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Economy 'rapidly catching West Germany'

Lawson pledges sterling stability

By Nicholas Wood
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Mr Nigel Lawson emphasized the dangers of wild swings in exchange rates yesterday and traced the economic difficulties of the United States to fluctuations in its currency between 1982 and 1987.

Speaking at the Conservative Women's Conference at the Barbican Centre in London, the Chancellor of the Exchequer made it abundantly clear that he would continue to concentrate on keeping sterling stable.

Nothing he said yesterday was at variance with the formula described by Mrs Thatcher last week in the Commons, after a renewed bout of speculation over the extent of the rift between them.

His emphasis on a stable pound underlined his authority on the issue, but by adding that the fight against inflation was paramount, he did his best to avoid giving the impression that he was crowing over his Downing Street neighbour.

"The strength of sterling does indeed reflect the confidence the world has in the British economy, in the policies we are pursuing and in the British Government", he said.

"But currencies are affected by many other things as well. One thing we have learned over the years is that it is desirable to secure a reasonable measure of stability in exchange rates.

"The movement in the dollar is one of the reasons —



Mr Nigel Lawson addressing yesterday's Tory conference in London (Photograph: Tim Bishop).

not the only reason — why the United States is having economic difficulties.

"We don't want that sort of thing. We want to have a reasonable degree of stability in exchange rates. If we pursue the right policies, I believe that is achievable, but certainly not at the risk of seeing any resurgence of inflation", he said.

"The battle against inflation

remains at the very core of our policies.

He painted a glowing picture of the British economy, saying that as a result of the supply side of policies pursued in the United Kingdom over the past few years, economic rigidities and restrictions had been swept away. The United Kingdom had the fastest rate of growth of the leading nations in the world and was

rapidly catching up West Germany.

Mr Lawson also hinted at his support for British membership of the European Monetary System when he said there were other ways in which he would like to see fuller co-operation with the EEC.

But in response to a direct question on the issue, he said:

"We will join the EMS when the Government considers the time is right".

● Dame Joan Seccombe, the Tory vice-chairman responsible for women, rebuked Conservative MPs who had revolted over such issues as the poll tax and health charges yesterday, telling delegates at the Barbican conference that the Government should press on with its reforms.