

DRAFT SPEECH FOR THE PRIME MINISTER:

ECONOMY

Over the 1980s, our British economy has broken many a record:

- zooming from the bottom to the top of the growth league;
- gains in productivity which far exceeded those in Europe and North America;
- slashing unemployment month in month out to the lowest level in Europe;
- modernising British industry at a pace unequalled in the post-war years;
- not merely cutting Government borrowing but actually reducing the burden of debt, not by increasing taxes rates but, wonder of wonders, by drastically reducing them;
- and our share of world exports which had been falling for a century became at last stable.

Alan B. Anderson -
All these achievements you, the British people, have made possible. When your Government cleared the way and put its own accounts in good order, then we saw the rebound of enterprise, initiative and sheer hard work which has always been latent, but so long suppressed, in the British people.

But we have only just begun the British renaissance. There is a long way to go before we achieve the standard of living of Germany. But, for the first time since the War, we are on the way. We are closing the gap.

One of the notable achievements in the first Conservative Government of the decade was to bring inflation down from its peak of over 20 per cent (in 1980) to 5 per cent (in 1982). It took strong medicine and steady nerves. ~~still~~

Further
fall to
below 3%

it was painful - reducing inflation always is ~~especially for those~~
~~with mortgages and for the small business~~

Today we have a similar, though much more modest, problem. Inflation ~~even~~ ^{now} at an ~~underlying~~ ^{between 7% to 7.5%} ~~6~~ per cent, is too high.

* [This inflation is largely a consequence of the Chancellor's and my concern that the world stock market crash of October 1987 should not send us spiralling into a major 1930's style depression. We certainly avoided the slump, but we are now burdened with the inflationary consequences of those expansionary policies in 1987 and early 1988.] Inflation must come down. And the only way to achieve a low rate of inflation is through high rates of interest. The Chancellor has told you of his determination to keep interest rates as high as we need and as long as is necessary to bring inflation down to a tolerable level. I fully support and applaud that policy.

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Meanwhile, there is work to do. [The Conservative policy is not only delivering low inflation.] We envisage a Britain where you will keep more and more of what you earn. The Chancellor's tax reform of 1987 was not the end of a programme: it was only the end of the beginning. But what a beginning! The high tax rates we inherited were crippling at 98 per cent and 83 per cent. In our reforms so far, we have brought the maximum down to 40 per cent, and the corporate rate to 35 per cent. Our opponents predicted penury for the public sector - but instead there was a plenitude. Low taxes did generate much more revenue. The Socialists never, in their wildest nightmares, imagined that lower tax rates would bring in such a bonanza.

Income tax
Women
in the

* If you need a rationalisation, this is the best one to use. AW

Nothing illustrates more vividly the sterility of Socialist dogma. Playing on envy and resentment, they "soak-the-rich" with confiscatory tax rates on even modest incomes. And these confiscatory taxes beget a miserly public revenue. They poison the goose that lays such golden eggs. Paradoxically, it is the poor who suffer most. The low yield of such high tax rates meant that Government was not able to finance *adequately* those welfare services which only the State can provide. The lesson is that if you want to increase Government spending, then you must have taxes low enough to encourage the people to work and finance ~~them~~. *it, while leaving them & their families with the tax's greater part of the fruits of their own labor*

Our opponents now say that they ^{would} will have maximum tax rates of "only" 50 per cent. If you believe it (and I must confess I have some little difficulty) this is a change of tone, if not tune; but the composer is still the same. The dour dirge of resentment and envy is still the leitmotif of Socialism.

We Conservatives know that envy is one the Seven Deadly Sins. We reject it. Our vision is one of freedom and opportunity.

You, the British people, are not to be treated as children, incapable of knowing what is best for you or your family and relying on a knowing Nanny from Whitehall or townhall.

Since 1979, Britain has vied with the United States as the nation with more freedoms than any other.

AW