

Howe attacked from all sides

By Hugh Noyes, Parliamentary Correspondent, Westminster

Mr Edward Heath yesterday made a powerful and withering attack on government policy when he intervened at an early stage of the debate in the Commons on the Chancellor's public expenditure proposals of last week.

He told Sir Geoffrey Howe, who was sitting hunched gloomily between Mrs Margaret Thatcher and Mr Leon Brittan, Chief Secretary to the Treasury, that there had never been any practical or intellectual justification for monetarism.

He went on to warn the Government of the growing unrest on the Conservative benches over the failure to produce measures to help reduce the number of unemployed and over the threats of more damaging education cuts. Education facilities lost to students, he protested, could never be regained. That was the loss of a generation and the loss for a lifetime and there would be the strongest possible objections among Tory MPs if that happened.

As the debate opened, Sir Geoffrey Howe seemed an almost lone voice crying in the wilderness as he bravely told the House that he could detect multiplying signals of an economic recovery.

The motion to approve Sir Geoffrey's proposals was carried by 307 votes to 265, a Government majority of 42. The Labour amendment calling for the statement to be rejected and for the Government to abandon its totally discredited medium term financial strategy was earlier defeated by 307 votes to 267, a Government majority of 40. The Government's majority over all other parties in the House is 39.

There was a star studded cast waiting to speak as the debate opened on the proposals which Sir Geoffrey stoutly insisted did not amount to a mini-budget.

From all sides, Mr Heath among the Tories, Mr Peter Shore opening for the Opposition and Mrs Shirley Williams speaking for the SDP for the first time after her victory at Crosby, there were loud calls for varying degrees of reflation, in housing, harbours, railways and a host of other capital spending projects.

Mr Heath told the Chancellor that his constant emphasis on the public sector, with the intimation that it was something on the whole rather undesirable, and on the private sector, whose health must be rightly preserved, led to wrong judgments which could be damaging to the economy.

The two sectors, he told the House, were inextricably bound together. On the cut-back on unemployment benefits, Mr Heath said that he would need a great deal of persuasion that it was inescapable. It was fallacious and unacceptable to argue that because there had to be a reduction in the standard of living, the unemployed must bear their share of the burden.

He urged Sir Geoffrey to remove the present confusion by making plain what policies he was following. In a slightly cynical tone, the former prime minister detected, if not a U-turn, then at least a veering by

Gilmour leads Tory rebels

Sir Ian Gilmour, the former Cabinet minister, who said on his dismissal from office in September that the Government was steering at full speed for the rocks, last night led a substantial backbench rebellion against the Government's spending plans for 1982-83.

Fourteen Conservative MPs who failed to vote at the end of the debate let it be known that they had deliberately abstained.

The abstainers were Mr Patrick Cormack, Mr Julian Critchley, Mr Stephen Dorell, Mr Hugh Dykes, Mr Alan Haselhurst, Mr Robert Hicks, Mr David Knox, Mr Charles Morrison, Mr Robin Squire, Mr Dennis Walters, Mr John Watson, Mr Richard Shepherd, Mr David Mudd and Sir Ian.

the Government in the right direction. He suggested that the Chancellor was showing a most welcome change in attitude by stating that he was now going to take account of interest rates and exchange rates.

Protesting that he was being as helpful as he could, Mr Heath told an obviously unimpressed Chancellor that he was delighted to see he was now thinking in broader terms. What worried him most was that the country could not see that at the end of all these monetarist proceedings the future would be any the better for them. Now that Sir Geoffrey was moving so beautifully round the curve, he should tell the country what was going to happen and when.

Mr Heath's justification for his claim that Sir Geoffrey was returning to the paths of righteousness came in one of the Chancellor's less obscure passages when he told the House that when the time came to set the scale of public borrowing for the next financial year, that must be modest enough to offer the prospect of lower interest rates.

He added that it must also take proper account of the exchange rate and the need to maintain a steady but not excessive downward pressure on the growth of the monetary variables. Not all MPs were as certain as was Mr Heath that those words involved any sort of a change of policy. Even Mr Heath suggested that the Chancellor should make clear that he now intended to follow a policy on the exchange and interest rates, the money supply and Government borrowing. If he was serious in saying that he intended to deal with the sterling exchange rate, it should be done by joining the European Monetary System, Mr Heath said.

Sir Geoffrey, as he opened the debate, sounded almost as though he wanted to respond to some of Mr Heath's demands for clarification. Continually interrupted by Tory sceptics, including Sir Ian Gilmour, the former Lord Privy Seal, he battled bravely through the surrounding gloom.

On a slightly hopeful note he told the House that at this

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stage he was neither threatening increases nor promising reductions in the burden of taxation. That would have to wait for the full Budget judgment in the spring. Saying that he was not inflexible and certainly not a Scrooge-like Chancellor, Sir Geoffrey argued that before long we should be moving into conditions where job prospects would improve.

But he gave a warning that nobody in any part of the political spectrum offered the prospect of an early return to what was once thought of as full employment.

He interpreted the Government's actuaries figures produced last week as indicating that the increase in the unemployment rate would be substantially reduced over the next 12 months. Industrial production was now on an upward trend, as was manufacturing output. The growth in the gross national product was also likely to improve next year. As for inflation that was expected to come down to 10 per cent and would still be falling in a year's time. If this progress could be maintained, with more modest wage increases, there was no reason why there should not be a recovery in private industry

profits and that was the pre-condition for investment and general improvement.

Sir Geoffrey told the House that an objective look at all the indicators showed that the picture was of real progress in the right direction. Those improvements were not the hot-house product of any short-sighted switch of policy but the result of real and sustainable progress in the economy.

Mr Shore for Labour and Mrs Williams for the SDP, were less than impressed. Mr Shore spoke of his contempt for "these imported, half-baked economic theories". The Government, he predicted was on the road to ruin. Either we said goodbye to the medium-term financial strategy or we said goodbye to the British economy.

As for Mrs Williams, she could not see how increased rates, rents and charges would do anything effective about inflation. The British people were being sacrificed on the altar of monetarism. Her party believed that there was a strong case for a reflation figure of £5bn to £6bn a year. In the interests of saving the economy from its present desperate condition she begged the Government to think again.

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