." She would consider no deal without the invaders' prior withdrawal, a demand to which Galtieri refused to accede.

Britain's shoestring victory in the 10-week war brought a sudden, lasting revival of Mrs. Thatcher's popular support; her conduct and her rhetoric revealed the genuineness of her ambition to restore British national pride. While the Fabians and "wets" puzzled over the reasons why poverty, unemployment, and industrial decay did not destroy her popularity, she went on to win a resounding 144-seat majority in the 1983 election. Not only was the opposition vote divided, but Labour, in calling for unilateral nuclear disarmament, badly misjudged the strength of Britain's much-publicized antinuclear movement. Britons may not like relying on nuclear weapons or the United States for defense, but a people bloodied by many wars does not lightly drop its guard.

### Rolling Back

Mrs. Thatcher's second term found her in combat at home. Laws passed by the Tory majority in Parliament in 1980 and 1982 permitted strikers to picket only their own places of work, and made union funds liable to sequestration; a further act in the new Parliament required a secret ballot before strike action. An aggressive union leader's ability to force a strike and to close down a whole industry was thus weakened. The most aggressive leader was Arthur Scargill, Marxist president of the National Union of Mineworkers. That was the union that, in two decisive strikes during the early 1970s, had challenged the government pay policy, ultimately bringing down Edward Heath's Tory regime. Scargill aimed to do the same to Thatcher. His opportunity came with the government's policy of phasing out subsidies to the coal industry.

Scargill's plan had two fatal flaws. First, he began the strike during the spring of 1984, months before winter would draw down coal stocks. Second, he called the strike without a prior vote by the 180,000 miners, thus dividing his membership, whose total support he needed. The strike, Britain's longest and most bitter since the 1920s, collapsed after 12 months. At a stroke, Scargill's defeat ended a century of ever increasing union strength. Suddenly, union leaders became much more cautious about striking without a ballot, and managers became more confident that they could change wasteful work practices without union retaliation. An early beneficiary was Rupert Murdoch, the owner of Times Newspapers, who was able to break the hegemony of the Fleet Street printers and introduce new, cost-saving technology.

Now Mrs. Thatcher was getting lucky. While the money supply continued to rise, a decline in the world prices of oil and other commodities caused inflation to tumble. The pound, losing its costly petro-dollar luster, became less overvalued. And although the government was borrowing less, a boom in credit allowed British consumers to spend more. The economy began to pick up steam.

Again Mrs. Thatcher received unexpected help. While she had long fumed at the bankers' zeal to supply credit to consumers, the deregulation of the financial markets in the United States had to be emulated in Britain if the City was to maintain its preeminence. Exchange controls, interest rate controls, and direction of lending were all scrapped, while banks were allowed to borrow abroad to keep the consumer spending spree going. In the troubled days of 1979–82, such borrowing would have seemed reckless; now it was tolerated as essential in the absence of *government* stimulus.

Mrs. Thatcher was now rolling back the state in earnest. British Telecom (1984), British Gas (1986), and British Airways (1987)—three huge nationalized industries—were all sold to private sector shareholders. By last June, "privatization" had come to 14 large corporations and many other companies. All told, these firms—about one-third of the nationalized business sector—employed 600,000 workers and accounted for about five percent of the national output. This jolt to old thinking spurred little effective opposition, even from Labour, which now sought only "social control" of two utilities, British Gas and British Telecom.

### The $18 Billion Boon

Indeed, "privatization" accounted for much of the Tories' strength against Neil Kinnock's Labourites on June 11. Although 29 percent of Britain's housing remains government-owned, the sale during the Thatcher years of some 1,000,000 council (public) units to their occupants helped to make two-thirds of British householders owner-occupiers, with middle-class views. Meanwhile, industrial privatization tripled the breadth of stock ownership to nearly 20 percent of adult Britons.

After eight years, the Thatcher balance sheet shows clear pluses and minuses. While leaving alone the sacrosanct Welfare State (pensions, health benefits, unemployment compensation, etc.), she has managed to reduce Britain's annual budget deficit from a peak of six percent of gross domestic product (GDP) in 1981 to 2.5 percent today. That compares very favorably with the U.S. deficit, which, measured against gross national product (GNP), now stands at five percent. But here, too, Thatcher was lucky. What made her budget-paring possible was largely the Treasury receipts from the sale of state-owned companies (more than $20 billion so far), and revenues from North Sea oil; they grew from zero in 1979 to $18 billion in 1986, when they accounted for some 10 percent of all government revenue. Neither of those windfalls can continue forever. North Sea oil will flow for at least another 10 years, but production peaked in 1986, and with the fall in petroleum prices the government's oil income has already been halved.

## BUSINESS AND 'THE BRIDESHEAD SYNDROME'

In 1974, when an economic slump sank many London speculators, Lord Poole, head of Lazard Brothers bank, was asked how he had avoided the fallen. "Quite simple," he said. "I only lent money to people who had been at Eton."

To a large degree, Britain's economic fortunes are guided by a caste of Old Boys from a few schools: Eton, Winchester, Harrow, and six other "public" boarding schools (all founded between 1382 and 1611), and/or Oxford (1249) and Cambridge (1284). In recent years, observes Anthony Sampson in *The Changing Anatomy of Britain* (1984), "Oxbridge" graduates held 16 of 18 Bank of England directorships and 14 of 18 senior civil service posts.

These schools' graduates, notes Sampson, tend to climb "existing trees rather than plant new ones." What Sampson calls "the Brideshead syndrome" is less visible among business movers and shakers. Many are outsiders. Italian-born Charles Forte created Trust House Forte hotels; *The Times* and the *Sunday Times* are owned by Australian Rupert Murdoch, now a U.S. citizen. Britain's takeover kings include Czech-born Robert Maxwell, Indian-born Roland "Tiny" Rowland, and Sir James Goldsmith, who is half French. Whitehall chose Michael Edwardes (raised in South Africa) to head British Leyland; Richard Giordano, an American son of Italian immigrants, to run British Oxygen; and Ian McGregor, a Scottish-born U.S. banker, to save British Steel.

Several British schools offer M.B.A. programs, but their graduates have not reached top management to the extent of American M.B.A. holders, who constitute 17 percent of the *Forbes* 800 heads of big public companies.

Many U.S. universities vie with the Ivy League for top students. If France's best and brightest come from a few *grandes écoles*, they get to them on academic merit. In contrast, admittance to Britain's educational fast track is limited *and* arbitrary. There is room for only six percent of young Britons at the old public schools. And despite expansion in higher education, the Oxbridge colleges (enrollment: 24,000) remain the prime paths to power.

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In 1944, a study group urged that tuition-charging public schools allocate places for youths from state primary schools. Already in existence were "grammar schools," free state- or locally-financed high schools for smart students (among the graduates: Margaret Thatcher and Harold Wilson). But during the 1950s, egalitarian local authorities fostered free "comprehensives," schools combining academic *and* vocational training. Parents continued to favor grammar schools, so in 1976 the government forced these schools to become comprehensives *or* to charge fees.

The beneficiaries of this perverse policy were the once-strapped public schools. They gained applicants, and with them, the ability to admit only the best students. Thus the Old Boy ranks have opened a bit: Once, most public school students were children of graduates; now, most represent new blood. But the Brideshead syndrome is far from eradicated, and meanwhile, notes Sampson, "the ladders by which poorer children had climbed to success [the grammar schools] had been kicked away."

Yet by many measures, the economy has recovered smartly. Since early 1981, Britain's annual growth rate has been three percent, second among industrial nations only to Japan. Since 1979, output per worker has risen at an average yearly rate of 3.5 percent, far above the 1970s' miserable .75 percent. Industries that are mass employers—steel, autos, coal, printing—now boast productivity rates that are among the highest in Western Europe. Productivity growth has led to a rise in disposable income (for those with jobs) of 15 percent annually since 1979.*

### 'Gissus a Job'

The recovery has been patchy. Manufacturing production, for example, is only at its 1979 level, and manufacturing investment is still 20 percent below its peak rate. As monetarism withered as a sustainable doctrine, the government was left with not so much a policy, but a set of prejudices. Sometimes they work; sometimes they do not. Mrs. Thatcher scorns "industrial policy" as socialist. Her regime has reduced government support for research to the point where in Britain, alone among advanced industrialized countries, real spending on civilian research and development is falling. As the state has ceased to support various industries, private sources of financing have conspicuously failed to fill the gap. British financiers have remained, as always, preoccupied with short-term loans, "asset-backed" lending (e.g., mortgages), and the buying and selling of stocks. The lenders being asked to "stand on their own two feet" and respond to market forces have simply reinforced the old aversion of London investors to industrial risk.

Notwithstanding such showcases as Scotland's "Silicon Glen," where firms between Glasgow and Edinburgh employing some 40,000 workers have built Europe's largest microchip-making center, industries dependent on high technology have suffered from lack of capital and a surfeit of laissez-faire philosophy. In office equipment, computers, and consumer electronics, world market forces have forced a British surrender to U.S. and Japanese rivals (whose multinational firms own most of the Silicon Glen companies). More broadly, while many businesses have shrunken or disappeared, Britain cannot yet boast any firms that have developed into world beaters under Mrs. Thatcher's tutelage.

Indeed, much productivity growth has come by shrinking work forces around old products at old production levels, or from savings from cutbacks in new investment and research. The businesses that have grown are those that benefit from cheap labor and weak unions, and do not rely on product innovation (or can acquire it elsewhere): textile firms, fast-food chains, the local plants of foreign multinationals. Britain's

*Other indices of spreading affluence: In 10 years, one study shows, car ownership has expanded from 55 percent to 62 percent of all households (the U.S. figure: 86 percent), refrigerators from 81 percent to 95 percent, freezers from 13 percent to 35 percent. In 1986, 16 million Britons traveled abroad, compared to only six million a decade ago.

*Iron Lady: Mrs. Thatcher at a Conservative Party conference at Brighton in October 1984, hours after she narrowly escaped injury from the blast of a bomb planted in her hotel by Irish Republican Army terrorists.*

1986 manufacturing trade deficit was $18.2 billion, as bad relatively, as the U.S. deficit—not a signal of greatly increased competitiveness.

And as companies have laid off workers, the number of unemployed has grown. And grown. Britain's unemployment rate, although falling, is high—10.7 percent during 1987's first quarter—and the jobless are concentrated in the old manufacturing areas—Scotland, Wales, the North of England, and the Midlands.* (Perhaps the best recent series on British TV has been *The Boys from the Black Stuff*, which dealt with the angst and antics of unemployed youths in Liverpool; the "Gissus a job" plea of one character, "Yosser" Hughes, has entered the vernacular of Britain.) Poverty is widespread. Of Britain's 55 million people, 12 million have living standards below the Council of Europe's minimum. One in six children is not properly fed or clothed. Seven of the 12 poorest regions in the 12-nation Common Market are in Britain; of the Common Market's poorest 15 cities, 10 are British.

But after the minuses, another plus. The woolly Fabianism of the 1960s and 1970s is in total disarray. Behind the old talk of consensus and gradualism lay the politicians' tendency to romanticize the working classes (e.g., the ritual exaltation of "the labour movement" by Labour

*Other countries' unemployment rates for the first quarter: France, 11.2 percent; West Germany, 7.4; United States, 6.7; Italy, 6.7; Japan, 2.9.

leaders) and their institutions—a tendency that the workers knew as cant, but that union chiefs exploited in their strikes and opposition to change. In its place, judging by opinion polls, is a widespread mood among blue- and white-collar Britons of "realism;" a hard-headed appreciation that nobody owes anybody a living. Indeed, after Mrs. Thatcher's third election victory, Labour politicians conceded that, as their campaign coordinator Bryan Gould said, Labour was trapped "in a very conservative or reactionary position."

Yet with the long-overdue elevation of private initiative has come a debasing of the old notion of the "commonweal," the broad public interest that should be declared and served. Discontent that had been simmering for years was poured into the "Westland crisis," which broke early in 1986. At issue was the future of Westland, Britain's only helicopter manufacturer, which was failing. The solution of Mrs. Thatcher's privatizers was to sell the firm to United Technologies, the U.S. conglomerate; the public solution was to fold the firm into a European consortium. Tory supporters of the U.S. option were the advocates of free markets, shareholders' rights, and the minimal state; supporters of the European option tended to be, among other things, proponents of the interventionist state. It was a battle Mrs. Thatcher could not afford to lose, as London and Whitehall understood, and anonymous buyers of Westland stock ensured that the shareholders' vote favored the sale to United Technologies. And they won. But the matter was not resolved until a major uproar produced two ministerial resignations and a charge of Thatcher's involvement in official duplicity.

Westland illustrated the passions arousable in present-day Britain. Mrs. Thatcher found Britain's glass half empty; she has emptied it, and it is now half-full. That her economic shake-up should touch so many and yet, to date, leave so much to be accomplished suggests that actually filling the glass will require more than calls to Britons to stand on their feet and balance the books. It may require a new ideology, a better sense of public purpose, and institutions that embody both.

But if the weaknesses besetting Britain—industrial, educational, social—have not disappeared with Mrs. Thatcher, they did not begin with her. Indeed, they go back to the Golden Age, the mid-19th century, when Britons began to believe that, as Queen Victoria said, they could do "anything," a belief that permitted institutions to ossify. Mrs. Thatcher has laid the groundwork for change in key respects. If she is reaching the limits of self-renewal through market forces, that strategy has yielded considerable and irreversible advances. Despite grave and lingering difficulties, Britain is stronger than it was in 1979. Mrs. Thatcher took the first painful, necessary steps in the British renaissance.

# BACKGROUND BOOKS

## BRITAIN

"Few ideas are correct ones, and what are correct no one can ascertain; but with words we govern men."

So said Benjamin Disraeli, as Gertrude Himmelfarb notes in **Victorian Minds** (Knopf, 1968), a collection of her essays on British men of ideas. British historians also valued word power. Their island nation had seen much change under many leaders, now including 75 monarchs, beginning with Ethelbert of Kent (560–616), and 72 prime ministers, starting with Robert Walpole (1721–42). Perhaps that is why the country's classic historians sought not so much to chronicle events as to influence them.

In dedicating his *Ecclesiastical History of the English People* (731–32), the "Venerable Bede," Anglo-Saxon England's great eighth-century scholar-monk, pointedly praised the King of Northumbria's "great regard" for his subjects' "general welfare." Sir Walter Raleigh's **The History of the World** (1614; Folcroft, 1978) was an admonition to the fractious Britons of James I's day. Both Thomas Babington Macaulay, in his **History of England**, 5 vols. (1849–61; AMS Press, 1975), and his grand-nephew George M. Trevelyan, in his **History of England** (Longman, 1926; Doubleday, 1974) exalted Victorian ideas of British primacy.

To Trevelyan, Britain's tale was simple. "In early times, the relation of Britain to the sea was passive and receptive; in modern times, active and acquisitive. In both [Britain's island status] is the key to her story."

The modern bibliography is lengthy. **The Oxford History of England** runs to 15 volumes, ending with A. J. P. Taylor's **English History, 1914–1945** (Oxford, 1985). Surveys include Harold J. Schultz's primer **History of England** (Harper, 1980), John Burke's **An Illustrated History of England** (Salem, 1986), and **The Oxford Illustrated History of Britain** (Oxford, 1986), edited by Kenneth O. Morgan.

Like other scholars, Morgan argues with the "seamless, peaceful continuity" that Trevelyan saw. In fact, he notes, Britain's story is "complex, sometimes violent or revolutionary."

In **The History of England** (Routledge & Kegan Paul, 1985), Jasper Ridley observes that while Britain's hilly, cool northwest (including Scotland and Wales) was long "virtually isolated from all of Europe except Scandinavia," the flat, warm—and more prosperous—south was always "politically and culturally a part of Europe."

Some early immigrants arrived from Iberia to farm in what is now Cornwall and Devon (many of whose inhabitants are small and dark-haired). The sun-worshipping European warriors who built Stonehenge brought the Bronze Age to the island. With the Celtic speaking tribesmen from western Germany and France came the Iron Age. Settling in the southeast, the Gallic Celts forced native kinsmen to the Welsh mountains and northern moors, "Celtic fringe" lands that would traditionally resist intrusion.

Foreign traders, notes Ridley, called the islanders "Pretani." The Romans, landing in 55 B.C. under Julius Caesar, "miswrote the name as 'Britanni' and called the country 'Britannia.'" They conquered only the southern part of the island, introducing urban life (London had some 15,000 residents) and, eventually, Christianity.

England got its name—and its largest ethnic group, as well as its language, shires, and political unity—from the Angles, Saxons, and Jutes, tribes of strong-willed farmers and seamen from Jutland and northern Germany. The warrior-scholar king, Alfred the Great, contained a ninth-century Danish invasion and built

England's first navy.

The last successful invaders were the Normans, whose victory at the Battle of Hastings (1066) brought William the Conqueror to the throne. During the reign of the Tudor Queen Elizabeth I (1558–1603), British mariners began the outward push that finally humbled the Dutch maritime empire, and opened markets for the products of Britain's pioneering Industrial Revolution.

Portrayals of that great surge, and its aftermath, include Eric J. Hobsbawm's **Industry and Empire: An Economic History of Britain Since 1750** (Penguin, 1970), David S. Landes's **The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to the Present** (Cambridge, 1969), and François Crouzet's **The Victorian Economy** (Columbia, 1982). Peter Mathias's **The First Industrial Nation: An Economic History of Britain, 1700–1914** (Methuen, 1986), is good on anecdotal detail (e.g., the term "Industrial Revolution" was coined in France), and on such matters as the debate over establishing colonies (opposed by Richard Cobden on free-trade grounds, and by Tom Paine, John Bright, and others for moral reasons).

Britain's economic frailty became undeniable after World War II. It led to much "Whither England" publishing. In **Suicide of a Nation?** (Macmillan, 1964), Arthur Koestler opined that the Briton was a lion-and-ostrich hybrid. "In times of emergency he rises magnificently to the occasion." Otherwise, "he buries his head in the sand," reckoning "that Reality is a nasty word invented by foreigners."

In **The Future That Doesn't Work: Social Democracy's Failures in Britain** (Univ. Press of America, 1983), the American editor, R. Emmett Tyrrell, Jr., traced the difficulties in part to the fact that the British government "devours some 60 percent of the nation's Gross National Product."

In **Is Britain Dying?** (Cornell, 1979), editor Isaac Kramnick noted that the "sense that something is wrong" with Britain reflected not only economic ills, but other weaknesses as well: British troubles in resolving disputes between whites and blacks in Rhodesia (now Zimbabwe), between Greeks and Turks in Cyprus, and between Catholics and Protestants in Northern Ireland, where British troops were sent in 1972.

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**Britain: A Future that Works** (Houghton, 1978) argued that the nation was no "sick man." It was a "post-industrial" state, said author Bernard D. Nossiter, a U.S. journalist.

Nossiter argued that Britain's poor productivity—e.g., its auto plants built five cars per worker per year, versus seven in West Germany and France, 12 in Japan, and 15 in the United States—mirrored a growing national "preference for leisure over goods."

Further evidence: When industry was put on a three-day week for three months in 1974, because of a coal strike, factory output fell not by the expected 40 percent, but by only six percent. In this "remarkable demonstration that Britain's plants normally do three days work in five," Nossiter saw no support for the many hypotheses for low British productivity, such as memories of the 1930s Depression, class hostility, or high taxes. Britons have simply come to value an "easy work style" over "a more painful expenditure of energy that yields some extra income."

The debate continues. In **The Pride and the Fall: The Dream and Illusion of Britain as a Great Nation** (Free Press, 1987), Cambridge historian Correlli Barnett finds the nation not post-industrial but an "obsolete industrial society." The blame begins, he says, with "men of letters" (e.g., Prime Minister Clement Attlee) who ignored

Britain's economic weakness when they created the Welfare State.

Yale's Paul M. Kennedy, author of **The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000** (Random, forthcoming), reckons that some decline was inevitable. Nations have a "natural" size, he says. Britain, which once held "say, 25 percent of the world's wealth and power," really should have, by virtue of its population and other resources, three or four percent. The United States commanded some 40 percent of the world's wealth by 1945; Kennedy believes that "16 or 18 percent" would be about right.

Other perspectives on Britain include Christopher Hibbert's **The English: A Social History, 1066–1945** (Norton, 1987), which deals with manners and mores. Example: Swimming *au naturel*, once common, ended during the 1870s; Victorian women bathed in serge "with elbow-length sleeves and baggy bloomers concealed by thick, full skirts."

Arthur Marwick's **British Society Since 1945** (Penguin, 1983) examines such matters as reduced church-going, leisure activities (led by TV, of which the average Briton watches 20 hours a week in winter), and crime (rising, but still low: Britain had 653 killings and 2,090 reported rapes in 1985; the U.S. figures were roughly 19,000 and 87,000).

Also rewarding are biographies, notably Randolph S. Churchill and Martin Gilbert's three-volume **Life of Winston S. Churchill** (Houghton, 1966, 1967, 1971). Anthony Sampson's **The Changing Anatomy of Britain** (Vintage, 1984) remains a lucid portrait of who runs Britain and its institutions today.

Many writers deal with British nostalgia for lost grandeur. George Dangerfield's classic about pre–World War I clamor at home (suffragettes, labor unrest, etc.) and decay in the Empire, **The Strange Death of Liberal England** (Granada, 1984), evokes the persistent popular vision in which "glow, year into backward year, the diminishing vistas of that other England, the England where the Grantchester church clock stood at ten to three, where there was Beauty and Certainty and Quiet, and where nothing was real."

In **Tinker, Tailor, Soldier, Spy** (Bantam, 1980), novelist John le Carré writes of George Smiley, the care-worn British intelligence agent: "Connie's lament rang in his ears. 'Poor loves. Trained to Empire, trained to rule the waves... You're the last, George...' He saw with painful clarity an ambitious man born to the big canvas, brought up to rule, divide and conquer, whose visions and vanities all were fixed... upon the world's game; for whom the reality was a poor island with scarcely a voice that would carry across the water."

To others, what is gone is less important than what endures. The 19th century, writes Paul Johnson in **A History of the English People** (Harper, 1985), was, for the English, "the high water mark of their fortunes....

"English ideas, institutions, attitudes, tastes, pastimes, morals, clothes, laws, customs, their language and literature, units of measurement, systems of accountancy, company law, banking, insurance, credit and exchange, even—God help us!—their patterns of education and religion became identified with progress across the planet....

"For the first time, the infinite diversities of a hundred different races, of tens of thousands of regional societies, began to merge into standard forms: and the matrix was English." To a surprising degree, it still is.