

Lawson attacks reflation lobby

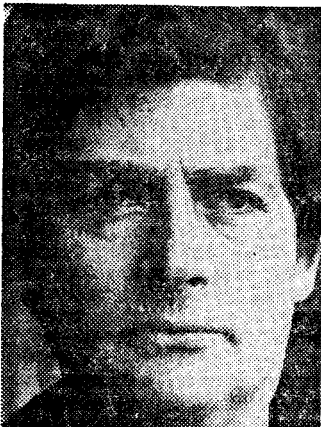
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By Melvyn Westlake

Mr Nigel Lawson, the Energy Secretary and one of the most uncompromising hawks in the Cabinet, sought yesterday to rally resistance to the mounting pressure for a reflationary Budget in March. Less than 24 hours before the Cabinet was due to discuss Budget strategy, Mr Lawson poured scorn on the siren voices urging the Government to throw away all the hard-won gains by indulging in a big programme of reflation.

Although Mr Lawson did not refer specifically to his own Cabinet colleagues, there are several who are known to be increasingly anxious about the level of unemployment and keen to see Sir Geoffrey Howe, the Chancellor, give some boost to the economy. The rise in the jobless total to over three million has given a new force to their arguments.

Mr Lawson was, however, undaunted by the lengthening dole queues. The Government was fighting a war against inflation, he said, and added: "In war, casualties are inescapable. They are neither intended, nor are they unexpected. They are a



Mr Nigel Lawson: rallying resistance to reflation.

sign neither of wickedness nor incompetence. The object is quite simply to win the war while minimising the casualties incurred."

The Energy Secretary made it clear that the Government would not be deterred by the mounting jobless toll. There should be no doubt, he said, that the Government intended to stick to its course. He was addressing the Association of Economic Representatives of London.

The content of the speech, which Mr. Lawson wrote himself, appeared to be aimed at a wider audience. The Chancellor may have scope to give modest tax cuts, amounting to about £1,000m, in the Budget without pushing government borrowing above target. But this is less than many Tory "wets", including a handful in the Cabinet, would like to see.

In a stout defence of Government policy during the last three years, Mr. Lawson blamed much of today's economic troubles on the Keynesian policies of earlier governments, and fiercely attacked the Government's Keynesian critics. He said they had predicted that the recession would intensify as a result of the £4,000m of tax increases the Chancellor had imposed in the last Budget, at its depth. Mr. Lawson said he claimed at the time that the Budget was not contractionary and that some recovery would follow and events had vindicated his view.

If the Government's critics had been right, the modest recovery now taking place could never have occurred, he asserted.