

A Diagnosis and Some Proposed Medication

Speech given at the annual convention of the Institute of Directors, March 20th 1979

WHERE ARE WE now? What is happening to us? What are we doing? Any one set of criteria would be too narrow to be valid, so I have chosen several. Let's start by the simplest: our economic position. Britain's share of World Trade has declined from 25% to 8%. Twenty-five years ago the income of the average Englishman was among the highest in the world. It is now lower than that of Iceland and Finland and is being caught up by Spain and Greece. Only recently, the American Bureau of Labour Statistics published the mid-1978 figures expressed in US dollars, comparing workers' salaries in the 10 largest industrialised countries. The basis was hourly pay including tax, fringe benefits and such items as pension and insurance costs. The average for the USA, Canada, Belgium, France, Germany, Holland, Sweden, Italy and Japan was \$8.12 cents per hour. The figure for the British worker was a pitiful \$4.24 cents per hour. And despite our low paid labour, our capacity to compete in world markets is still diminishing. Output per man in the British Steel Industry is less than a quarter of its American counterpart and about one-sixth of its Japanese counterpart. In the car industry with the same equipment, output per man in Britain is about half that of any other European country.

So economically in one generation we have been transformed from a rich country into a relatively poor one.

The second yardstick is world influence. Since the war the tide of history has forced us to give up what was left of a great empire. But we have also allowed our armed forces to run down to a state where they are among the smaller and more ill-equipped in the Western world and are still being dismantled. Over the last 25 years the number of servicemen has been reduced from 855,000 to 330,000. By last spring, servicemen's salaries were, on average, 32% below that of their counterpart in civilian life. The RAF has to operate a control system to limit the exodus of key men. The rate of applications to leave the army is 50% higher than two years ago. We seem to have lost the will even to defend ourselves. We have tried to find a new world role by going half-heartedly into Europe. But the whole world knows that our purpose is not to help create a Europe which would be a strong, independent, stabilising and civilized world power. No. All our government wants to know is what it can get out of Europe and before the next elections. The purpose of our intervention in world affairs has become all too clear. It is to allow our Prime Minister of the day to pose occasionally as a statesman.

Let's now turn to my third criterion: the evolution of the structure of our society during the past 25 years. Here again there have been vast changes. The State has progressively taken over those activities which account for 60% of our gross national product. State monopolies have been created covering steel, coal, electricity, aircraft, dockyards and most of the nation's services. As a result the private sector has contracted correspondingly. New enterprise has been stifled and this has been confirmed by a recent government committee of enquiry which states that our small business sector, the seed bed of enterprise, now represents a significantly smaller proportion of the national economy than in other industrialised States, and is still in decline. Over the same period of time, the number of government employees has increased to 7,400,000 and today nearly one person in three of our active population works for the State. What is more, State monopolies have automatically led to counterbalancing vast trade unions. How else can individuals cope with such concentrations of power? In Britain between 50% and 60% of the working population is now unionised. In America, where small and independent business is protected by law, between 20% and 25% of the labour force is unionised.

Underlying all this, there have been great shifts in our population. Over two million people have emigrated and we have received an immigrant population that is now larger than our agricultural population.

My final yardstick concerns our basic freedom. The power play between the State, the national monopolies and the trade unions has taken place above the head and regardless of the individual. As a result many of our fundamental freedoms have been traded away as payment for short term concessions. Today in Britain the average man is in fact no longer able to choose the school to which he will send his child. He is no longer free to choose the doctor who will care for his family. He is no longer free to choose the hospital, which will look after his children when they are ill. He is no longer free to work for a company without first paying obeisance to the trade union that, by law, he is forced to join. And bullying minorities in pursuit of their ambitions, whatever they may be, now have the right by law to set up flying squads, albeit in civilian clothes, to blockade our industry, our schools, our communities and even to force the sick out of their hospital beds and when they die to refuse to bury them. Instead of freedom we get licence.

That is where we are now. But, most people consistently refuse to face these facts. Perhaps it is because our national decline has taken place at a rate which allows people to get used to it step by step. The normal pattern is a brutal decline followed by a slight revival. The beginning of this year is typical. First there was chaos, then there was a fudged agreement with the mine workers, hand in hand with another counterfeit 'concordat' with the TUC. And now bit by bit, the majority, will be able to bluff themselves that it was all a false alarm.

My purpose today is to examine how we got into this mess and then to suggest how we can get out of it.

The first great cause of our problems has been constitutional. Twenty-five years ago a meeting of this Institute would not have considered the constitution as being directly relevant to our industrial development. But in the last few years we have become wiser and we know that the way people are elected to key posts in government and in the trade unions is very relevant indeed to our industrial life. This is particularly true now that the government has assumed management control over the bulk of the nation's activities and that the trade unions have accumulated such great power. Today the constitution is immediately relevant to every aspect of our life. Indeed to consider economic problems outside of their political context is dealing exclusively with symptoms and ignoring the underlying causes.

This nation has a deep instinct for democracy, and yet our democratic system is now based on a network of rotten boroughs, a network of systems that are democratic only in appearance. The electorate has little influence on the choice of its Members of Parliament. Let me explain. Parliamentary candidates are picked by selection committees and routinely are endorsed by the local associations. Once a candidate has been chosen for a safe seat, the only role of the voters is to rubber-stamp the selection. If a donkey had been selected as Conservative candidate for Chichester, he would have been elected. If a donkey had been selected as Labour candidate for Ebbw Vale, he would have been elected. In safe seats, which represent the majority of our parliamentary constituencies, the role of the voters is purely decorative. The Times Guide to the House of Commons lists 77 out of 635 seats as marginal.

So, in fact a large number of Members of Parliament are appointed, often for working life, to a sinecure in Parliament and the appointments are made by small unrepresentative groups of people.

In the Conservative Party the selection committees usually consist of less than 20 local notables. So, in the nation as a whole, only a few thousand people appoint the bulk of Tory Members of Parliament. No wonder that Conservative Members of Parliament tend to come from a narrow, middle class background and no wonder that the vast mass of the British people who believe in Conservative principles has so little in common with Conservative Members of Parliament.

The Labour Party is even worse. About 120 Labour Members of Parliament are sponsored by the trade unions. George Brown points out that they are expected to adhere to the policy

decisions laid down by their sponsors, the Unions, in their bi-annual conference. Are these Members of Parliament the representatives of their constituents or are they the delegates to Parliament of special interest groups?

What is more, the selection process of Labour candidates at constituency level is also being hijacked by extremist minorities, as we have witnessed over the past few years. No wonder that despite the fact that the vast majority of Labour voters believe in social democracy, 60% of new Labour Members of Parliament join the Tribune Group.

Then there is that other great rotten borough, the Labour Party Annual Conference. It is the Annual Conference which determines the policy of the Labour Party and which controls much of the Party machinery. Clause five of the Labour Party's constitution states quite clearly 'no proposal shall be included in the Party's programme unless it has been adopted by the Party Conference by a majority of not less than two-thirds of the votes recorded by card votes'. That sounds democratic but it is not. The top 11 Unions, between them, own the required two-third majority. And the officials of these Unions are elected, often for working life, by small minorities, usually voting without a secret ballot and often by a mere show of hands.

So, small activist minorities elect the officials of the 11 Unions who in turn control the two-thirds majority of the Annual Conference which in turn determines the policy of the Labour Party and controls much of its machinery. How rotten can a rotten borough get? Leaders of the parliamentary Labour Party have all fought for the right of Labour governments to be free from policies laid down for the Party by Annual Conference. But the constitution and control of the Party are clear for all to see and now some go so far as to suggest that Conference should have a major say in selecting the Leader of the Party. And there is another sad rotten borough, the House of Lords. Seventy-three per cent of its members are there through the hereditary principle and the bulk of the remainder are there because they have been kicked upstairs. This is serious because a democracy needs the checks and balances of a bicameral parliamentary system. Without it, one chamber, the House of Commons whose majority can be elected, as it was last time, by only 29% of the electorate, has total uncontested dominion over the nation. And it can, and very often does, use that power for cynical short term political motives. As we have no effective second chamber, and as we have no supreme court to bring the government under the rule of law, the government's cynicism goes uncontrolled. Over the years this country has been subjected to constant leaps from one end of the political spectrum to the other. There is such a small area of agreement between the Conservative and Labour Parties that, whenever the one follows the other into government, almost everything that the previous government had done is reversed. This seesaw makes it impossible for industry to plan on a medium or long term basis. A strong House of Lords could create stability. As is the case with strong Senates in other democratic countries, the second chamber avoids abrupt changes which governments carry out for short term political expediency.

No wonder the British people feel divorced from their leaders. They are divorced from the leaders. Woe to a nation where the leaders no longer represent the led.

The second great cause of our problems is the result of the very structure of our society. False ideology has led the State to take over activities which it is incapable of running. It should be no surprise that the government is incapable of running 60% of the nation's activities. The government consists of about 100 Ministers drawn from a body of about 300 Members of Parliament. About one in three. But, of these 300 Members of Parliament, quite a few are over age or totally inexperienced. So if you are an MP you have a fair chance of being part of the government team which runs 60% of our national activities. But that was not the purpose of Members of Parliament. The House of Commons, rather like a British jury, is supposed to consist of decent, ordinary people, representative of the nation as a whole. The belief that one in three of our Members of Parliament are the executives in the land most capable of running the bulk of our industry is absurd. It is as absurd as suggesting that, in future, the members of the jury will elect from among themselves the Judge who will preside over the case; that they will elect from among themselves the two advocates who will present the case and, that if the accused is

convicted, they will then elect from among themselves the governor of the prison to which he is sent.

What is more, one of the arguments advanced in support of the nationalisation of such activities as the sewage plants, refuse collection, road transport, port facilities and the utilities in general, was that each of these activities is of such an essential nature that it must be under government ownership in order to ensure continuity of supply. But the opposite has in fact occurred. The very fact that they are essential services is now being used by the Unions in these industries to coerce the public through strike threats which if carried out would deny to the nation these essential services. And most of these industries have become monopolies protected by law. It is illegal to provide alternative supplies. These monopolies, which are divorced from the reality of the market place, are monuments to our inefficiency and a root cause of our poverty. So, as others have said, we have reached the state where the private sector is that part of the economy the government controls and the public sector is the part that nobody controls.

The final major cause to which I will refer is taxation. When China recently decided to become a great modern power, a leading sinologist rightly said that the new leadership in China had recognised that they could have equality on the one hand or prosperity and strength on the other. But they could not have both. So they decided to abandon equality. One generation ago, we abandoned prosperity and strength but probably without realising what we were doing. The purpose of taxation in this country to a large degree has been to create a means for social engineering. It was not just to harvest funds for the State. The maximum tax rate of 83% on salaries and 98% on income from savings can be justified in no other way. The result has been to crush initiative within the country and to encourage two million enterprising people to emigrate to create prosperity for others.

In my view these are some of the principal reasons why we have got into this mess. My main proposals for getting out of it are the following.

Firstly the constitution needs to be brought up to date and the required changes are quite clear, Parliamentary candidates must be elected through primary elections and not appointed by small esoteric committees. Voters will then be able to participate fully in the choice and election of their Members of Parliament. There can be few more fundamental requirements for a democracy. Furthermore all bodies that participate in the formation of public policy, including the trade unions, must be subject to the representation of the People's Act suitably modified and this must ensure regular elections, secret ballots and a minimum quorum. Finally the House of Lords must not be destroyed. On the contrary it must be greatly strengthened. The House of Lords must be given credibility and real authority. That can only be done if it is truly representative. But we must not forget that we need two complementary chambers which together form our Parliament and not two similar or competing bodies. This means that the electoral process used for electing Members of the House of Lords must be complementary and not similar to that used for the House of Commons.

Without these changes, our democracy is a sham. It is no more than a way of bluffing the electorate into believing that it participates in the political process. It allows totally unrepresentative groups fraudulently, to claim that they speak in the name of the people and it gives the state uncontrolled power over the nation.

My second proposal is that we re-define the role of the State. The right way to define the State's intervention in the nation's affairs is that nothing should be done at a national level which can be done at a regional level; nothing should be done at regional level which can be done at local level and nothing should be done at local level which can be done at family level. No State monopolies should be created to take over activities which can be carried out in a decentralised and competitive way by private enterprise.

Recently there has been one slight glimmer of hope. The members of the Maldon District Council in Essex have had the wisdom and guts to transfer to private enterprise the job of refuse collection. As anticipated the results are better service at a cheaper price with

harmony at work. This is a tiny start and it should be reproduced on a grand scale throughout the nation. It must include the National Health Service. The extraordinary idea that the nation's hospitals, doctors, nurses, surgeries and ambulances are best run by a group of Civil Servants controlled from London is incredibly ill-conceived. Of course, the original ideals of the Health Service were superb. A reasonably prosperous nation must ensure that all should receive proper medical services no matter what their personal circumstances. But this ideal has been translated into a tragic and disgraceful mess and daily the mess becomes more tragic and more disgraceful. Do you realise that over a recent period of eight years there was a 51 % increase in the number of hospital administrators and that during the same period there were 11 % less beds to administer? We must respect the original ideals of the Health Service but we must act through decentralisation and not through the dead hand of a centralised Civil Service controlling a monopoly that has now lost hope.

Thirdly when discussing the structure of our society one is forced to include immigration. Immigration started in earnest under the Macmillian Government. It was not part of a plan nor of a policy. Its cultural and economic impact was never assessed. It was all just part of the process of muddling through without a strategy. A process which has characterized most of our governments since the war. Britain is the most tolerant and welcoming nation in the world. Over many decades immigrants to this country have been received peacefully and with dignity. But even Britain can be frightened and the rate of immigration over the past two decades has been at a level which has been frightening. The rate has been too fast to absorb naturally. This is true culturally in that the nature of a community changes if a significant proportion of its population is of a different culture. It is true economically in that we have not had the resources to build houses, schools and hospitals for the incoming population nor have we been able to provide sufficient employment.

Despite the fear of discussing the subject openly, in private, there is consensus agreement. Reasonable people know that those immigrants who have settled down here must have their rights fully protected. The immigrant leaders know that further immigration would cause a frightening backlash. The government knows that it does not have the resources to receive any further significant immigration. Only a few left wing intellectuals suggest that nothing need be done. But they are no more than a bunch of hypocrites. On the one hand they talk of human dignity and on the other they explain that we need the immigrant population as a cheap labour force to do the menial tasks that others will not do.

The politicians can stop worrying about losing votes by antagonizing the immigrant electorate or, alternatively, by antagonizing the anti-immigrant electorate. There is no longer any true conflict of interest. The government and the leaders of the immigrant communities, for the good of their own members, must work hand in hand to develop and implement a comprehensive and dynamic plan that will reassure the British people and allow their natural tolerance to continue to assert itself .

If this is not done then the only beneficiaries will be the extremists of left and right who will use this terrible and emotional issue to further their ambitions to damage this nation.

Fourthly we must not allow Europe to become the scape goat of the Labour Government. Nor must we allow the Conservatives to avoid the European issue because, at the moment, it is neither very fashionable nor very popular. Of course we would all prefer to remain totally independent. But our strategy must be based on reality. The reality is that the world has never been more dangerous. We must open our eyes to what is happening in the Middle East, the Far East, Africa and in the world in general. We must face the hard fact that alone we are totally vulnerable. We cannot defend ourselves, we cannot grow the food to feed ourselves and we cannot expect to have any influence on the course of world events from which, whether we like it or not, we depend. So wholeheartedly we should work to build a Europe in which we can believe. A Europe which respects the traditions and heritage of each of its member States but which, as a whole, must become a power, an independent power, capable of participating decisively in the affairs of the world.

My final point concerns taxation. My proposal is that we now cast away false ideology and accept unequivocally that we wish to be a meritocracy based not on equality but on equal opportunity.

Those who create prosperity must be encouraged and rewarded. They must not be encouraged to emigrate to create prosperity for others. Enterprise is the creature of individuals, not of councils, nor of committees, nor of pension fund managers nor of governments. It is the product of individual initiative. So reduce the maximum rate of tax on income of all kinds, including salaries, income from savings, capital gains and capital transfers to a single level of 50%. The apparent loss to the revenue would be about 0.8% of the government's total expenditure. I say apparent loss because in fact there would be no loss. The simplification of the tax system, the elimination of continents of paper and the liberation for productive work of thousands of highly skilled accountants and lawyers would more than make up for it. And then go out and encourage those who emigrated to come home to work for Britain. Thereby we would unleash a great wave of enterprise and prosperity in which all would share. And we would use the vast, but temporary, gift of oil to create the platform for a great national revival.

This counter revolution is needed to liberate the nation from the dead hand of officialdom, to liberate it from control by the State, to liberate it from the stagnant and suffocating state monopolies. It will truly allow all to participate in the political process and thereby liberate us from those minorities which have risen to power despite the fact that they have no real following in the nation. And it will allow Britain proudly to retake possession of its proper place in world affairs.

There is a great majority in this country which knows that we need change now. That majority is sometimes called the silent majority. Silence and tolerance can be a virtue but silence and tolerance of the destruction of our nation is not a virtue. It is cowardice and treason. It is time that the majority ceases to be silent and that it becomes as active as the activist minorities. It must be willing to be heard and to fight to be heard at every level of our society.