

avoided. But that is a nasty choice to make. Thanks to a 15 per cent devaluation last September and, since then, interest rates lower than elsewhere in Europe, the British economy has been expanding, but at a rate of 1 per cent a year only. Is there not a danger that higher taxes will snuff out this modest 'recovery'? Of course, money transferred direct to the government from people's pockets cannot be spent on goods and services whose consumption would help to generate or to sustain economic activity. The British government, as any other would, will instinctively shrink from the unpopularity that would bring. Putting off the evil day is a familiar stratagem.

On this occasion, not just in Britain but also in the rest of Europe as well as the United States, the present economic problem is qualitatively new, not just a simulacrum of previous recoveries from recession. There are ample signs of that. Unemployment remains high in the United States and Britain, signs of economic recovery notwithstanding. Elsewhere in Europe, the dole queues will continue to grow for some time yet. The economic community will begin its life as the European Union with more than 20 million people unemployed. People are being turned out of schools and colleges with no work to go to. They are alarmed that there may never be any for them. Why should it be like that?

An important part of the explanation, surprising though it may seem, is the ending of the Cold War. Why should such a welcome development cause such widespread trouble? First, the reductions of military budgets that have been the chief elements of the 'peace dividend' so far have thrown people out of work; California thinks of itself as particularly hard-hit. Second, there has been a substantial diversion of resources from the industrialized West to the newly independent countries of Central Europe and further east. In Germany, where much of the extra cost shows up directly as higher taxes, interest rates higher than they would otherwise be are a measure of the scale on which funds have been borrowed to finance the eastern *Länder*. Official and commercial transfers of investment funds from the West to points still further east probably exceed \$100 billion a year — and are even so inadequate. But both effects are deflationary: the cost of making explosives is a factor in every country's gross national product, investment in the East is possible only at the expense of investment or consumption (or inflation) in the West. The surprise is only that these connections had not been foreseen by the money managers.

Simple oversight does not account for that neglect. There are alternatives, but they are mostly unpalatable. Why not, for example, think of helping the East stand on its own feet by lifting tariffs, quotas and simple prohibitions against goods from Eastern Europe and beyond? Then, surely, consumers in the West would benefit from lower prices, while the East would be less dependent on handouts? There are many reasons, of which the chief is that the pattern of trade with which the industrialized West became familiar during the Cold War would be disrupted. But, in the long run, that is going to happen anyway. Why not anticipate the process?

The answer is: because of all the insubstantial reasons

advanced in the past few weeks by President Bill Clinton's opponents on NAFTA (see above). Especially in agricultural produce and steel, but also refined aluminium and mechanically engineered products, the East would have a temporary advantage. One result, of course, would be job losses in farming and steel-making, but the other side of that coin would be a substantial boom in the provision of the goods and services desperately in short supply in the East. And it would not be a zero-sum game. The combined economic activity of the East and West would be enlarged, to mutual benefit.

The European Union has a particular problem: the Common Agricultural Policy, which costs Europeans \$30 billion a year in taxes and roughly the same in increased food prices. That is a huge deflationary influence in its own right. It is also why the question of the free import of farm products from the East is not discussed. It is true that the European Community has reached an understanding with the three principal Central European states on farm imports, but always within the context of the same agricultural policy. Special help would also be needed to see the groups chiefly affected through a period of adjustment. But that would be far better, and cheaper, than sticking with a policy that seems designed to maintain the pauperization of Western and Eastern Europe for as long as possible. □

## Examination farce

**There is calculated perversity in the British government's latest policy on school examinations.**

FOR many years it has been plain that the curriculum of British secondary schools does not provide a general education. Part of the trouble is that the requirements for entry into universities include good grades in a school-leaving examination for 17–18-year-olds called A-level. Academically inclined students usually follow two-year courses at school that are rehearsals for their later studies, and which are specified in some detail by university departments (especially in science).

This system, with the remarkable precocity it demands, has been called the 'jewel in the crown' of British school education. It is also one of the chief reasons for the flight of young people from science. But, in the past few years, after long negotiation, a modest broadening of the curriculum has been agreed; students may 'take' five rather than the usual three 'subjects' and still win a place at university. (It remains to be seen how many students or even universities will take that option seriously.)

But then what happens? Mr John Patten, in charge of the Ministry of Education, announced (two weeks ago) that there will be an extra grade at A-level, labelled A\*, intended to distinguish the better students from all the others. The predictable result will be to undermine the broader option for school-leavers reinforcing inappropriate specialism. The jewel will no doubt shine even more brightly in the crown, but at the expense of young people and their education. □