

# TRADES UNION CONGRESS

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Rt. Hon Margaret Thatcher, MP  
Prime Minister,  
10, Downing Street,  
London SW1.

DEPT Secretary's

OUR REF LM/DL/AW

YOUR REF

June 27, 1979.

*Prime Minister*

*This all follows  
very closely the  
presentation which the  
Murray made at  
Monday's  
meeting.*

Dear Prime Minister,

Economic Policy

At their meeting today the General Council adopted a statement on the Government's Economic Policy and a motion for submission to the 1979 Trades Union Congress, and I am enclosing copies of these.

*I have  
circulated to  
E Committee,  
and have asked  
for advice on  
whether you  
should reply  
substantively.*

Yours sincerely

*Lionel Murray*

General Secretary

*LM*

*TL*

*28/6*

THE ECONOMIC POLICY OF THE GOVERNMENT

Statement by the General Council

The General Council today received a report from their Economic Committee on their assessment of the Government's economic measures announced in the Budget together with a report of the meeting with the Prime Minister on June 25.

The trade union movement has been, and always will be, anxious to play a constructive role in the economy of the country. The TUC has for many years played such a role both in NEDC and in relations with Governments, and all post-war Governments have come to recognise that the management of the economy requires it to have a constructive working relationship with both sides of industry.

A vital element in this understanding is the need for agreement on the central objective of a high level of employment. Ever since the 1944 White Paper on Employment Policy, all Governments have accepted that they have responsibility to play a major part in achieving this. A return to crude concepts of financial orthodoxy in regard to public finance, which was also characteristic of the pre-war period, would mean a return to pre-war levels of unemployment. We must build on the advances of the past 35 years, not demolish them.

Yet, on the Chancellor's own figures, there will as a result of the Budget now be an absolute decline in economic activity, and therefore employment and living standards, in the coming year: this is an indefensible waste of our nation's resources.

Trade unionists among others will find it impossible to believe the Chancellor's claim that his Budget will "squeeze inflation out of the system". A Government Minister has now quoted the figure of  $17\frac{1}{2}$  per cent as the inflation forecast for November 1979, over double the rate a year earlier. Trade unionists always have regard to the level of inflation at the time they negotiate. The Government has deliberately increased prices at a stroke, in particular but not only by the swingeing increase in VAT. This can only feed inflation in a disastrous way, and the Government must take the full responsibility for its actions and their inevitable consequences.

To this has been added a highly regressive redistribution of the tax burden, the wealthiest receiving the lion's share of the benefits. This shows signs of becoming a general pattern, as is illustrated by the decision to postpone the rating revaluation; this will mean that rates will become increasingly regressive with commercial properties escaping their proper contribution. As regards the supposed "incentive" effects of a switch to indirect

taxation, the weight of the evidence is heavily against the Government's contention. At the same time the average family will have to pay far higher prices for virtually all the goods and services on which the extra income might be spent. The claim made by Ministers that this switch widens people's freedom of choice is thus seen to be completely false. And even when the Chancellor has reduced the tax burden on lower paid workers through a substantial increase in tax thresholds, he has cancelled this out by the increases in prices and the cut in the quality of public services: because this is the inevitable result of the major cuts in public expenditure.

The "social wage" - in other words the benefits and services financed by public expenditure - must be seen as much a part of living standards as money in the pay packet. The coming year will demonstrate to many millions of people - including many trade unionists - that cuts in public services are not only inconvenient and damaging to social advance but exacerbate problems of unemployment both in the public sector and consequently in the private sector and actually involve greater expense to the public. The decline of public transport at a time of severe energy shortage and rising petrol prices is but one of many examples of this.

The General Council are entitled to be proud of the part they played in support of the great steps forward on pensions and child benefit, setting out principles for improving these in line with earnings or prices, whichever were the higher; they will press vigorously for these principles to be reasserted and indeed improved upon in the future. They will also press vigorously for further progress in relation to the under-fives and 16-18 groups, which should be part of a comprehensive programme of social and educational advance.

Many social advances constitute economic and industrial advances for the nation as well. The opportunities for the school-leaver are perhaps the single most clear cut case. Their chances of finding a job this summer have now been reduced both by cuts in youth opportunities programmes and by the threat to severely curtail recruitment in many public services this year.

Yet it is against this background that the Government are urging a transformation of attitudes and practices in industry in the direction of greater efficiency, productivity, and the acceptance of new technology. The General Council have taken a constructive part in finding positive policies on these issues, but they have emphasised and re-emphasised that the crucial ingredient is confidence on the part of workers in industrial change.

Successful adaptation to industrial change equally requires a major role for Government in tackling many of our industrial problems, notably import penetration, lack of modern investment and the tendency of UK transnational corporations to place their major emphasis overseas. The General Council reject the Chancellor's conclusion, based on selective evidence, that the disproportionate growth of direct investment overseas will have no adverse effects on British industry. This is at a time when the need for greater control of transnational corporations is being increasingly recognised by Governments of many different political complexions around the world.

The General Council will be carrying out a major programme to demonstrate to the public the great contribution made by the public services, and the positive role which public expenditure plays in the regeneration of industry, they will also be underlining the indispensable role of the nationalised industries in the nation's industrial effort both at home and abroad. Nowhere is this better illustrated than by the contribution made by the publicly owned energy corporations in coal, oil, gas and electricity, including the nuclear programme. The timing of the decision to dispense with majority control in British Petroleum defies rational explanation. It shows a political inflexibility which is the most disturbing feature of this Government's actions so far. The General Council are completely opposed to any reduction in the public control over the energy sector.

The General Council accept that there is a role for effective private enterprise side by side with effective public enterprise in a mixed economy. The National Enterprise Board, in the relatively short time since its inception, has got to grips remarkably well with a number of critical industrial problems; it would be extremely damaging at this time to diminish its powers of initiative or in other ways remove the creative and enterprising dimension to its work.

The General Council believe that the period ahead will demonstrate the validity of their approach. There is no other way to achieve social and industrial understanding.

The General Council believe that the Government's economic policy will damage the nation's economic and social development, particularly in relation to prospects for employment. They will continue to make forceful representations to the Government on this whole range of issues. They will also be putting a motion before the 1979 Congress pinpointing the major themes of this statement, as a major element in a wider trade union campaign for economic and social advance.

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CAMPAIGN FOR ECONOMIC AND SOCIAL ADVANCE

Motion by the General Council for the 1979 Congress

Recognising that economic stability and progress require certain key principles to be accepted by both Government and the trade union movement, Congress expresses its gravest concern at the repudiation of this approach by the present Government. It endorses the General Council's statement setting out the reasons for their opposition to the economic policy of the Government, and affirms the need for a positive alternative strategy, as follows:

- (i) a balanced growth of employment and output in both the public and private sectors entailing measures to strengthen the economic base including the strategic use of North Sea oil and gas revenues and effective policies against increasing import penetration;
- (ii) the planned development of technological change coupled with measures to increase workers' confidence in this process, including reductions in working hours, major advances in industrial democracy and a strengthening of the effectiveness of the industrial strategy at sector, company and local level;



- (iii) taxation policies which promote the achievement of stable prices and a national consensus on the distribution of income and wealth, as opposed to regressive fiscal policies on rates and taxes, relying heavily on a high rate of VAT, which has disastrous effects on the cost of living;
- (iv) a recognition of the indispensable part which pensions, child benefits and the education, health and other public services play in the "social wage" which increases equality of opportunity, the quality of life and the generation of economic activity, investment and employment opportunities throughout the community; a recognition also of the massive social tasks which today have to be undertaken by public authorities, having regard to regional and manpower imbalances and trends in the age structure of the population;
- (v) recognition of the increasingly vital role of public enterprise and public investment; this requires defending the powers of initiative of the National Enterprise Board, and strengthening the contribution of the publicly-owned industries, as opposed to the sales of assets contemplated by the present Government.

Congress believes that it is of the greatest importance that the British people should understand how all the above points relate to their jobs, living standards and general welfare; and that collective bargaining strategies should be pursued which maintain and improve employment levels and living standards.

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