



PRIME MINISTER

SPEECH PRECIS

I attach a speech precis following our discussion earlier today. I have deliberately omitted any piece on intimidation in the Coal dispute as I do not think it fits in the pattern.

I have also left aside the preroration as this is rather a matter of personal taste. I would be happy to discuss it.

WJB

WJB

27 July 1984

Att.

SPEECH PRECIS

This debate arises upon an Opposition Motion which calls into question the economic policy of the Government. It is, of course, wholly appropriate that we should debate these issues ahead of the long Recess. After fifteen months of the present Parliament the nation must be able to judge the achievement and the aspiration of the Opposition parties and ourselves.

[A few sentences on Kinnock's speech - picking up where possible his commitments to public spending, and incipient neutralism over defence, and ill digested xenophobia to foreign investment: STC/ICL]

I turn now to the economic policy of this Conservative Government. It has proceeded in ^{line} time honoured Conservative traditions of seeking the advantages of continuity whilst accepting the challenge of radical economic reform. It contrasts with the timid insular and backward looking policies of the ^{Socialist} Labour Party and the other worldly policies of the Alliance with their supine deference to the interests of our Community partners.

The central objective of Conservative economic policy since the General Election of 1979 has been to provide a framework for the British style of a social market economy. We have sought to provide a better fiscal framework for a mixed economy, a more manageable level of public spending and an accelerating measure of tax reform.

Inflation

It is the progressive achievement of those objectives that is for the consideration of the House this afternoon. There is first the central issue of inflation. Persistent and successful efforts by Howe and Lawson have seen the reduction of this figure* It was Lenin's dictum that "if you wish to destroy a nation first debauch its currency", and he was speaking as a dedicated revolutionary not a prophetic monetarist. I make no apology for placing inflation as central to our concerns. I acknowledge at once the interest rate problems we now have and which must have some influence on the future path of inflation. Nonetheless this is an area where valued prizes have been won, and where there is a social and economic imperative for the fulfillment of the ambitions of Lawson. We must, therefore, be resolved to keep public sector pay within equitable bounds* ; we must be determined to sustain the pattern of overall total stability in public spending; and we must build upon our success in moderating the volume of government borrowing*.

*Details to be supplied by No 10

In this way we have succeeded and intend to succeed in providing the monetary framework which will encourage a mixed economy able to prosper and sustain the social base of public expenditure.

Ownership,
Capital &
Labour are
the same

That takes me to commend the new balance we are now striking in the mixed economy which sustains our social market economy. We have sought to find new partnerships between the citizen and the state in industries which once lay under the pall of public ownership. Since 1979 there has been a striking transfer of assets, from public to private ownership. The companies involved range from *, the assets and employees involved are *. The dessicated socialism of Whitehall nationalisation is in retreat. Only the Bourbons opposite wish to reverse the process and march resolutely backwards to the Morrisonian nationalised bureaucracies of forty years ago. I accept, at once, the political battleground will be the extent to which British Telecom provides a new partnership and new prospects for popular and employee share ownership. However, in this battle as in so many others we speak for tomorrow.

*Details will be supplied by No 10

Tax

Then there is the question of how best we can sustain through tax policies ^① the new balance in the mixed economy and ^② the corporate prosperity needed to underpin social spending. From the outset we have had the objectives of widening the tax base, reducing penal and political rates of top direct taxation and mitigating the impact of direct taxation on the lower paid*. Tax as you spend rather than tax as you earn is not only a prudent political and economic policy; it is an attempt to lift from the lower income tax payer a direct tax burden he would not have been expected to bear before the 1939-45 war. This years budget has marked a welcome step forward in this policy.

Competition

Finally, our quest for a British style social market economy has required a conscious policy of encouraging competition - the only policy that makes sense for a country who derives * of its national income from the world's market place. To that end we have provided a better legal framework for our monopoly and merger statutes in the Competition Act*. We have abolished the vestiges of price, dividend, and income controls and above all we have taken the decisive step of abolishing exchange control. That process is now being extended with recent initiatives to liberalise the professions at home. Overseas, and particularly in the European Community, we are seeking to liberalise services and particularly insurance and transport regulations. The House is indebted to Ridley for the persistence with which he has pursued these objectives.

*Details to be supplied by No 10

I say to the House, therefore, that far from the caricature of the economy entertained by the Opposition, we have a situation where inflation has fallen, a new partnership has been struck with the mixed economy, there is greater regard for the consumer, and tax reform is under way. We are providing a framework which enables the development of the social market economy. It encourages prosperity, personal freedom, consumer choice and sends scuttling into retreat the high spending and high taxation policies of the Opposition.

Furthermore let me rebut, here and now, the proposition that the current state of the national economy is an indictment of liberal free enterprise economics. It is not. Of course we are distressed that international economic circumstances, including US interest rates, and the Iraq-Iran conflict - as well as our own coal dispute - have given an upward thrust to interest rates. The House, however, will have noted that the governments own borrowing policies are set to minimise the impact of such an interest rate rise.

I also must note - as will the House - that unemployment remains obstinately high*. I am entitled to observe, however, that employment itself is rising at a distinctly satisfactory rate and that employment in the services particularly so*.

No study of the unemployment figures can suggest we are a stagnant society or a palsied economy. The study will confirm the fluid state of the labour market and the tentative nature of any conclusions.

The study also prepares one for the central feature of the so called real economy. The figures are convincing enough. National output is rising by *, industrial output by*, investments by*, and exports by*. Behind these bare statistics which relate to this Motion, lies a list of individual and corporate success. Profitable achievements secured in competitive conditions. That is the real Britain that is trying to speak and be heard through the clamour of partisan politics and cynical opportunism.

That perhaps provides the current content in which to consider the brooding and overshadowing topic of the coal dispute. It featured in the speech of Kinnock and its implications have lain with us all over recent weeks.

Let me say at the outset that the coal dispute - of the utmost importance itself - has also a transcending importance. The current dispute is a challenge to the very essence of democratic and liberal values that are contained in a British style social-market economy. The matter can be put simply. An effective social market economy requires that the resources of the productive economy, whatever the ownership, are put to effective ends so that their subsequent prosperity can provide the tax revenues to promote the social role of government, including health and education. The profitable activities of such nationally known concerns as* will make the point. If the NCB are prevented from progressively concentrating their business around the low cost pits there will never be a chance for their organisation contributing equally to the social market economy alongside all other corporate tax payers.

Indeed all the current indications are thus. The coal industry is not enjoying the level of competitive prosperity to enable it to contribute to our schools and hospitals. Its massive loss making ensures that it is a rival with our schools and our hospitals for such public funds as are available.

The House will, therefore, realise that the public interest - in the true sense of the word - requires that the final settlement must pay proper regard to the objectives of a viable low cost industry that makes generous redundancy arrangements for those affected by change. If that proposal is rejected by Kinnock then we shall have early warning of his headlong flight from economic realism.