

The past five years have been a topsy-turvy period when it seems to have been possible to make water run uphill. At the outset of the administration, the objective was to cut taxes, in the belief that an industrious industrial economy would make such good use of the extra money that wages and salaries would rise several times as much, thus restoring the federal government's revenues. Taxes were indeed cut, and there has been a remarkable increase in the number of potential taxpayers at work in the United States. But tax incomes have not increased to bridge the revenue gap. So the second and unplanned phase of Reaganomics, most of the past three years, has been a period during which the federal government has bridged the gap of borrowing in the markets, ultimately from overseas.

Inflation has been restrained by the determination to borrow (rather than to print money), economic growth has picked up in spite of historically high interest rates (necessary to tempt in funds from overseas) and the US dollar has been over-valued. The trade deficit, likely to exceed \$140,000 million during this calendar year, is the other side of the same coin, but that is the reason why the pace of economic growth has now declined almost to nothing, at least for the first half of this year. And now, not surprisingly, the value of the dollar has begun to fall. The third phase of Reaganomics has begun. We can only wait and see what it will be like.

The immediate temptation in Washington will be to go slow on attempts to cut the budget deficit. Members of the Congress who have been sharpening their knives will now be given pause by the apparent lack of growth between the first half of 1984 and the first half of this. The Keynesians among them and many others will be saying that a time of stagnation is the wrong time to be taking money out of the system. The hitch in that argument is that if the deficit persists, it will be necessary to increase interest rates again, which may have the same effect, putting a drag on US industry and intensifying the stagnation now in prospect. This is what Mr Paul Volcker, the chairman of the Federal Reserve System, was saying in Washington last week. The alternative would be to embrace inflation, which could easily become the hallmark of phase three.

That is why the United States has no choice but to look overseas for a solution. Japan and, latterly, West Germany have been earning large surpluses in their overseas trade, chiefly from that with the United States, and have obligingly lent that back to the United States. In principle, both governments (and some others) could help avoid the present prospect by allowing their own domestic demand to increase, either by lowering interest rates or (better not) by apeing the first phase of Reaganomics. But none of this is arithmetically possible unless the US budget deficit is cut. How else could Japan and West Germany earn the surpluses with which the US Treasury expects them to bridge its gap? The simple moral is that there should be a negotiation between the three countries principally concerned to decide which deficits should be cut by how much. The pity is that the chance to do this, last month's meeting in Bonn, has been let slip. And next year's meeting in Tokyo is too far away. □

University on brink

The changed University of London could be fun to watch.

THE University of London is, or at least was, a remarkable institution. It is the only really large university in Britain, with more than 20,000 undergraduates. Not so long ago, it had no fewer than a dozen distinct medical schools, and a similar number of medically oriented postgraduate institutions. There is also a handful of specialized centres within the university concerned with matters as different as oriental languages and fine art. Until a quarter of a century ago, the University of London played a kind of authenticating role in British university life, acting as the validating umbrella beneath which sheltered a number of institutions that are now universities in their own right. During the same period, the university also ran single-handed a system of

public examinations for secondary schools throughout what was then the British Commonwealth, a function that has been eroded as much by the wish of Commonwealth countries to run their own affairs as by the university's choice.

The past few years have seen even more rapid change, largely because of the shortage of funds. Five years ago, a committee under Sir Brian (now Lord) Flowers advocated that the number of medical schools should be reduced, by mergers, to a half, and there have indeed been some moves in that direction. More recently, the main teaching establishments of the university have also been reduced in number. Small Bedford College has moved out into the country to merge with another small teaching school, Royal Holloway College, on a site more than twenty miles from central London. Two others (Chelsea College and Queen Elizabeth College) have merged (with effect from 1 August) with King's College to form an institution with more than 6,000 students (plus a medical school). The result is that the university's main teaching functions are for the first time concentrated in a handful of institutions, four large establishments (Imperial, King's, Queen Mary and University Colleges), Birkbeck College which has a special interest in part-time students, the London School of Economics and the amalgamation in the Surrey countryside. (One small college, Westfield, looks like sinking without trace unless it decides in the next few weeks to merge with the new King's College, to be known as KQC for the next five years.)

The objective of these upheavals was originally to save money, and that may eventually be possible. More immediately, however, the crying need is to find capital with which to make the planned amalgamations into effective teaching institutions. With the real funds at the disposal of the University Grants Committee shrinking by between one and two per cent a year, and with little prospect that the British government will dig into its pocket to help out just one university, much of the brave planning of the past few years may come to nothing. The most obvious danger for the colleges (and those who teach in them) is that the grants committee will be forced by sheer penury to shrink student numbers until the existing buildings will accommodate them.

The university is not well placed to defend itself. Administratively it is a mess. Although students at each of the teaching establishments are in theory members of the university as a whole, in practice the large institutions are separate and autonomous. Students are taught where they are recruited, and the different colleges distinguish carefully between each other's degrees. Financially, the colleges are supported by funds from the central federal university (but Imperial College deals separately with the grants committee on the grounds that it is a technological centre of national importance). Everybody agrees that the procedures for sharing out the funds are unsatisfactory, primarily because the customers are never helped to understand the principles on which decisions have been made. The system is also cumbersome; it is a standing joke that the University of London is usually about a year late in replying to the questionnaires that have been a standard part of university administration.

Left to itself, the university would probably collapse under its own weight in the years ahead. Now that the federal university's main teaching functions are no longer distributed among small as well as large institutions, the temptation to circumvent the university machinery, and to deal directly with the grants committee, will be strong. The result would be that the richness of the present diversity within the university would be lost. Most academics within the university know that to be the case, but there is also a limit to their willingness to put up with an administrative system which is not merely cumbersome but which lacks intellectual coherence. The challenge for the university's bosses and in particular for Lord Flowers, the head of Imperial College who takes over as vice-chancellor of the university next month, is that of deciding whether there is a way of keeping the university together and then of persuading those who work in it to follow such a course. It will be a struggle, but one worth making. □