

The average value of commercial property fell an estimated 25% in the past 12 months. Property forms the main collateral for most British bank loans. Rupert Nabarro of the Investment Property Databank notes, "The severity of the [real estate] slump is fast approaching that of 1974 and the most recent trends show few signs of any respite." The largest commercial construction project in Britain, the London Canary Wharf, an \$8 billion project, is in severe financial problems even before construction on the office complex is complete. London office vacancy rates are at 17% and growing by the week as banks and financial houses lay off thousands. The result is collapsing rental prices.

Human costs of depression

The social and human cost of the British economic depression is the most tragic, especially as it is entirely unnecessary. With the economy contracting and banks fearing to lend, unemployment levels are expected to hit 2 million for the first time in five years in February, the eleventh monthly rise in succession. In the past months, 270,000 names have been added to jobless rolls, a 17% rise over last year, and no end is near.

Manufacturing output is collapsing in the traditional industrial regions, most especially West Midlands, but Confederation of British Industry data indicates depression conditions are spreading across the entire country.

Recent walkouts by nurses and hospital professionals signaled to the government that budget cuts have dangerously undermined medical quality. Urgently-needed new hospital construction has been blocked for months because of prohibitively high interest rates. In ten years of Thatcherism, the cost of private medical insurance has risen 265%; shoes cost an average 226% more; milk is 89% higher, while British farmers are in the worst crisis in 50 years.

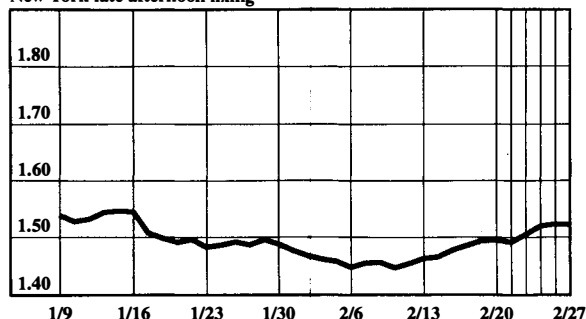
With strict government rules that local municipal governments must balance annual operating expenses with tax income, another Thatcherite innovation, publicly subsidized rents are expected to be increased 21-41% in April to balance the losses. Homelessness is becoming a national phenomenon.

The state of the rail and highway infrastructure is dilapidated, yet cost of travel on the national British Rail has risen 150%. In the recent winter storms, British trains were forced to cancel runs because they did not have the equipment to clear the tracks. British Rail chairman Bob Reid warned that plans to complete a planned high-speed rail link to the new Channel Tunnel linking Britain by rail to the Continent, were endangered unless the government of John Major provided some \$2.6 billion per year for the next five years. He pleaded for funds to rebuild the rail system. "At the moment its infrastructure is wanting and rolling stock is wanting." Reid complained that British Rail gets from the government 20% of the support that the French and German railways receive.

Currency Rates

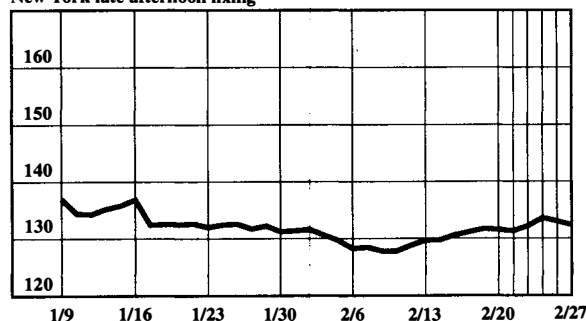
The dollar in deutschemarks

New York late afternoon fixing



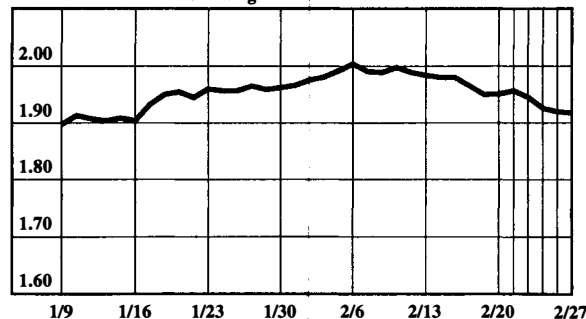
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

