



Treasury Chambers, Parliament Street, SW1P 3AG

CONFERENCE SPEECH.

1. Introduction.
2. Party Conferences and the Role they Play.
 - (a) Regret at the bitterness and narrow zealotry displayed at Blackpool
 - (b) ^{LABOUR CONFERENCE WAS TALKING SPEAKING TO ONE OF A SMALL PART OF BRITAIN.} Welcome chance to use Brighton in order to ^{SITZ UNITED KINGDOM} speak to Britains AS A WHOLE.
3. Theme: The Affirmation of Our Policy and the determination to fight inflation.
 - (a) Remind audience that inflation destroys nations and societies, no less than foreign armies.
 - (b) Quote Lenin - 'If you wish to destroy a country first debauch its currency.'



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- (c) Assert that the policies adopted are traditional - they existed before ~~the experimental~~ £M3 embedded in the Bank of England Quarterly Bulletin, before indeed "monetarism" but become a slogan of mindless abuse.
- (d) Remember ^{that} the search for a closely balanced budget leaving Govt. with little ^{recourse} ~~means~~ to borrow or temptation to print is a traditional policy - it was Wilson and Jenkins in 1969/70 who actually over budgetted and repaid net debt.
- (e) Remember it was Healey who cut public spending in 1976/77 by X per cent, underlining that restrained government expenditure is a traditional policy of those who willingly - or under IMF duress - seek to restore balance in the economy.



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(d) Remember that successive governments since 1957 have used interest rates in order to balance demand within the economy.

(e) If the government's methods are traditional, it is their resolve to stay with the policy and to see it through to its conclusion that renders this administration one of the true Radical ministries in post war Britain.

4. Theme. We Do Not Pursue this Policy Mindless of the Consequences and the Transitional Hardship.

(a) Unemployment - as contained in current text of PM's speech.

(b) Impact of High Interest Rates upon Business Community.



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(c) High interest rates are a perverse parody and not an elaboration of the government's economic policy.

The surest approach must be to constrain the government's own borrowing, and also to allow the ~~market-determined~~ rate for private sector credit to follow the market-demand.

This is a major imperative in gov't. policy; but the destruction of confidence and credibility from precipitate action would be grievous and long lasting.

Even so there are ^{some} encouraging signs that interest rates may fall in the months ahead.

5. I acknowledge there will be a difficult transitional period as we begin to master inflation: two questions abide - can the nation and the gov't. take actions to foresten



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the ~~unavoidable~~ hardships; secondly can the Govt. help provide for the ~~recovery~~ British ^{renewal} ~~recovery~~ as the economy emerges from the world recession.

6. How to assist in limiting the period of transitional hardship.

- (i) Maintain and extend the ^{growing understanding} ~~current~~ phase of good industrial relations. ^{employee management} ~~current~~ ^{balance}
- (ii) Make realistic pay settlements which will maintain levels of employment.
- (iii) Public spending policies must mean that public sector pay also takes account of the gravity reduction in the private sector pay front.



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7. Govt. Plan for the Future.

Private Enterprise must be able to take advantage of the economic expansion that will come as the international recession ebbs away and domestic inflation has been significantly contained.

Our plans ~~shall~~ aim to create a better tax structure and legal framework for the free market element of the social market economy.

- (i) Income and capital tax changes.
- (ii) Exchange, price, dividend, pay controls abolished
- (iii) More active monopolies policy.
- (iv) Extending competition to the nationalised industries.



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8. We shall win through - because the balance of our policy is designed to appeal to the instincts of rewarded personal success and not to the ambitions of political and Whitehall planning.
9. And when we have won through - a Britain rediscovered - we shall receive and deserve a respect in European and overseas affairs that has been without parallel in recent decades. Britain does have a role to play, in the alliances to which she is committed and in general terms. Others, certainly France under de Gaulle, have told us what national pride and national objectives could secure with a the security of a balanced domestic economy. The art is matching ones reach with
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mus grasp. We do not need to enviously ape others - we shall do it in our own British way.

10. This Conference is over. We take the debates of this week to our own Parliament - the forum of the nation, and to the British people themselves. The art of governing is not the solemn manufacture of legislation; it is the constant explanation of political purpose and seeking consent and initiation of changes far more profound than can be secured by parliamentary draftsmen and parliamentary majorities. ^{which I am privileged to serve and} This Party, ^{which I am privileged to lead} this Administration which I am privileged to lead is engaged on the massive task of restoring confidence and stability to our national currency. Therefore I believe

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CONTRIBUTION TO THE PRIME MINISTER'S SPEECH AT THE CONSERVATIVE PARTY CONFERENCE.

1. Party Conferences and the Role They Play.

- (a) Regret at the bitterness and narrow zealotry displayed at Blackpool.
- (b) The Labour Conference was speaking only to a small part of Britain. I welcome the chance today to speak to the United Kingdom as a whole.

2. Main Theme: The Affirmation of our Policy, and the Determination to Fight Inflation.

- (a) Inflation destroys nations and societies, no less than foreign armies. Inflation is the engine of unemployment, the cause of malice and envy, the unseen robber of those who have saved.
- (b) "If you wish to destroy a country, first debauch its currency" (Lenin).
- (c) The policies which we have adopted are traditional; they existed before Sterling M.3 embellished the Bank of England Quarterly Bulletin, before, indeed, "monetarism" had become a slogan of mindless abuse.
- (d) Remember that the search for a closely balanced Budget, leaving the Government with little necessity to borrow, or temptation to print, is a traditional policy - it was Wilson and Jenkins in 1969/70 who actually over-budgeted and repaid net debt.
- (e) Remember that it was Healey who cut public spending in 1976/7 by 4%, underlining that restrained government expenditure is a traditional policy of those who, willingly, or under I.M.F. duress seek to restore balance to the economy.
- (f) Remember that successive governments since 1957 have used interest rates in order to balance demand within the economy.
- (g) If the Government's methods are traditional, it is our resolve to stay with the policy and to see it through to its conclusion that renders this administration one of the true radical ministries in post war Britain.

3. Subsidiary Theme. We do not pursue this policy mindless of the consequences and of transitional hardship.

- (a) Unemployment - (as contained in the current text of the Prime Minister's speech).
- (b) Impact of high interest rates upon the Business Community.
- (c) High interest rates are a perverse parody and not an elaboration of the Government's economic policy.
- (d) The surest approach must be to restrict the Government's own borrowing, and also to allow the rate for private sector credit to follow the market demand.
- (e) This is a major imperative in Government policy; but the destruction of confidence and credibility which would result from precipitate action would be grievous and long lasting.
- (f) Even so, there are some encouraging signs that interest rates may fall in the months ahead.
- (g) I acknowledge that we will have to go through a difficult transitional period, as we begin to master inflation. Two questions remain:-

- (i) Can the nation and the Government take action to diminish avoidable hardship.
- (ii) Can the Government help provide for / renewal of Britain as the economy emerges from the world recession.

4. Can the Government take Action to Diminish Avoidable Hardship?

- (a) Maintain and extend the growing understanding between employees and management. There is a growing recognition of the truth that we must earn, before we spend, and not the other way round.
- (b) Make realistic pay settlements, which will maintain levels of employment.

- (c) Persevere in public spending policies which mean that public sector pay takes account of the increased realism in the private sector.

5. Can the Government Help in the Renewal of Britain?

- (a) Private enterprise must be able to take advantage of the economic expansion that will come as the international ^{recession} ebbs away, and domestic inflation has been significantly curbed.
- (b) Our plans aim to create a better tax structure and legal framework for the free market element of the social market economy. That is why we have:-
- (i) Made fundamental changes in the structure of income and capital taxation.
 - (ii) Abolished exchange, price, dividend and pay controls.
 - (iii) Pursued a more active anti monopoly policy.
 - (iv) Extended competition to the nationalised industries.

6. We Shall Win Through.

Because the balance of our policy is designed to appeal to the instincts of rewarded personal success, and not to the vaunting ambition of political and Whitehall planning.

7. And When we Have Won Through.

We shall find a Britain renewed and rediscovered. We shall receive and we shall deserve a respect in European and in overseas affairs which we have not seen in recent years. Britain still has a role to play within and without the alliances to which she is committed. Others, certainly France under de Gaulle, have taught us what national pride and national objectives can secure within the security of a balanced domestic economy.

"A man's reach should exceed his grasp, or what is heaven for?"
(Browning).

We do not need to ape others, sure, we shall do it in our own British way.

8. Our Conference is drawing to its close.

We take the debates of this week back to our own Parliament - the forum of the nation - and to the British people themselves. The art of governing is not the soulless manufacturing of legislation; it is the constant explanation of political purpose and seeking consent and support for changes far more profound than can be secured by parliamentary draftsmen and parliamentary majorities.

9. This party, which I am privileged to serve, and this Government which I am privileged to lead is engaged in the massive task of restoring confidence and stability to our people. Thereafter, I believe that much else will follow. To that end we are dedicated to the once traditional policies in restraint in public spending and borrowing. We are confident in our objectives, in our methods, and above all in our joint resolve.