

saying that these plans have been attempts to balance the competing demands on public funds by the several still nationalized industries. These plans have regularly been falsified by changing technology (in energy conservation, for example) as well as by the changing economic environment in which countries such as Britain operate. The miners' strike has been marked by frequent references to a document called *Plan for Coal*, agreed in mid-1974 between the government, the industry and the trades unions as a prospectus for at least the following decade. Like other attempts to plan for an unpredictable future, *Plan for Coal* now seems like an attempt to make water run uphill. The intention then was that coal production should be at least 135 million tonnes by now (1985), well in excess of the 120 million tons of coal from all sources that over-saturated the market in 1982-83. The government's difficulty is that the plan is considered by the miners as a kind of treaty, for that is how it was arrived at.

For the future, there is only one viable fuel policy for Britain, that people's use of alternative fuels should be decided in the marketplace. Much of the peculiarly British difficulty is that the marketplace is dominated by public monopolies, the coal industry itself but also its chief customers. While there is no reason to suspect that these industries neglect the quasi-commercial ground-rules laid down by the government, the rules are more like abstract approximations to commercial reality than commercial realities themselves. The rate of interest paid on capital costs, whether of nuclear power stations or new coal mines, are settled by the British Treasury, not by the cautious lenders inhabiting bond-markets elsewhere. Similarly, profit targets are notional, and are not determined by the hurly-burly of real bargaining between sellers and buyers. What the British government needs is a better set of approximations to commercial reality, for which reason regulation of the import or export of fuels should be abandoned. Allowing or even encouraging the production of both coal and electricity outside the frameworks of the nationalized industries would also help. Selling off the coal industry, or parts of it, to private industry would further help to engender economic realism, but might also be the trigger for another strike. □

Anglo-Americanisms

Mrs Margaret Thatcher seems unusually to have been holding her tongue last week in Washington.

MRS Margaret Thatcher's visit to Washington last week seems to have been as prone to misunderstanding as most other occasions when straight talk is compromised by politeness. Nobody except the two people concerned can know what the British prime minister said privately to President Reagan, but there are at least two respects in which her message to the US Congress differed from what her constituents would have had her say. Both on star wars, otherwise known as the Strategic Defense Initiative, and on the relationship between the European and the US economies, Mrs Thatcher pulled her punches. Here is what she should have said.

First, on star wars, Mrs Thatcher passed up a splendid opportunity for clarifying the British view and, to a lesser extent, that of other Western European governments on this important issue. The general belief that anything more sophisticated than terminal defence in the old-fashioned 1970s version will be impractical is as widely shared as in the United States. There is nevertheless support for the notion that those who believe a layered defence against ballistic missiles is attainable should be given the benefit of the doubt and allowed to put their money where their mouths are, but that there can be no serious attempt to test such a system, let alone deploy it, without the agreement of the Soviet Union, with which the United States signed the Anti-Ballistic Missile (ABM) Treaty in 1972. On her return from her previous trip to Washington in December, Mrs Thatcher gave people to understand that the last point had been established during her conversations with the president. Fair play, last week she referred again to the need that no system of defence against missiles could be installed without negotiation, but failed to win

the endorsement of this view that would have been expected. She might have forced the issue by making more of her understanding of what the US administration intends, making it plainer than she did that her support for star wars, like the acquiescence of a proportion, probably a minority, of her compatriots, is conditional on that. For a woman who prides herself on plain talking, this is an awkward ambiguity to have left around.

The issue is far from being academic. The ABM treaty is based on the assumption that strategic stability requires that each superpower should continue to be hostage to the other's nuclear forces (and on the subsidiary assumption that building effective defences would be ruinously expensive). This is why the treaty allowed only the deployment of anti-ballistic missiles around each seat of government and one field of land-based rocket launchers. While it may be argued (and is in Washington) that, in the past decade, strategic missiles have been made more accurate and thus capable of tempting one side or the other into a pre-emptive strike against the other's retaliatory force, neither superpower can unilaterally change the rules of the strategic relationship without discomfiting the other. All this, no doubt, will be made clear on 12 March, when the United States and the Soviet Union are due to open strategic talks at Geneva. To pretend that the development of star wars is entirely unconstrained by past commitments is disingenuous, and can only lead to trouble, perhaps even the collapse of this new round of talks. Mrs Thatcher should have used the opportunity to make this crystal-clear.

She might also have talked more openly about the problems of the European economies or, as the Europeans see it, about the problems of the US economy and the US administration's management thereof. The dramatic strength of the dollar in the past year is a surprise, but otherwise merely a proof that people outside the United States are more attracted by the health of the domestic US economy than they are offended by the size of the US external trade deficit. Trading partners of the United States could and should live with this imbalance, which has allowed them to increase exports (to the United States) and, in the process, to see their industries become more competitive. What hurts is not the strength of the dollar but the generally high interest rates which are a consequence of the huge federal deficit. Europeans and others, by lending to the United States, are accumulating substantial stakes in the future of US enterprise, while US taxpayers will be helping to pay European pensions for many years to come, but the high cost of capital is a serious drag on the pace of European growth. That is one complaint.

Two other worries deserved a hearing at last week's talks, of which the most immediate is that the United States cannot, in this delicately unbalanced relationship with the rest of the world, seriously think of changing the rules of international trade. To its credit, the administration has been urging in the past few weeks that there should be another round of talks under the general rubric of the General Agreement on Tariffs and Trade, but the world knows that Congress is awash with special pleading on behalf of sections of US industry suffering from the competition of foreign goods cheapened by the dollar's strength. Where better to have uttered a warning on this subject than at a joint meeting of both houses of the US Congress?

The more distant but potentially more serious worry is that the present imbalance between the United States and Europe may one day be unwound catastrophically, by a sudden collapse of confidence in the value of dollar investments. While for the time being there is hardly a cloud on the horizon, it has quickly been forgotten that there have been several occasions in the past few years when there has been general alarm about the stability of important financial institutions in the United States. Continental Illinois, the Chicago bank, collapsed last year because of its domestic lending policy, and could have been the first in a line of dominoes. But the point at which Europeans and others stop lending to the United States will almost certainly be determined by an event quite different and, for the time being unexpected. That is when the turnaround will come, to everybody's discomfiture. Mrs Thatcher should have made that point as well. □