

TIME MINISTER'S SPEECH - CBI

In the 38 years since the end of World War II, the West has progressed more rapidly than any period in recorded history. Yet from the early Seventies onwards there have been increasing doubts about the basis for continued prosperous growth.

Certainly in this country there has been a marked contrast between the prosperous growing Fifties and Sixties and the uncertainties and contradictions of the 1970s. Not only here, but throughout all Western countries, there has been a perceptible decline in the rate of economic progress. That vast wealth-producing engine of the West began to splutter, to hesitate and occasionally to backfire. It still kept on running but at a significantly reduced pace. All of us must wonder whether this is a permanent change. Were the golden years of the Fifties and Sixties merely a transitory ^{post-war} interlude of rapid adjustment back to a path of low normal growth. Or is the recent slow down merely an interruption which will soon disappear?

Alas, we do not yet know. The slow down of growth in the Seventies must be largely explained first by those severe disruptions of oil price shocks and secondly by the greatest inflation in modern times. The first was imposed on us by an international cartel but the second was self-inflicted.

* Yet more important, and more fundamental, is the fact that since the 1950s there have been increasing rigidities introduced in the economic systems of the West. Governments have been the principal cause of this growing arterio-sclerosis of the economic system. Paradoxically this is not because governments have been rigid and inflexible. It is because they have been too accommodating and too flexible. They have saved trade unions from the consequences of their

own folly and have bailed out firms which have made silly decisions. So Governments have protected and indeed promoted inefficiency and waste. (It reminds me of the story: two farmers meet, one says I have insured my barn against fire and hail. The other says I can understand the fire part, but how do you make hail?)

If these were the main causes of the slow-down in the West, then I believe we are at least half-way towards the solution. First inflation has been reduced, will be reduced and will stay down. In Britain we have achieved much in reducing the evil of inflation - but we still are not out of the wood yet.

Secondly, I doubt if we shall ever experience a third oil shock like those of 1973 and 1979. Reliance on the Middle East is much reduced. Oil users have learned a lesson and oil producers are finding oil in areas hitherto thought barren.

Thirdly we have appreciated that industry flourishes when it is } not cossetted by Government. Industry needs freedom to adapt and stability in Government edicts and policies.

World But life in Western industries (and I include even Japan here) has been made distinctly more difficult by the rise of the so-called NICs (newly industrialised countries). Particularly in labour-intensive manufactures. And it is not only in the great traditional industries such as textiles, clothing, shoes, but also in simple electronics, and increasingly motor cars, shipbuilding, etc.

Labour In the West we have had to adjust by shifting our resources into the high technology manufacturing industries and the service sector. But the difficulties have been exacerbated by the fact, which all of you in this room will know, that the new technologies with their

robots and automatic control systems, have a very small demand for unskilled labour and a somewhat larger requirement for skilled, sophisticated employees.

It is not surprising, therefore, that today in the West we find shortages of technically-skilled manpower co-existing with vast numbers of unskilled, unemployed. It is a consequence of those momentous changes that have occurred in world development and in new technologies.

Of course it would have been easier to adapt to these painful realities if traditional skilled differentials had not been so rigid, or if the wages of the unskilled, and particularly the young, had been adjusted to reflect their productivity. But adjusting wages to reflect realities takes time. Years of a protected, cossetted environment have created illusions which take long to dispel.

Yet there is much that the Government can do and which we are doing.

First, training is one of the most urgent and important elements of our programme. Governments can do much. But far far more must be done by industry itself. We all know that the most relevant and valuable experience is "on-the-job" training. I am enormously encouraged by the enthusiastic response of you industrialists to the needs of our young and of the older workers who seek new skills.

Secondly, we need to encourage the new industries, and particularly foreign businesses to locate and grow in Britain. These islands must have an attractive climate.... Yes we really do, since we have attracted such a large (50%) fraction of Japanese investment in

the Community. I am sure that our new system of minimal regulation in the new telecommunications, cable and information industries will be seductive to both domestic and foreign firms.