



10 DOWNING STREET

Prime Minister

Attached are extracts from
Ted Heath's speech to the Press
Gallery which I thought you might
be interested to read.

Derek

3rd December 1981

Conservative and Unionist Central Office

HEATH.

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9000

Memorandum from: Maurice Romilly.....

To: Derek Howe.....

Date: 2nd December 1981.....

You might like some of Ted Heath's comments as transcribed from very rusty shorthand notes. By the way, how is IT getting along?

Regards



Conservative and Unionist Central Office

22 Smith Square Westminster SW1P 3HH Telephone 01-222 9000

Memorandum from: ... Communications Department ...

To: The Chairman
cc Alan Howarth

Date: 2nd December 1981

Extracts from a speech by Mr Edward Heath, MP, speaking as guest of honour at a Press Gallery lunch on December 2nd 1981:

"The point I want to make is the extraordinary complacency...which permeates the Western world and leaders of the Western world in dealing with problems far worse than ever they were back in 1931. It is the paralysis of Western leadership which is the disturbing factor today in the whole of this world situation. The people of those days are being replaced by people who haven't had experience in international affairs". On the other side of the Atlantic were people proud of the fact that they had not shouldered continuity, which one ought to do. And that was the real danger. The idea that any country could deal with its own affairs satisfactorily without the co-ordination and consultation which hitherto went on - that was immensely damaging. But it was what we were seeing: on the economic side the US had no interest in the developing world, it could be left to the market. The plain fact was that it was not being done.

"It shows a complete failure to understand the machinery built up by very hard work over this period in order to deal with these world wide problems. We have to start regionally and we have made a beginning in Europe. But it is only a beginning..."

In particular we came to the question of monetary stability. How could we get stability of currencies so the economy could recover and businessmen know exactly what their future was? "The only way is through the European Monetary System. Britain must join the EMS. We must go in at the appropriate rate. What worries me is that so many of the lessons we were forced to learn painfully in the past are being easily overlooked today."

Turning to the general economic position, he said it must now be obvious that what we had come to hear about in the past two or three years as "monetarism" no longer had any intellectual justification whatever. When one had a number of economic advisers on both sides of the Atlantic confessing that they were wrong "it is difficult for me to deny them. But that is now the situation. So any intellectual bases for such policies do not exist."

"We have reached a situation in which there is no consistent economic approach to any of our problems on either side of the Atlantic."

When things picked up what were we going to do for trained manpower? Today we had

fewer trained men and women than ever before in our history. "We desperately need now an overall training arrangement which will ensure our needs are met. We desperately need a thoroughly organised system of comprehensive training."

If the world moved out of recession what about oil prices? "Nothing will prevent OPEC increasing prices as it wishes. But at the moment there is no proposal in any Western country how it will be dealt with. So we will find ourselves with the position of 1974 or 1979/80 with a massive increase in oil price. That can only be dealt with by the West being prepared to make an agreement with OPEC governing supplies and prices of oil..."

He could see nothing wrong with a consumer society. But now we had come to a different society - one based on interest rates "and the only interest is in interest.

"No longer is society interested in investment for productive purposes but only where it can put its money to get an extra 1/8 or 1/16 and it moves it about as it wishes. We can condemn what is nothing more than interest interested society."

Answering questions Mr Heath said: "I don't believe the end of the recession is in sight now. I believe that is reinforced by all the evidence the Americans are producing now. The Americans have had a major turn-down. I don't believe that Europe can escape the impact of that - no way. We must recognise the impact the US is going to have on Europe.

"As far as our Government is concerned, I obviously share the hope of Jim (Prior) and his fellow members that the policies - I don't say the present policies - will bring the results we all want. I remain hopeful."