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USA

U.S. PRESS COVERAGE OF BRITISH ECONOMY

1. AMERICAN COVERAGE OF THE U.K. REMAINS GENERALLY POSITIVE AND THE PRIME MINISTER'S STANDING IN PARTICULAR REMAINS HIGH. BUT A NOTE OF GLOOM HAS BEGUN TO CREEP INTO REPORTING FROM LONDON ON THE BRITISH ECONOMY, ESPECIALLY IN THE MORE SOPHISTICATED EAST COAST PRESS. HEADLINES ARE MORE SOMBRE THAN AT ANY TIME SINCE THE LAST GENERAL ELECTION - EG THATCHER'S CONSERVATIVE POLICIES FAIL TO REVIVE ECONOMY (WASHINGTON POST), ECONOMIC WOES FUEL DISSENT ACROSS BRITAIN ON THATCHER'S POLICIES (WASHINGTON POST), MAGGIE'S MONEY MUDDLE (NEWSWEEK), QUEEN'S SPEECH SETS STERN COURSE FOR BRITISH (NEW YORK TIMES), THE BRITISH EXPERIMENT SHOWS HOW NOT TO DO IT (BUSINESSWEEK).

2. ARTICLES ARE FOCUSING PARTICULARLY ON THE RESULTS SO FAR OF THOSE ECONOMIC POLICIES SEEN TO RESEMBLE REAGAN'S CAMPAIGN PLEDGES. DOWNIE (WASHINGTON POST) WROTE THAT MRS THATCHER WON A MANDATE TO MAKE DRASTIC CHANGES STRIKINGLY SIMILAR TO THOSE PROMISED BY REAGAN, BUT THE THATCHER GOVERNMENT HAD 'CONSPICUOUSLY FAILED SO FAR' TO MAKE THOSE POLICIES WORK, WHILE REMAINING COMMITTED TO THE ECONOMIC STRATEGY, THE GOVERNMENT WAS BEING FORCED BY GLOOMY REALITIES TO CHANGE COURSE AND ABANDON SOME OF ITS MONETARIST THEORY. NO FURTHER INCOME TAX CUTS WERE EXPECTED SOON, AND SOME INCREASES MIGHT BE NECESSARY. EVEN AFTER DEEP SPENDING CUTS ON DOMESTIC PROGRAMMES, THE GOVERNMENT HAD BEEN UNABLE TO REDUCE OVERALL SPENDING BY EVEN HALF AS MUCH AS PLANNED. THE MONEY SUPPLY HAD 'BALLOONED OUT OF CONTROL'. INFLATION HAD FALLEN, BUT MANY ANALYSTS BELIEVED THIS WAS DUE TO THE RECESSION. MOST IMPORTANT, PRIVATE INDUSTRY HAD SO FAR SUFFERED DISPROPORTIONATELY INSTEAD OF THE PUBLIC SECTOR AS ORIGINALLY INTENDED.

3. BUSINESSWEEK WROTE THAT MRS THATCHER'S PROGRAMME READ 'UNCANNILY' LIKE REAGAN'S, AND THAT THE 'THATCHER EXPERIMENT' HAD BEEN CLOSELY WATCHED BY REAGAN'S ADVISORS, BUT 'SO POOR ARE THE RESULTS THAT THE MAJOR LESSONS ARE WHAT NOT TO DO'. NEWSWEEK DESCRIBED THE ECONOMIC SHOCKS OF THE FIRST EIGHTEEN MONTHS AS SEISMIC. A SAVAGE RECESSION WAS PROMPTING RISING PRESSURE FROM

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BUSINESS TO CHANGE COURSE. EVEN BY ITS OWN MONETARIST LIGHTS, THE THATCHER EXPERIMENT WAS WORKING UNEVENLY. NEWSWEEK CRITICISMS WERE TEMPERED, HOWEVER, BY REPORTS OF CONTINUING STRONG SUPPORT FOR THE GOVERNMENT'S TOUGHNESS IN STICKING TO A BOLD ECONOMIC STRATEGY. AMERICAN EXECUTIVES WERE QUOTED AS SAYING THAT THE BRITISH ECONOMY REQUIRED A MAJOR WATERSHED, AND 'THE ONLY WATERSHED WE ARE LIKELY TO HAVE IS THE ONE MAGGIE THATCHER IS GIVING US NOW'.

4. CALLS AT THE CBI CONFERENCE FOR CHANGES IN ECONOMIC TACTICS HAVE BEEN HIGHLIGHTED, WITH PROMINENCE GIVEN TO EDWARDES' ADMONITION 'WE WELCOME A BRACING CLIMATE, BUT DON'T LET US BLOODY WELL FREEZE TO DEATH'. THIS WAS SEEN AS A WARNING SHOT ACROSS THE GOVERNMENT'S BOWS, AS WAS THE LEAK OF THE TREASURY'S DEMANDS FOR DEFENCE SPENDING CUTS. THESE AND OTHER GLOOMY REPORTS IN THE BRITISH PRESS HAVE BEEN PICKED UP AND WOVEN INTO PESSIMISTIC REPORTING OF THE QUEEN'S SPEECH. BOTH THE NEW YORK TIMES AND WASHINGTON POST OPENED THEIR REPORTS BY HIGHLIGHTING THE CONTRAST BETWEEN THE RICH PAGEANTRY OF THE OCCASION AND 'THE GRIM MOOD OF A NATION SLIDING DEEPER INTO RECESSION'.

5. A WALL STREET JOURNAL EDITORIAL SAID THAT MRS THATCHER WAS GRIMLY FACING A RECESSION, HOPING IT WOULD BLEED BRITISH INDUSTRY OF INEFFICIENCY AND SET THE STAGE FOR RECOVERY. BUT NEITHER THE PUBLIC SECTOR NOR THE MONEY SUPPLY WERE UNDER CONTROL. SO FAR MRS THATCHER HAD BEEN 'TOTALLY DEFLECTED' FROM HER STATED AND DEEPLY HELD OBJECTIVES - FOR ALL HER ADVANTAGES THE SYSTEM REFUSED TO BUDGE. PICKING UP QUOTATIONS FROM THE ECONOMIST, THE WALL STREET JOURNAL ARGUED THAT THE ALLEDGED FAILURES WERE ATTRIBUTABLE TO A HALF HEARTED PURSUIT OF AUDACIOUS POLICIES, AND DREW THE CHARACTERISTIC CONCLUSION THAT MR. REAGAN SHOULD AVOID 'TOO MUCH MODERATION'.

HENDERSON

[THIS TELEGRAM WAS NOT ADVANCED]

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