

# Heath blast at Thatcher's 'dreary path'

By George Clark, David Watts and Philip Webster

Mr Edward Heath, the former Conservative Prime Minister, yesterday made his fiercest attack so far on the Government's economic policy urging a complete reassessment and return to consensus politics and warning that "the only alternative is to drag on down the dreary path of ever-deepening recession".

In response, Mrs Margaret Thatcher, the Prime Minister, who is in Melbourne, made last-minute additions to a lecture in answer to Mr Heath's talk of consensus.

Conservative MPs at Westminster were taking sides over what many of them see as a direct challenge to Mrs Thatcher's authority as leader, and as heralding an openly divided party conference in Blackpool next week.

Mr Heath chose a meeting of the Federation of Conservative Students in Manchester to warn Mrs Thatcher that businessmen, trade unionists and ordinary citizens had reached

you use when you cannot get agreement", she said.

"For me, consensus seems to be the process of abandoning all beliefs, principles, values and policies. So it is something in which no one believes and to which no one objects. It is the process of avoiding the very issues that have to be solved merely to get people to come to an agreement on the way ahead.

"What great causes have been fought and won under the banner of 'I stand for consensus'?" she asked.

To Mrs Thatcher's claim that there was no alternative to her policies, Mr Heath insisted: "There is another way. It will require a dramatic change in policies and it will involve the whole of Europe if it is to be successful, but it is an alternative which I believe the Conservative Party ought to follow."

He said the main objective of the new policy must be to break away from the killing treadmill of spiralling interest rates. In his advanced text, he

point where they said that the price they were being asked to pay for monetarist policies was unacceptable.

"If more than three million unemployed are necessary to get inflation down to a level higher than it was two and a half years ago, how many more millions of unemployed will be required to bring it down—to what level—to a level which has never been revealed?", he asked.

In outlining his alternative, Mr Heath said Britain needed to join the European Monetary System, resume the powers of exchange control, reduce interest rates, spend on selective capital reinvestment, embark on a massive retraining programme, and eventual abolition of the national insurance surcharge.

With anger, he indirectly challenged Mrs Thatcher and her Treasury colleagues: "How dare those who run the biggest budget deficit in history reproach others with the heinous crime of printing money?" It was an obvious reference to attacks made on his administration when inflation got out of hand prior to the 1974 general election.

Although he did not once refer to Mrs Thatcher by name in his speech the implication was clear, especially when he called for a reassessment of policy and return to consensus.

Consensus was created by a continuing process of consultation and discussion in which government demonstrates its determination to tackle the difficulties which cause tension within society.

Mrs Thatcher's long distance reaction was to describe herself as a politician of conviction rather than pragmatism. Delivering the 1981 Sir Robert Menzies lecture at Monash University, Melbourne, the Prime Minister riposted to Mr Heath's attack.

"For me pragmatism is not enough nor is the fashionable word consensus. When I asked one of my Commonwealth colleagues why he kept saying there was a consensus on a certain matter, another replied in a flash: 'Consensus is the word

referred to the massive Trojan horse conveying United States monetary conditions into our own markets" with the result that there were wild fluctuations in the value of the pound, but he made no reference to it in his speech.

Britain needed to join the European Monetary System with a view to stabilizing the European currencies and to work with our partners in the European Community "to put a ring fence around its money and capital markets", thus enabling European currencies to disengage from the aberrations in the rest of the world.

"Britain should resume the use of our powers of exchange control as part of an EEC exchange control system applying to third countries", Mr Heath said. "That would be the first stage enabling us to break the vicious circle of spiralling interest rates and cut the chains that bind us." It would prevent the present vast flow of funds out of Europe, caused by the high American interest rates.

The United States itself had a joint long-term interest in carrying out such an operation jointly with the Community in case the dollar again collapsed. "It would be best if we could act in unison," said Mr Heath. "But if we cannot do it together in Europe, we must do it alone."

The nation also needed a massive training and retraining programme not just to take young people off the streets but to provide a sound basis for the expansion of industry and services in the future.

"No one will ever convince the exponents of the doctrine of monetarism that it is now inadequate", Mr Heath said.

At Westminster, support for the Government came from Sir William Clark, chairman of the backbench finance committee and MP for Croydon,

South. "The Government is right in pursuing its hard policy in that it is determined to cut down the overspending that successive governments have indulged in," he said.

Partial text, page 6

Leading article, page 17

Money supply up 2%, page 21

