

Conservative Central Office

NEWS SERVICE

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Extract from a speech by the Rt. Hon. Sir Geoffrey Howe QC MP (East Surrey), the Opposition Spokesman on Treasury and Economic Affairs, to the Surrey Young Conservatives' Conference held at the Bookham Grange Hotel, Great Bookham, Surrey, on Saturday, 23rd September 1978

Both Mr. Callaghan and Mr. Healey must be regretting that the word "sanctions" was ever invented.

For in two quite different contexts "sanctions" are this weekend demonstrating the infinite capacity of Labour leaders to operate in the company of a manifest falsehood.

The Rhodesian example speaks for itself. But so does the use of "sanctions" in the field of pay policy.

Let me make it plain, before I examine that proposition, that I certainly do not question the powerful general case for moderation and restraint in pay-bargaining. Pay settlements which over-ride cash limits in the public sector, or which exceed the resources of individual trading concerns, can only raise prices, rates or taxes today - and unemployment tomorrow.

What does need to be questioned is the effectiveness, as well as the legitimacy, of sanctions directed against selected employers - in support of a so-called rigid policy for pay.

The fact that earnings during Stage Three went up by 14.2 per cent alongside a proclaimed objective of 10 per cent shows very clearly that the policy does not achieve its declared objective. The fact that Mr. Healey declares himself satisfied with that result demonstrates equally clearly his capacity for deceiving himself.

Already public opinion is being prepared for a similar "success" in Stage Four. The limit - which Mr. Healey intends to "enforce" with all the threats (and such doubtfully legal sanctions as a compliant Attorney General can be bullied to defend) - is stated to be 5 per cent. But already, we are being told, Mr. Healey will be well-pleased if the overall result comes out between 7 and 12 per cent.

The yawning gap between declared objective and expected result means that the policy will be as arbitrary in the year ahead as it has been in the past.

Selected victims will be loudly blacklisted. But the reality will continue to flow around them.

James Mackie or some such firm will be publicly displayed. They will be the economic equivalent of the Beira Patrol.

In that context, incidentally, is it not remarkable that the man who was Secretary of State for Defence from 1964 to 1970 should dare to argue that criticism of Britain's handling of oil sanctions applies more to the Conservative Government than to the Wilson administration which he adorned? But Mr. Healey has never found it difficult to dispense with the truth,

In the pay field too, Mr. Healey is once again misleading himself and the nation.

Clearly he should be arguing the case for a moderate average level of pay settlements. It is inevitable, in this context, that some estimate of the scope for total pay increases will become a part of public debate. That is a natural consequence of the announcement of monetary targets and of the planned size of public spending.

If that economic reality is to be combined with the greater pay flexibility that is now essential, then it is vital for it to be properly understood.

The estimated total pay component in the economy can be expressed in terms of an average. But it must not be thought of as a "norm", still less as a norm for settlements (when average earnings always reach a higher figure). Nor should it be thought of as a maximum, and least of all as a minimum - whether for earnings or for settlements.

Yet that is all too likely to be the consequence of another year of selective sanctions in support of a single figure.

That which should be presented as no more than a central feature of the way back to responsible collective bargaining, can all too easily become established as the foundation of another year of rigid norms.

The experience of the last pay round has shown very clearly how the imposition of random sanctions cannot, with justice, be combined with an attempt to return to greater flexibility. They may have been a convenient buttress for some; but they are not a long-term solution.

Constitutionally, sanctions are a monstrosity. Industrially, they have been the cause of strife. And economically, they have fostered a host of entirely arbitrary distortions.

They have, moreover, rendered less necessary - and therefore less possible - the return to responsibility and understanding, which are the essential foundations of a more stable and efficient future.

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