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PRIME MINISTER  
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PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

6 May 1980

Clive Whitmore Esq  
Principal Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*[Handwritten signature]*

*Dear Clive*

At the Media Briefing Meeting this morning I understand that the Prime Minister asked for a copy of the speech the Paymaster General gave at the Annual General Meeting of the Stratford-upon-Avon and South Worcestershire Conservative Association.

A copy of the speech is attached.

*Yours ever*  
*[Signature]*

R E S PRESCOTT  
Private Secretary



7 Speaking Notes

## Conservative Central Office

### NEWS SERVICE

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Extract from a speech by The Rt Hon Angus MAUDE, TD, MP, (Stratford-upon-Avon) Paymaster General, speaking at the Annual General Meeting of the Stratford-upon-Avon & South Worcestershire Conservative Association, at the Town Hall, Stratford-upon-Avon, on Friday, 2nd MAY, 1980.

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We are always being asked to explain Government policy and the reasons for it in simple terms. Not easy, but let me try.

First, it is a myth that Governments can spend the country into prosperity. The last two Governments tried it, and it made things worse. So that's out.

The Government has no money. It can only spend your tax money: more spending, higher taxes.. If it borrows, you pay the interest. ~~It~~ if it borrows too much, all interest rates go up, including mortgages.

Social services can be improved only if the wealth is created to provide the resources. Governments can't create wealth - only people can do that, providing goods and services at competitive prices.

Higher pay without higher production means higher prices, more inflation, and in the long run fewer jobs.

You can't protect inefficient industries and firms for long by import controls. Other countries will ban our goods and so put more people out of work. And you just put off the day when our firms have to become more competitive.

Pay controls - Government incomes policies - never work for long. In the end the dam bursts and inflation roars ahead again.

So employers and unions must reach pay settlements which firms can afford without raising prices to the consumer and losing business to cheaper producers. More pay must mean higher productivity. Despite Arthur Scargill, the Yorkshire miners have grasped this and seem to be revelling in it.

/The only...



The only alternative is that some - if not most - people will have to put up for a time with lower real living standards. You can't absorb, for example, a 50 per cent increase in world oil prices just by demanding more pay without more production.

Government can't solve all these problems. It can only create conditions in which people can bargain on equal terms, improve efficiency and reap the rewards of it.

This we are doing. There is no alternative - except to go back to the Labour policies that failed, and which were rejected by the voters last year. And there's no point in saying we should proceed more slowly: that only means it will take longer to effect a cure - to get inflation down and create new jobs.

END



-6 MAY 1980

