Mrs. Thatcher's depression

British banking interests are rushing into international holdings, in the belief that Thatcher, Britain may indeed "go down."

The British government's Minimum Lending Rate may have been brought down 1 point last week, but this cosmetic move will have no positive effect on the British economy. Across the board, Mrs. Thatcher's Britain is reporting record depression statistics.

The collapse of domestic corporate loan demand under these conditions has left large British merchant banks aflush with cash. A mere 15 days after a temporary ban on foreign takeovers in the U.S. expired, London's Midland Bank announced that it was purchasing the San Francisco-based Crocker National Corp. for $820 million. The same day, Midland also announced it was purchasing the 60 percent share in Germany's Trinkhaus und Burkhardt held by Citibank for $80 million.

What London is learning is that Mrs. Thatcher's economic design, which can be described as "austerity plus microchips," just doesn't work.

To a large extent, her efforts to "reindustrialize" Britain on the high-technology end, while squeezing basic industry, derives from her administration's close adherence to Milton Friedman, Ronald Reagan advisor, and as the Sunday *Times* put it this week, her "guru."

Recently, a major joint venture project to produce microchip technologies was abandoned by its two participants, Fairchild Instruments and Britain's General Electric Corporation. While collaboration of these two firms was first hailed as exemplary of a British move into world electronics, the reason given for finally dumping the arrangement was that they would never be competitive on the world market.

The last time Britain poured funds in a concentrated way into basic industry was in the ten-year period following World War II when Scotland was built up as a Western defense industry zone. Now, the collapse of these basic industries floods the press on a daily basis, alongside accounts of an rise in infant mortality.

On July 15, the London Central Statistical Office reported that manufacturing output in May was below the worst levels of the 1974-75 energy crisis. Last week, it was revealed that unemployment is at its highest since the war. Also hitting a record, for the first six months of 1980, 1,500 firms entered into compulsory liquidation. And starting April 1, surviving manufacturing firms began to record order declines of up to 25 percent.

Calls are mounting for a halt to Thatcher's policies—those of Industry Minister Keith Joseph. Cambridge economist Win Godley stated recently that if Joseph continues, "Britain will look like a town after an earthquake." The weekend *Guardian* has just suggested that Britain call itself an "OIC"—"Once Industrialized Country." The *London Times* demanded Keynesian rescue operations to put Britain "back to work."

At the same time, every British financial clique is hedging its bets that Britain may indeed "go down." The bank-takeover moves in the U.S., as well as the formation of combined fuel-raw materials conglomerates are examples of their hedging operations.

Just as important for British banking is the current shakeup in Hong Kong. In late May, British financial circuits began buzzing about a major power play between two directors of the Hongkong and Shanghai Bank: David Newbigging and Sir Yue-kong Pao.

Newbigging had attempted, while Pao was in Paris, to consolidate a keystone real estate firm, Kowloon and Wharf, into one of his subsidiary operations, the century-old opium-trading firm Jardine Matheson. Pao rushed back to Hong Kong, borrowed a pile of cash from Hongkong and Shanghai Bank, and purchased a chunk of "Wharf's" shares from hungry shareholders at HK$105 apiece (they were being quoted on the stock exchange for HK$76).

Pao's move is considered part of a pattern by aggressive Chinese expatriate families to build their Hong Kong holdings in preparation for unprecedented collaboration on financial ventures with China. What is coming into being in Asia is a juridically cemented "Common Market" encompassing Hong Kong and the surrounding Chinese province of Quandong.

While press gossip sheets portray British firms as taking a beating in these Asian operations, there is little doubt that the British opium interests in Asia are closest to Mrs. Thatcher, and least concerned about Britain's basic industry shutdown.