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DRAFT PIECE FOR PRIME MINISTER'S SPEECH

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WORLD RECOVERY

Throughout the Western World there has been a steady recovery from the recent recession. Of course the recovery is not uniform over either industries or sectors. Some will never recover, whereas others will attain new heights of production and profit. That is how it should be. Industries and firms are like the trees of a forest; they spring from small beginnings, grow sometimes rapidly, sometimes slowly, then mature and eventually die. There are occasions when the deadwood inhibits the growth of the new trees. Then the deadwood must be removed. This is a painful business. The sad sound of the axe has been heard in all Western lands. But new growth is rapidly filling in the gaps. This flexibility, adaptation and change is as admirable in industry as it is deplorable in government.

Industry and commerce are emerging from the recession in a far better shape than they went into it. Furthermore, we in Britain have enjoyed a steady recovery without the artificial stimulus of inflationary demand. In Britain we resisted the temptation to try to spend our way out of the recession. Fiscal and monetary restraint, particularly in the second winter of the last government and in the Budget of 1981 was pursued with firm resolve by the Chancellor, Sir Geoffrey Howe. The mass of economists told us we were wrong and that the economy would sink faster in a precipitous decline. But contrary to what the majority of experts forecast, our recovery began in the summer of 1981. Our output increased faster than the average of the industrialised countries. For two years we have grown faster than the great economy of the Federal Republic of Germany.

Since the budget of 1981, indeed, Britain has been the locomotive of Europe and the industrialised West. It is ironic that we did not stoke up demand to provide such locomotion, as most of our critics urged us so to do. This was no part of some grand international design. There was no planned surge of borrowing and spending. On the contrary, we in Britain simply pursued policies of prudence and restraint. That sound policy generated the recovery by which we could lead the world out of the recession.

Alas, Britain is too small a part of the world economy to pull all the laggards on to the path of recovery. But I believe that our example and our resolution showed the way. In those uncertain days that was a lot.

The question on all our minds is how long will this growth continue? And when will there be a really substantial increase in employment? Alas, no-one, and certainly no businessman or economist, can confidently give assurances on how fast or how long the economy will grow. But I can assure you that we in Government will pursue the prudent and responsible financial policies that have been the basis for our recovery so far. That we can promise.

Then the recovery will continue to be real, not artificial. It will be based on the efficiency, application and sheer performance of British industry and commerce - and not on paper claims and promises. That is as it should be. That is as it will be.