

Where in this the deepest and longest world recession in the post war period, do we stand in Britain?

Yes - we have been to the I.M.F. but not like the last government as a nation seeking help but as a country giving help to others - a much more fitting role for Britain. From Socialist supplicant, to Conservative contributor.

The Exchange Rate? In spite of hostilities in the South Atlantic - the exchange rate held - a wonderful tribute to the prudent financial policies pursued by Geoffrey Howe.

The advice of world economic summits? We have followed it all - or it has followed us - because our policies are in line with those proposed by the most perceptive and knowledgeable commentators.

(You are familiar:-

- with the achievement on inflation. A steady downward movement. 8% now; forecast to be 6½% by the end of the year. ^{And the} Without controls, without distortions, without ^{cosmetics of the} subsidies. This is a singular achievement which required guts when the going got rough and a steady nerve. And we must persevere until it is down much further. The rewards would be enormous.

- once again money would be a store of value - from year to year, from earning to retirement.

→ the problems of index-linking and inflation proof pensions would be small compared with the vast ^{they create some unmanageable} proportions they assume when inflation is high - not to mention the unfairness as between those whose incomes are and those whose aren't, protected.

- with the falling budget deficit - a vexed problem which assails American budgets but which through ^{Thanks to my} the resolute approach, we have contained and reduced the budget deficit.

- With the falling interest rates - (down again this week) and mortgage rates - a cheerful message to big and small business; to town and country alike. 5% down on interest rate will save industry \$ billion. Lower interest rates and lower inflation will ease the way for industrial recovery.

New Wages

They are a necessary precondition for future prosperity but they are not of themselves sufficient.

To pull out of recession, to gain a larger proportion of home and export markets, to compete with our industrial rivals, ^{thereby} to create more jobs, ~~all this~~ involves a (shared responsibility; shared between ~~what~~ governments and those in industry, can do. ^{Even if we get price stable, we shall not have beaten inflation till costs stop rising too.}

Wage costs are vital both in the private and public sector.

Note, I do not say pay but wage costs. For too long we have talked about pay as if it were wholly separate from output.

As if everyone was somehow entitled to have his standard of living provided ^{fully} regardless of ^{how much} what we could produce and sell.

~~Such a notion is~~ absurd as every self-employed person will ^{himself} remind us but it was one of the damaging by-products of successive incomes policies, all of which broke down.

By

The ~~result of~~ disconnecting pay from productivity was that in this country, we paid ourselves 90% more for the same output, while in Germany the figure was only 15%, ^{and in} Japan pay and output went hand in hand.

So they got more orders ~~than we did~~ and we lost more jobs ~~than they did~~. Their gains in our home markets and export markets have meant a loss of 1½ million jobs here in the last 12 years.

(Shared) Responsibility for loss of those ^{is shared} jobs between governments who printed the extra money to pay the extra wages and workforce and management who demanded or conceded wage ^{increases} increases, ^{not matched} not matched by output.

*an overhead on the national
productive economy*

Wage costs in the public service matter too, for they are *ultimately* a charge on productive industry. Geoffrey Howe has already spoken of the 3½% extra budgetted next year for this purpose. *The money* It doesn't come from 'governments' - it comes out of the pockets of those who don't work in the public service. It is worth commenting that in Germany *comparable* the figure is 2%, and *in* Japan NIL.

*only by containing cost levels
will we give industrial management a fair
chance*
~~This is the financial side - but no amount of efficiency~~
will produce the jobs unless the product is attractive to the customer, and that *responsibility* lies in the lap of management. We have the most brilliant fundamental research in this country - I have spoken before of the number of Nobel prizes we have taken. We produce so many 'first' in industry - the first computer, cathode ray tube for TV, rada, jet engine, penecillin, brain scanner, nuclear power staion, products for cloning genes, carbon fibres. Then in the past someone else has followed them up and exploited them better than we have. But things are changing. The cooperation between Universities and industry grows apace. Science parks are springing up. Grants from the Department of Industry are used to attract private finance - shared responsibility, shared between government, inventor, managers, workforce.

It will require a tremendous and sustained effort substantially to reduce unemployment; an effort on the part of goverments, management workforce. Unemployment has increased throughout the industrial world to levels we hoped never to see again. *L U.N.P.* If businesses were to survive, overmanning restrictive practices and slack working arrangements had to be tackled.

They have been - and, alas, unemployment has consequently increased.

L The reasons are various

2 We are in a period when the population of working age (16-65) is increasing, because many more people are reaching school leaving age than are reaching retirement. Between 1977 and 1981 - the population of working age grew by nearly 750,000. And over the next four years the labour force may grow by a further 600,000. Even without a world recession we should have needed a lot more jobs to stop the unemployment numbers rising.

3 New technology - the use of the robot and numerically controlled machine tools leads to increased manufacturing output ^{obtained} with fewer people. We cannot opt out of the technology race and try to stand comfortably aside. If we were to do so, our costs would rise compared with our competitors and we should lose not just particular products but whole industries, with corresponding loss of jobs. (And the competitive threat comes not only from Japan, Europe and the U.S. but increasingly from the newly developing countries, South Korea, Taiwan, which have learned the lesson and whose products are now skipping not just one technological generation but more.) As one production engineer put it "The real threat in new technology is the threat of your worst enemies using it".

It will cause immediate employment problems in some jobs and sectors, but the consequence of the U.K. failing to apply the new technology to the maximum degree possible would be a progressive loss of international competitiveness leading to obsolete industries here.

But new technology brings long-term opportunities as new products are created that we could scarcely have imagined several years ago. The country that has made greatest ^{studies} ~~studies~~ in its use has been the most successful in maintaining high employment. Indeed in 1981 the Japanese electronics industry produced some £9 billion of products - roughly equal in size to the car industry, and she has 90% of world capacity in video tape recorders. (Sony, South Wales moved into video recorders when they were making fewer TV sets. Result - jobs increased from 350 in 1976 to over 1,000)

What is the formula for success in this field. It is:-

- 1) Use new technology to the full.
- 2) Spot and develop new products the market wants.

We count Train for new skills - here it is ironic that in spite of unemployment we are short of people with the skills in computer work.

Soon there will be great opportunities for the new automated office equipment. We have only 5% of the market now but we could win 80%. New jobs can be created but we have to go after them.

Add to these things the effect of world recession and we understand the distressingly high figures.

And there is one other matter of which I am constantly reminded whenever I travel overseas in quest of business for Britain, and of new investment in Britain. Strikes, you have so many strikes, I am told. It if weren't for that, we'd order more and invest more. In vain do I explain that there are very few strikes in the private sector ~~it is mostly in the public sector.~~ *for our overseas customers do not make that distinction* The fact is a comparatively small number of militants in militant areas and militant industries do untold harm to job prospects in other peoples jobs. That is a far cry from the Friendly and Provident societies started by the pioneers of Trade Unionism.

One can only remind those who go on strike that they have a responsibility to those without jobs and their action may affect others
 Norman Tebbit has told you of his imaginative training programme, especially for young people, which starts in September next year. We want to reach the stage when school leavers will either have a job or training to go to, and unemployment will not be an option. The scheme will be a shared responsibility

- government and industry and commerce striving to give our young people a good start, a sense of being involved and a habit of work.

Some of our companies have good stories to tell:-

- 1) I opened Castle Peak Power Station in Hong Kong last week. It is a tribute to British endeavour and British equipment. 4 years after work commenced the first unit was running - several months early. British and management. We can do it.
- 2) Cable & Wireless. Winning order - good results.
- 3) Retail Sales up etc

CONTINUE WITH OTHER NEWS

Continue with A.

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Where is this the deepest & longest-
 world recession in the post-war period, do we
 stand in Britain?

Yes we have been to the 1.0% but not
 like the last post. as a nation keeping help.
 but as a country giving help to others - a
 much more giving role for Britain. From
 recipient supplicant, to generous contributor.

The Exchange Rate? in spite of the
 hostilities in the South Atlantic. The exchange rate
helps - a wonderful tribute to the ~~best~~
~~best~~ prudent financial policies pursued by
 the House.

The course of world economic movements? We have
 followed it all - or it has followed us - ~~but~~ ^{beginning to} ~~but~~ ^{beginning to}
 in line with the ~~new~~ proposed by the most perceptible
 and knowledgeable commentators

You are familiar with the

- with the achievement on inflation.

~~down~~ a steady downward movement. For now, ~~expected to~~ forecast to be 6% by the end of the year, without controls, without disciplines without subsidies.

This is a singular achievement which requires ^{when the price goes up} guts and a steady nerve.

And we must persevere until it is done much further. The rewards would be enormous

- one year's money would be a store of value \rightarrow from year to year from currency to investment.

- the problem of inflation - holding a inflation proof asset would be small compared with the ~~amount~~ ^{value} properties they acquire when inflation is high - not to mention

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The inference is between those whose views
are [proliferated] ~~and those~~
those whose views
are [proliferated].

- with the falling budget deficit ~~and~~
~~loss of~~ ~~the~~ ~~problem~~ ~~and~~ ~~problem~~
which ^{assists} ~~bedevils~~ America of budgets but
which ~~is~~ ~~the~~ ~~cause~~ ~~of~~ ~~the~~ ~~problem~~
spread, we have continued reduced

- with the falling interest rates - (down-
ward) and ~~not~~ ~~the~~ ~~rate~~ ~~is~~ ~~not~~ ~~a~~
cheapest means to help small business;
to loan & country debt. No down-
ward interest rates will save industry ~~of~~ ~~the~~ ~~billions~~.
Lower interest rates ~~is~~ ~~not~~ ~~the~~ ~~answer~~ ~~to~~ ~~the~~ ~~problem~~
the way for voluntary recovery

They are a necessary precondition for
future prosperity, but they are not of
themselves sufficient

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To pull out of recession, to gain a larger
~~place~~ of home & export markets, ^{independent} to compete with our rivals, to under-
 take more jobs, to share all the risks & shared
responsibility. shared between what jobs can
and what industry can do.

~~Industry is not a machine. It has to~~
~~be done to compete.~~

~~It is industry's concern that.~~

~~It has to be done to compete.~~

Wage costs - ~~not a~~ are not
~~to~~ look in the public eye now - I do
not say pay but wage costs. It is
long we have talked about pay as if it
was wholly dependent on output. Mr
Craxi was somehow enabled to have his
hand in the matter regarding what
we could produce and sell. Just a nation
is based on every self-employed man

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~~It is~~ remind us ~~but it was one of the~~
~~damaging by products of successive incomes~~
~~policy all which have done.~~

The result of discouraging pay
for productivity was that in this country
we paid ourselves nearly ^{90% more} ~~twice~~ as much for the
same output, while in Germany the figure was only
15% more and in Japan pay output was ahead
in hand. ~~so it~~

~~The result is~~ so they got more orders
than we did we lost more jobs than they did
~~if only we had kept the same share of~~
~~export markets as the same share of the home market~~
~~50%~~
Their pay in our productivity ~~and in~~ ^{home} ~~on both~~ and
export markets have meant a loss of 1 1/2 million
jobs ^{here} in the last 72 years.

Shared responsibility for loss of those jobs
between policy who pushed the Colson man to
pay the whole wages, and ~~management~~ workforce
~~management~~ who demanded a conceded revisions

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not ~~melting~~ by output.

Way ~~cost~~ in the public ~~sector~~ ^{service} ~~services~~
 matters, for they are ~~ultimately~~ a charge
 on productive industry. As they have ~~been~~
 already spoken of the 3 1/2% ^{subsidy} budgetted ~~and~~
 then for this purpose. It doesn't come from
 jobs - it comes ~~from~~ out of the products
 of those who ~~do~~ work in the public service
 It is worth remembering that in Germany ~~the rate is~~
~~rather low~~ the rate is 2% and Japan 1%
~~It is not a matter of construction but~~

This is the technical side - but no

amount of efficiency will produce the jobs unless
 the design product ~~and its~~ ^{structure to the machine} ~~design~~ is ~~right~~, and that
 lies in the top of management. We have the
 most hitherto ~~as~~ fundamental research in this
 country - I have spoken before of the no. 1
 Nobel prize we win. We produce 10
 many ~~of the~~ ^{probable} jobs in industry - the

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2

just come, ~~from~~ ^{cathode ray tube for TV} ~~cathode ray tube~~, ~~from~~
 need, ~~just~~ jet ^{engine}, ^{station} ~~engine~~, ^{parallel} ~~engine~~ ^{brain}
 scanner, nuclear power, ^{the products for cloning} ~~the products for cloning~~
^{genes} ~~genes~~, carbon fibres, ~~and~~ ^{with the past} ~~then~~ (someone else has
~~followed them up~~ ^{exploited them} ~~exploited them~~ ^{better than we do here.}
~~The ability to~~ ~~do jobs at 1/1000th~~ ^{we need}
~~will only come from the new products of~~ ~~science~~
 But things are changing. ~~and~~ ~~the~~ ~~new~~ ~~products~~
~~the~~ ~~cooperation~~ ~~between~~ ~~science~~ ~~and~~ ~~industry~~
~~from~~ ~~space~~: ~~space~~ ~~science~~ ~~are~~ ~~spring~~ ~~up~~ ~~in~~
~~great~~ ~~for~~ ~~the~~ ~~D.S.~~ ~~are~~ ~~used~~ ~~to~~ ~~eliminate~~ ~~man's~~
~~share~~ ~~responsibility~~ ^{shared} ~~responsibility~~ ^{responsibility} ~~for~~ ~~events~~
~~management~~ ~~and~~ ~~workforce~~.

It will require a ~~benefit~~ ^{benefit} ~~and~~
~~intensive~~ ~~effort~~ ~~intended~~ ~~to~~ ~~reduce~~
~~unemployment~~, ~~as~~ ~~an~~ ~~effort~~ ~~to~~ ~~the~~ ~~part~~ ~~of~~
~~government~~, ~~management~~, ~~workforce~~, ~~and~~ ~~the~~
~~unemployment~~ has ~~increased~~ ~~throughout~~

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The anticipated work to levels we hoped never to see again.

~~We have suffered from overmanning~~
~~restricted prices~~

Overmanning & restrictive practices, ~~but~~
~~for the limited~~ slack working arrangements ~~had~~
to be tolerated. ~~They have~~ ~~the~~ ~~businesses~~
~~sometimes even whole industries~~ ~~are to survive.~~

They have been - and ~~the~~ ~~businesses~~
due the ~~unemployment~~ ~~of~~ ~~unemployed~~ ~~men~~ ~~has~~ ~~increased~~
~~It would have been better if the~~ ~~problem~~ ~~had~~ ~~been~~
~~dealt~~ ~~during~~ ~~the~~ ~~first~~ ~~period~~ ~~of~~ ~~growth~~ ~~before~~
~~the~~ ~~dis~~ ~~in~~ ~~the~~ ~~late~~

We are in a ^{penicil} ₍₁₆₋₆₅₎ when the
population of working age is increasing, ~~the~~
because many more people are reaching school
leaving age than are reaching retirement. Between
1977 and 1981 - the population of working age
grew by nearly 750,000, and over the next

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few years the labour force may grow by ^{an extra} ~~200~~ 600,000. Even without a world recession we should have needed ~~more jobs~~ a lot more jobs to stop the unemployment ~~rate~~ number rising.

New technology ^{the way} - (the robot is numerically controlled machine tools ^{leads to} ~~leads to~~ increased ~~production~~ manufacturing ~~to~~ output with fewer people. We cannot opt out of the technology race and try to stand comfortably ^{aside} ~~apart~~. If we do so, ^{we} ~~we~~ our ^{would} ~~will~~ ^{lose} ~~lose~~ ^{our} ~~our~~ competitive edge compared with our competitors and we should lose not just particular products but whole industries, with corresponding loss of jobs.

~~At the heart of our economic difficulties lies the~~
And the ~~threat~~ competitive threat comes not only from Japan, whose rise has been witnessed by the newly developed countries, South Korea, Taiwan which have learned the lesson and whom we should not see as new sleeping neighbours.

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technological functions but more. As our
production expands it is "The real threat
in new technology is the threat of your worst
creatures using it."

Of course it will cause ~~short-term~~ immediate
employment problems in some jobs and sectors, but
the consequence of the UK failings to apply the
new technology to the maximum degree possible
would be ~~loss of that~~ a progressive
loss of international competitiveness leading to obsolescence
and higher taxes.

But, New technology brings long-term opportunities
as a new product we created that we could
scarcely have imagined several years ago. The
country that has ^{made fantastic strides} ~~been successful~~ in its use
has been the most successful in maintaining high
employment. Indeed in 1977 the Japanese electronic
industry produced some \$9 billion of products
- roughly equal in size to the ^{car} ~~car~~ industry, and

3.50 x 1976 to over

10 DOWNING STREET 1,000 now

the best 50% of world economy - in value but
 recorder. [Long. Southwester moved into value
 recorder when they were making ^{level 5.0.}
 what in the ^{with. Party - jobs increased from} journals for success in their

- Jed - do it
- 1) we need knowledge to the full
 - 2) ~~Pro~~ develop new products the market
want
 - 3) train for new skills - here 2 is
 worse that is rate of unemployment
 we are short of people with the
 required skills in computer work.

So there will be great opportunities for
 the new ~~office~~ automatic office equipment.
 We have only 5% of the market ^{now} but we could ~~win~~
 50%. New jobs ^{can be used} ~~are there to be had~~ but we
 have to go after them.

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Add to these things the effect of
world recession and understand the ~~high~~
disproportionally high figures.

And there is one other matter of which
I am constantly reminded when ever I brood
over the ~~state~~ ^{quest} of business for Britain, and in fact
of our real involvement in Britain. Statistics, you have
so many statistics I am told. If it weren't for that
we'd order more invest more. In vain do I
explain that there are very few statistics in the
private sector - it is mostly in the public sector.
The best is - the expenditure well over 1 milliard in
in military area and substantial industries do
not seem to ~~do~~ job properly - other peoples
jobs. ~~There~~ ~~for~~ ~~they~~ ~~already~~ ~~know~~ ~~the~~ ~~state~~
~~already~~ ~~have~~ ~~them~~. ~~There~~ ~~is~~ ~~some~~ ~~to~~ ~~be~~ ~~done~~ ~~when~~
~~it~~ ~~remembers~~ ~~that~~ ~~the~~ ~~Ind.~~ ~~started~~ ~~24~~ ~~years~~ ~~ago~~

~~from the President who started Ford's program~~ (E3)
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~~President's duties. Now that we are a distinct~~
~~single can [blank] have their letters [blank]~~
~~to follow with [blank]. And [blank] believe~~

from the friendly President's position
started ~~what~~ the ~~pro~~ started by the program of
Good business.

Mr. man, I think - has told you his

viewpoint ~~training~~ program - especially for
young people, which starts the system next
year. ~~the first step~~ It we want to reach

the key when school leaves into other lines
job of ~~training~~ ^{to go to} unemployment will not be
an option. ^{The issue} ~~the~~ ^{is} a shared responsibility.

- job. ~~without~~ ~~concern~~ ~~strong~~ to find
start ~~the~~ ^{on young people} ~~good~~ start, a team of large workers

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and a habit of work.

For some of our companies have good
stores to be

① I opened Cuckoo Peak power station -
it'll be built. It is a habit of
British endeavours and British equipment
I know that work covered the first
the unit was started running - several
months early. British values, culture,
and management. We can do it.

② Cuckoo Peak - working value - first
result

③ Product value up. etc.

Continue with other Good News