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THE BUDGET -- THE CHANCELLOR OF THE EXCHEQUER, THE RT. HON. NIGEL LAWSON, MP
for the Government

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RT.HON.NIGEL LAWSON MP:

[CHANCELLOR OF THE EXCHEQUER] It must be rather puzzling for anybody outside the narrow and rather hectic worlds of finance and politics to understand what is really happening to this country's economy.

Are we doing well, or aren't we?

Is there a recovery, or are things getting worse?

One day we are told that inflation is down, that exports are up and the economy is growing, and the next day we hear that unemployment is stuck at well over the three million mark.

Well which picture is the true one?

The answer is that they are both true. But although that explains the facts, it does not really solve the puzzle. Part of the answer is that for many years we have suffered from massive over-manning in much of our industry. The big shake-out in the last six years has enabled us to produce just as much, in fact considerably more, with many fewer people and as a result, British industry is now much more successful and much more competitive.

But far too many of the lost jobs have not yet been replaced by new ones, and I will be looking at the reason for that in a moment or two.

There can be no question that the British economy today is strong, prosperous, and on an upward path. All the signs tell the same story. Take inflation first, in 1970 it was running at six per cent. Then there was that terrifying surge to twenty-four per cent in the mid-seventies under Labour, followed by a fall and then another surge. So that when we took over in 1979, it was back into double figures and rising fast.

We brought that under control and now it is down to around five per cent, its lowest level since the 1960's and holding steady, and I mean to get it lower still.

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RT.HON. NIGEL LAWSON MP: Or take living standards. For the average man in work, take home pay has gone up ten per cent faster than prices since we first took office in 1979, and the prospects for the future are at least as good.

Britain's output for example, is now at its highest level ever, and is set to grow even higher next year -- and what is more -- our exports are now at an all-time record, even without taking into account North Sea oil.

And it is even more impressive if you look at our growth of output beside that of our competitors. From 1970 to 1982, we were right at the bottom of the Common Market league table. In 1983 we were top, and despite the coal strike, we were third last year, and this year the international forecasts of the O.E.C.D. think that we will be top again.

And for investment in new machinery and the like by business and industry, which is one of the key pointers to future growth and jobs, it is the same story. It has been rising steeply since we got inflation under control and was at its highest level ever in 1984, and this year it looks to be even better.

All this shows beyond any question that we have got Britain back on the path of strong and steady growth, and this despite the year long coal strike. Happily, the strike is now behind us, but at the time it cost us dear. Indeed, you know, it is a real tribute to the strength and success of the British economy that despite the strike, we have had record growth, record investment and record exports.

And yet, for all that, we do still have more than three million unemployed, and that adds up to a terrible human problem. What is the reason for it? If we are to understand the reason, the first point to note is that it is not just a British problem. In 1970, our unemployment in this country was a little higher than the Common Market average. You can see how much it had grown by the end of last year, but the Common Market average has grown by just about the same proportion during the same period.

So why aren't we creating more jobs? Well the plain fact is that we are. There has been an increase of almost half-a-million in the number of jobs in Britain since you returned us to office in the General Election of 1983. But it hasn't reduced the unemployment figures, because the number of people looking for jobs has increased even faster. But more jobs are being created all the same.

And that is why it remains this Government's policy to do everything that any Government can, and Government can only do so much to create a climate that allows the economy to grow and encourages people to create new jobs and jobs that will last.

RT. HON. NICEL LAWSON MP: In today's Budget, I made a number of changes which will help us to do just that. Last year you will recall, I removed the National Insurance surcharge, Labour's tax on jobs. This year, with the surcharge out of the way, I have gone further and cut National Insurance contributions themselves for people on low incomes and for those who employ them. It will be a lot cheaper for employers to take such people on, and they in turn will keep a lot more of what they earn.

And I have been able to cut Income Tax a bit too, so that the tax paid by most married couples will go down by almost one pound seventy-five a week on top of any benefit they may get from the reduction in National Insurance contributions for the low paid.

At the same time, the Government has acted directly to help two sets of people in particular difficulty. School-leavers and the long term unemployed. The improved Youth Training Scheme I announced today should eventually offer two years of training to any sixteen-year-old who wants it, and for those who have been out of work for a fair time, there will be another one hundred thousand places on the Community Programme, so it all adds up to a real 'Budget for Jobs'.

This year has certainly had its ups and downs. But the underlying trend has been growth and success, with even more encouraging pointers to the future.

If I don't sound as happy as I ought to be, it is because you can't be completely happy while there are still so many people around who want to work and can't find a job. Some people seem to believe that Governments can simply buy jobs -- I tell you, they can't. If they could, there would never be any unemployment, because there is nothing easier for Governments than spending other people's money.

But this Budget will help and it will do so without taking any risks with inflation. In the meanwhile, the steady rise of production, of living standards, of investment and of exports are the best possible signs we could have that we are the right track.
