



10 DOWNING STREET

PRIME MINISTER,

1. THIS IS A MOST INTERESTING
SPEECH.
2. I DO NOT DISSENT FROM
THE IMPLIED ANSWER TO
THE QUESTION WITH
WHICH YOU POSSE IN THE
LAST SENTENCE.
3. HENCE THE IMPORTANCE
OF THE EXERCISE ON
WHICH YOU ARE ENGAGED
AT PRESENT.

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20/3/1980.

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Address by the Rt. Hon. J. Enoch Powell, MP to the
Central London Branch of the Royal Institute of
Chartered Surveyors, Great George Street, London SW1
at 6.30 pm, Friday 21 March 1980

The subject on which you originally invited me to address you was "The Crash of 1984". I somewhat jibbed at this, because I am unaware of the events of 1984, in which the present parliament reaches its statutory maximum life, and opined that I could do no more than discourse on the real and imaginary economic dangers of the next four years. Even thus denuded of its apocalyptic garb, the subject is still a fearsome one. Some fears are indeed by nature imaginary, since they rest upon radical misconceptions of economic and political reality; but experience witnesses that we are very bad judges of ^{real} the dangers which will be most serious in four or five years' time.

I propose therefore to identify what I regard as the inherently unreal dangers, and then to describe the real dangers which in my opinion might, though not necessarily will, be uppermost in ^{the} coming years.

The unreal dangers cluster round the popular concept of competitiveness, and the deductions drawn from Britain's supposed "uncompetitiveness". These range from dire predictions of national bankruptcy to threats of this country being "unable to feed itself" or becoming "de-industrialised". Bankruptcy is of course a metaphor inapplicable to a nation such as ours, or indeed to any nation, unless it is in the position of Egypt or China in the 19th century, whereby the creditors of the country actually put in receivers by brute force and take over the collection of taxes and even the running of the country. We would do well, therefore, to forget notions of bankruptcy or insolvency, and concentrate instead upon analysis of the alleged "uncompetitiveness".

It appears that this means that more man-hours, or whatever measure of human effort is adopted, are required here to turn out a given quantum of certain goods or articles than in other countries,

called "competitor countries". This has in fact been true of the comparison between Britain and the United States since the first half of the 19th century, when parliamentary investigators were actually sent across the Atlantic to find out how the Americans did it and why Britain was "uncompetitive". Though like is not always compared with like in these exercises in international comparison, I dare say that a very large number of genuine such cases could be produced today, ranging from France and Germany to Japan.

What is wrong is not so much the comparison of productivity as the deductions drawn from that comparison as to the commercial and economic consequences. The outside world has continued to trade, and to trade to mutual advantage, with the United States despite the unfavourable ratios of respective productivity. The reason is twofold. First, the superiority of the United States in productivity is not uniform: in some industries the gap between it and other countries is wider than in others. It therefore pays the Americans instead of producing everything themselves to concentrate upon the whole on those forms of production where their superiority is greatest and to "farm out" (so to speak) to others the tasks where their lead is less, even though they could produce the goods in question more efficiently themselves if they set out to do so. The second reason runs concurrently with the first. The exchange rate between the dollar and other currencies stands at a level whereby, translated into dollar terms, the goods of which the production is "farmed out" can be sold more cheaply in the United States than the corresponding home products.

This point about the exchange rate ought not to need much elaboration at a time when British manufacturers and exporters are loudly complaining that the rise in the exchange rate of sterling has made their goods "uncompetitive". They do not of course mean that their own productivity - their manhours per ton, or whatever - has fallen since the exchange rate of sterling rose. They are in fact declaring (though they do not seem to realise it) that the supposed

link between productivity and competitiveness is nonsense.

The exchange rate contains the answer to the apparent paradox. If identical goods were being produced at widely differing efficiency in different parts of the United Kingdom or if ~~the~~ United Kingdom and Germany, or Japan, or the United States, were part of a single political unit with a single currency, then of course the less efficient producers would be knocked out. That is why Germany is so keen for Britain to go into the European Monetary System, so that it can wipe out the British industries with which it is in competition. ^{But} /a customs union without a common currency - or, put it another way, free trade combined with a free exchange rate - enables production to be carried advantageously on in different countries at different, perhaps widely different, levels of efficiency. When the Lancashire cotton manufacturers demanded at the end of the last century to be protected against Bombay, it was not Indian efficiency that frightened them but the exchange rate of the rupee.

Of course ~~so~~, the standard of living, so far as that is measurable in terms of productivity (a very important and far-reaching qualification), will be relatively lower in Britain, or rise more slowly in Britain, than in countries where productivity is higher or increasing faster. We never felt either surprised or outraged by the superior material affluence of the Americans. What we need not fear, ^{however} /so long as we remain a nation with our own currency and allow the exchange rate of that currency to move freely, is that our inferior productivity or our "uncompetitiveness" (if we are silly enough to describe it so) will drive us out of international trade, or impoverish us, or de-industrialise us or leave us without the means to import food. All these are bogies to be relegated to the world of Hans Andersen.

If these are not the real dangers, what are? You may be surprised if I say that they are social and political rather than economic or, more precisely, economic in their form but social and political in their nature. I will classify them under two rubrics - inflation, and the loss of economic independence.

It is extremely easy and tempting to exaggerate the economic effects of inflation. Nations, such as Japan, have in the last generation achieved striking economic success at the same time as going through severe bouts of inflation. If the exchange rate is free, the tortures which differential rates of inflation as between Britain and other countries obliged us to inflict upon ourselves in order to maintain a fixed parity need not be repeated nor need the collective sense of humiliation which accompanied them. Admittedly, inflation by its nature alternately accelerates and decelerates, and the deceleration has unpleasant side-effects, such as a rise in unemployment and a certain economic dislocation; ^{but} the true evil of inflation, as we have seen in these last years, is the incessant conflict which it causes between the groups whose relative ^{only belatedly} position is adjusted to the altered value of money, at differing intervals and at differing rates. This conflict has increasingly threatened the division of society along class lines and the destruction of the authority of government and the courts.

We are just at this moment passing through what may be the stage of critical decision. My fear, not necessarily dated to 1984 but none the less acute for that, is that if government should fail in this next twelve months to regain control over the expenditure and debt-creation of the state, the moment when that is still practicable may have passed by. In that event the resumption of inflation at levels equalling and exceeding those of the mid 1970's will be resumed, with results, in terms of industrial and social anarchy, out of all comparison with what we have experienced hitherto. The practical difficulty and the political travail of restoring social cohesion and national self-confidence at the end of that phase would be proportionately greater. Inflation can create strains to which no political system, however stable, is equal.

I come to the second danger. It was said that after the Second ^{that} World War/Britain had lost an empire and ~~failed~~ to find a role. I am

prepared to say that since 1972 Britain has ceased to be a nation and is fated to become a province. Britain's membership of the E.E.C. would make sense if, but only if, we accepted the implications of complete absorption, economic and political, into the new continental state. We should then be a region, with all the advantages and disadvantages, such as those accepted by Wales or Ulster as part of the United Kingdom. Since, however, predictably and ineluctably, we are not prepared to be a province but continue to behave as if we were a nation, the economic consequences are disastrous and must become progressively more so. We are forced into a pattern of trading which fits well the continental system of maximum self-sufficiency and high cost agriculture but bears no relation to the British economy. We are deprived of control of our national assets in agriculture and fisheries and, increasingly, in disposal of our sources of energy. We have exchanged our external commercial autonomy for a common policy, in forming which we can never have more than a small minority voice - often a minority of one. On top of all the rest, we are a net contributor to the rest of the Community - visibly in the form of our growing net payment, invisibly in the price and trade disadvantages inherent for us in membership.

There is, besides, something else, intangible and unprovable but nonetheless a reality and the greatest reality. Economic performance is connected with social self-consciousness. Men and women in real life do not work and produce as selfish, autonomous, atomic units. They give the best of which they are capable only under the pressure and inspiration of a sense of identity - of the answer to Churchill's historic question "What sort of people do they think we are?" We cannot give a satisfying response to that question, or, consequently, to our economic environment, so long as we have to be told that the answer is: "You are no longer a nation and you must hurry up and become a European province." Unmistakably the crisis point is approaching when that conflict, hitherto suppressed and subconscious

becomes open and conscious. The celebrated "decline of Britain", which is far more subjective than objective, is unstoppable until that crisis has been reached and resolved. It looks at present as if the turning point may arrive before 1984. Who knows if it will not be the pivot of the next general election , in or before that year?