

6

EXTRACT FROM A SPEECH GIVEN BY THE RT HON NIGEL LAWSON MP TO THE  
CONFERENCE OF THE CONSERVATIVE PARTY IN WALES AT LLANDRINDOD WELLS  
AT 3.45PM ON FRIDAY 12 JUNE

The present and immediately prospective levels of unemployment are a matter of acute concern to us all - and above all to those of us in Government, charged with the responsibility of doing what we can to mitigate this evil.

Our opponents on the left, in the intervals between stabbing each other in the back and kneeling each other in the groin, seek to claim for themselves a monopoly of brotherly love and of compassion for the unemployed, accusing Conservatives of lacking any concern for the plight of those out of work.

But the expression of compassion is easy enough. It is easy enough to march, too. But the unemployed will not be helped by fine words. There is no hope for them from a Party which can think only with its feet.

What we need to do is to try and understand the true causes of unemployment. Only then can we hope to find the cure.

It will not be easy. Over the past fifteen years, under Conservative and Labour Governments alike, the level of unemployment has steadily and remorselessly increased. Much the same has happened throughout the developed world. There are clearly deep-seated forces at work which will not be readily or quickly reversed.

This fact alone should be enough to nail the lie, propagated most assiduously by Mr Benn and his friends, that this Government is deliberately causing unemployment to rise in order to break the power of the unions. There is not a shred of truth in this wicked slur. I cannot think of a single Conservative who would wish to belong to a Party which believed in deliberately damaging the lives of hundreds of thousands of families by throwing their breadwinners out of a job for that or any other purpose. Certainly I would not wish to belong to such a Party - nor do I.

To suffer a temporary rise in unemployment during a necessary period of economic adjustment may be unavoidable. But the deliberate creation of a permanent pool of unemployment has no part whatever in Conservative economic policy.

Is unemployment caused then by the Government's failure, for whatever reason, to reflate? Could it be cured simply by throwing money at it?

Certainly we are determined to keep a firm control of the total amount of money in the economy, and thereby impose a firm but realistic cash limit on the nation's total expenditure. But within these totals there is ample scope for rising output and declining unemployment. The problem lies not in any inadequacy of overall monetary demand, nor of the rate of increase in monetary demand which the Government is prepared to allow. Our problem has been that, over the past ten years, nine-tenths of any increase in monetary demand has been dissipated in higher prices, and only one-tenth has had any effect on the real level of output. And experience has shown that, while the increase in output is not merely small but short-lived, the increase in inflation becomes all too deep-rooted.

This bitter experience is what led Jim Callaghan in 1976 to warn that there is no way, in today's conditions, that we can spend our way back to full employment.

What then, can be done?

Let us never forget that even today, in the depths of the sharpest recession since the war, very nearly 90 per cent of the labour force are in work. This is testimony to the fact that the natural tendency of a free market economy is towards full employment. And it strongly suggests that the main reason for any persistent and marked fall below full employment lies in the market not being allowed to work properly.

Thus one obvious and major cause of unemployment has been the success - if that is the right word - of some union leaders in pushing wage costs above the level that companies can afford to pay. It is this more than anything else that has led to the appallingly unfavourable and steadily worsening trade-off between the level of prices and the level of output within the overall national cash limit.

There are welcome signs that in private industry that vital lesson is being re-learned.

It is less clear that the message has got through to the public sector, where the illusion still persists that there is no limit to what the employer can afford - as if the Government had some inexhaustible crock of gold of its own, and did not depend as it does on the taxation it raises from the pockets of the people in general and of the private sector in particular. It is because there is a limit to what the public sector employer can afford that we as a Government are standing firm in the current dispute over civil service pay.

There are other ways, too, in which the Government has taken action to improve employment prospects. The 'right to buy' provisions of last year's Housing Act should progressively improve the mobility of labour. The measures we have taken to encourage small firms in general and new businesses in particular should lead to the creation of increasing numbers of jobs opportunities in the years ahead. And the efforts of industry itself to cut costs and make itself more efficient, which have been such a marked feature of the past year, may have led to increased unemployment in the short run. But they also provide the essential foundation for a strong and internationally competitive industry, and thus for higher employment, in the years ahead.

The cure for unemployment, insofar as that cure lies in our own hands, requires advance on three key points:

The defeat of inflation  
Moderation in pay settlements  
and Enabling markets to work better.

On all these points we have made progress. Further progress is essential, and the road ahead is inevitably a hard one.

But as bitter experience has taught us, there is no short cut. And those who pretend there is one are simply trying cynically to exploit genuine concern about the unemployed for their own political ends.