

[LORD WELLS-PESTELL.]

Can we afford—and I do not speak as a unilateralist, because I am not a unilateralist; at least, not yet—to spend the amount of money that we are spending every year on armaments when we have a situation like this? How can we call ourselves Christians, a Christian nation or a religious people if we allow this extreme wealth to walk not side by side, but hand in hand with extreme poverty? I believe that in 1984–85 we shall be spending £17,000 million on defence. The noble Lord will put me right if I am wrong about that, which I may be. In 1985–86, we shall be spending £18,700 million on defence. Can that really be justified?

I know the arguments, but can we really justify that kind of expenditure at the expense of the daily lives of millions of our people in this country? If it is because America wants England as her front line of defence, then she ought to pay for it—every penny of it. I know the argument is that it is for the defence of our own people. I am not asking that we should switch 100 per cent. from defence expenditure to the support of people, but surely to goodness a sufficient amount of money can be saved not to raise them to the level of luxury, but to raise them to a level that is very much higher than the poverty line on which so many of them have to exist today. My Lords, I beg to move for Papers.

3.27 p.m.

The Chancellor of the Duchy of Lancaster (Lord Cockfield): My Lords, the noble Lord, Lord Wells-Pestell, has, as we all know and appreciate, a great sympathy and understanding for those who are unemployed or sick, or who suffer poverty or deprivation. His concern is a very deeply held personal one, but that ought not to blind him to the fact that these concerns are widely held, not least by members of my own party. I must in this respect entirely refute some of the comments that he has made about my party, my colleagues and the Government that I represent.

May I remind him of the words that Pope wrote in his *Essay on Man*:

“In faith and hope the world will disagree: But all mankind's concern is charity.”

Compassion, like charity, is the concern of all mankind. It is not the prerogative of one political party or of one group in the community. It is something which transcends all barriers of class and party. As John Donne, the divine, said, we are all “involved in mankind”. Where we differ, therefore, is not in our perception of the problem, but in our perception of how to deal with it.

Here there is a fundamental divide between the parties. The Opposition are—and always have been—obsessed with the question of the distribution of wealth. We on these Benches believe that the primary objective must be the creation of wealth—the creation of wealth in the form of increasing the production of goods and services and investment which creates that production.

Without that more abundant wealth, the springs of compassion must run dry. What mankind needs is not the wringing of hand or lamentation in the night but

the creation of a society which is vigorous, enterprising and self-reliant, society which fosters and encourages independence of mind and means alike but equally one with the will to succour those who, through no fault of their own, cannot provide for themselves, and above all a society with the means to do so.

Nothing is more tedious, more destructive of good debate, than a long recitation of facts. But, as Browning said:

“Facts are facts and flinch not”.

So let us start with the facts. A hundred and fifty years ago, Shelley wrote in his essay *A Defence of Poetry* the words which the noble Lord, Lord Wells-Pestell, no

doubt had in mind:

“The rich have become richer and the poor have become poorer”.

These are fine poetic words which have been quoted down the ages by those with neither poetry in their hearts nor understanding in their minds. Shelley's words related to one of the darker periods in our history and they reflect a world long since gone. Over the years there has been a very great change in the distribution of wealth. The evidence of this is all around us. The great landed estates of the 18th and 19th centuries have largely been broken up. The historic houses which form part of our national heritage can rarely now be lived in simply as private dwelling places. Many have been demolished; many survive only by the revenue secured by being open to the public. There is great public concern about the way that private collections of pictures and other works of art are being broken up under the pressure of economic circumstances, often being scattered from these shores.

If one does not believe the evidence of one's own eyes, one can always turn to statistics. The source document is the first report of the Royal Commission on the Distribution of Income and Wealth, presided over by the noble Lord, Lord Diamond, and supplemented now by the reports of the Board of Inland Revenue. In 1911 the top 1 per cent. of the population owned 69 per cent. of total personal wealth. By 1960 this had dropped to 42 per cent. If one includes pension rights—the most important source of savings and of property—the figure today has fallen to 12 per cent.—a very dramatic change.

But more important than this, important though it is, is the immense spread of personal wealth among the broad mass of our population—a development which has received help, encouragement and impetus under this Government. Today, 12½ million people own their own homes; 11 million people are in occupational pension schemes; 20 million people have money in a building society; 10 million people have National Savings Accounts; 2 million people own shares in companies. On a more mundane level, 79 per cent. of households have a washing machine; 93 per cent. have a refrigerator; 97 per cent. have a television set; 76 per cent. have a telephone.

Is this, my Lords, the picture of a country where the rich are growing richer and the poor poorer? Of course it is not. It is a picture of a country where the ownership of wealth is steadily extending throughout the whole of our society, and a very good thing indeed it is. It is no answer to these plain facts to claim that millions of people are living in poverty because they do

not possess television sets or washing machines, or because their incomes are below supplementary benefit levels. The very measures which are chosen in these attempts to demonstrate the extent of poverty are indeed measures of relative affluence rather than of poverty. Let us therefore put on one side this obsessive preoccupation with the distribution of wealth and these attempts to demonstrate the existence of poverty and turn our attention to the real problems which exist.

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It is all too easy to deal with symptoms, not with causes. It is popular—at least in the short run—because government appears to be taking direct action to deal with the problems that worry people. Thus, price control to curb rising prices; pay control to stop excessive wage increases; exchange controls to stop money going overseas; public expenditure as a cure for unemployment; government grants to encourage this activity or that, and so on *ad infinitum*. We tried this, under successive governments in the 30 years after the war. But it simply does not work. The dismal record of the 1970s amply demonstrates that: money incomes up by 312 per cent. and output up by 25 per cent. You simply cannot succeed by treating symptoms in this way. Fundamental problems need fundamental solutions.

To do justice to the Labour party, this basic truth had begun to dawn upon them when they were forced to go cap in hand to the IMF. This was very fully recognised by the noble Lord, Lord Barnett, in the spirit of frankness which overcame him when he came to write his memoirs. I hope he has taken this opportunity of rereading that fascinating account of the road to "doom and gloom". Those are his own words. I would not claim to have invented that memorable phrase. Unfortunately, for all the noble Lord's good intentions, once the immediate crisis was over the Labour Government plunged once more down the path of fiscal and economic irresponsibility. It was left to this Government in 1979 to turn to the task of establishing a firm foundation for the future—a task made doubly difficult by the second great oil price explosion and the resulting world recession.

*Sound Money*

Sound money is the foundation on which progress must be built. Without sound money, there can be no confidence in the future, and investment languishes. Without sound money, wages chase prices, prices chase wages in an ever-increasing spiral of inflation. Without sound money there can be no certainty in the present, no saving for the future. We now have the lowest rate of inflation for half a generation. Inflationary habits die hard. We cannot relax. We must make further progress. But we have established the firm foundation, the rock on which to build for the future.

On that rock, we must build three things: first, a higher standard of living for all our people; second, better job opportunities, whether in employment or in self-employment; third, the freedom that comes from wider property ownership.

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A higher standard of living can only come from higher output. There is no real solution to be found in shorter working weeks or early retirement. All too often, devices of this kind result in less output, not more, in higher costs, not lower costs.

The road to higher output comes, and can only come, from producing the right goods, at the right price, and of the right quality. What you produce you need to sell, and you will sell only if other people are prepared to buy. In the last 20 years or so, our share of world trade has halved, and import penetration into this country has gone up by 50 per cent. But for this, we would today enjoy a higher standard of living and a higher level of employment. There have been many factors at work, but lack of competitiveness on the part of British industry has been the most important. This was recognised by the noble Lord, Lord Barnett, in commenting on the Labour Government's performance. What he said was this:

"Nothing had been done to change our underlying problem of poor industrial performance".

He went on to prophesy:

"The really depressing thought . . . was that there did not seem to be much that any Government could do about that".



But events, I am happy to say, have proved him wrong. The tide has turned. Under a different Government, with different policies, very considerable progress has been made.

Output per head in manufacture now stands at record levels—nearly 23 per cent. higher than the low point in 1980. Unit wage and salary costs in manufacture increased by only 2½ per cent. last year—the best performance since the 1960s.

But we must not relax. Some of our major competitors—the United States, Japan and Western Germany—are doing better than we are. Continued restraint in pay settlements is essential if we are to maintain and improve our competitive position. Upon this rests the prospects for growing employment and lower unemployment.

There is no evidence that Governments can themselves directly reduce unemployment. Indeed, all the evidence points to the contrary. Despite repeated attempts in years gone by to reflate the economy, the level of unemployment has inexorably moved upwards. Every single Government since the 1950s have presided over a higher average level of unemployment than their predecessors. The effect of reflation has simply been to generate inflation, higher interest rates, higher costs, a loss of competitiveness, and ultimately a loss of output and employment. The steadfast faith of those who still cling to these supposed remedies may be admired for its loyalty, but not for its wisdom.

What Governments can do is to take action to improve the way the economy works, to improve its flexibility and its responsiveness to change, and to remove the obstacles which stand in the way. This is the path we have consistently followed: the removal of controls, on pay, on prices, on hire purchase and exchange control, all of which entrenched the old and hampered the new; the reform of the labour market, including the restriction of trade union power so often misused to obstruct progress; changes in the employment protection Acts which so often destroyed, not protected jobs.

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In the fiscal field there have been: the abolition of the national insurance surcharge and the reconstruction of corporation tax—two measures designed to remove the bias in favour of machines and

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[LORD COCKFIELD.]

against the employment of people; changes designed to improve incentives—reductions in direct taxation, improved share option schemes, reliefs for small businesses; measures to improve mobility—such as the reduction in stamp duty on house purchase; a massive new effort in training to ensure that our young people are better equipped to face the challenge of the new technological world, the list is endless.

The United States' economy has performed distinctly better than our own despite the incubus of the Budget deficit, with a higher rate of growth, a lower rate of inflation than we have, and nearly 5½ million new jobs created in the last 17 months. The answer lies in the greater flexibility of the American economy—its ability to adapt to change: an innovative outlook and an enterprise culture; and a government who take a much smaller proportion of the national output. If we are to live successfully in the modern world, these are things we must match.

It is only by progress along the path I have indicated that we can provide a secure future for our people. But our preoccupation with the future must not blind us to the serious problems faced by those who are unemployed today. In the last few years the standard of living of those in work has been higher than it has ever been. The burden of the recession has had to be carried by those out of work.

The unions, and particularly their leaders, bear a major share of the responsibility for this. Excessive pay increases extracted by the union leadership have left employers with no alternative but to reduce employment in order to stay competitive and remain in business. It is one of the great social and moral disgraces of our age that a movement born in the concept of the brotherhood of man should have destroyed the livelihood of so many of its own members to enable others to enjoy the profits of a higher standard of living.

All this was recognised by the noble Lord, Lord Barnett—if I may be forgiven for quoting him again:

"If the trade union movement insists",

he said,

"on using its strength to obtain increases in pay that have not been earned, then the net result will be to redistribute"—

that is, to redistribute the national wealth—

"in favour of those who are fortunate enough to remain in employment. And with pay increases in excess of increases in productivity, there is no way in which even present levels of employment can be maintained".

Those were the words of the noble Lord, Lord Barnett.

Of course it is not only the noble Lord, Lord Barnett, and myself who recognise these evident truths. The people of this country are recognising them, too. No wonder that trade union membership has fallen to its lowest level for 10 years. No wonder that there is a widening rift between the members and their leadership. It may well be that the members have a greater sense of responsibility to their fellow men than do their leaders. If this is so, it offers hope for the future.

Perhaps I may now leave these economic issues and turn to other matters. I imagine that in the course of this debate we shall hear a great deal about the

Government's record in the field of the social services—some of it critical. In this connection, I will remind your Lordships of the words of Edmund Burke:

"It is a general popular error to imagine the loudest complainers for the public to be the most anxious for its welfare".

My noble friend Lord Glenarthur, when replying to the debate, will deal with specific points which may be raised. Meantime, I shall simply place the following facts on record. Total expenditure on social security and health will have risen from £23.8 billion in 1978-79—the last year of Labour Government—to £52½ billion this year; an increase of 23 per cent. in real terms. Pensions will have risen by 83 per cent. against a rise in prices of 76 per cent.—again an increase in real terms. Supplementary benefit has risen by 5 per cent. in real terms. Family income supplement—an innovation of a Conservative Government and one which helps the poorest working families—has increased in real terms. Child benefit, the brainchild of the Conservative Party, stands in real terms at the highest level ever. The principal income tax personal allowances, which particularly benefit those on smaller incomes, were increased in the recent Budget by 12 per cent., more than double the amount needed to compensate for inflation. They now stand 16 per cent. higher in real terms than they were in 1978-79.

My Lords, today we stand at a great divide. We look back over the years of recession—the damage, the hardship and the suffering they caused. We look forward to the years of recovery, on which we are now embarked. In absolute terms, the growth in our national income last year was modest—some 3 per cent.—but it was the highest in Europe. Growth this year, again, is likely to be one of the highest in Europe. Investment, in manufacture as well as elsewhere in the economy, is rising strongly. Taken over a very long period of time, rates of growth in the Western World have probably not greatly exceeded 2 per cent. per annum. But growth of this kind—sustained and compounded over a long period of time—has brought with it a great growth in prosperity and has seen the creation of untold millions of new jobs. That is the challenge which faces us today. It is to encouraging, sustaining and improving the rate of growth in our economy that our policies must be directed.

They have been so directed—with a steadfastness which at times has been confused with obstinacy, with a determination which at times has been confused with rigidity. We are criticised for failure to reduce public expenditure and taxation in the way that we promised in 1979. But that failure is largely a reflection of higher welfare and social security costs, and it is this above all which gives the lie direct to the criticism that Conservatives do not care. True compassion does not consist in wearing your heart on your sleeve, but in putting your hand to the plough and your shoulder to the wheel. It is achievement which matters: and in that, this Government, this party, is very rich.

3.53 p.m.

Lord Banks: My Lords, the whole House will be grateful to the noble Lord, Lord Wells-Pestell, for raising this important subject this afternoon. We know, as the noble Lord, Lord Cockfield, has said, that it is one on which the noble Lord, Lord Wells-Pestell,