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FRAME GENERAL/ECONOMIC

TO: FOREIGN AND COMMONWEALTH OFFICE

AND TO: UKREP BRUSSELS AND EC POSTS

FROM: THE HAGUE

TELEGRAM NO: U/MSAVING OF 24 DECEMBER 1985

SPEECH BY THE NETHERLANDS PRIME MINISTER ON NATIONAL AND EC
ECONOMIC STRATEGY

Summary

1. The Netherlands Prime Minister, Mr Lubbers, has set out his ideas on how the economies of Western Europe could reduce unemployment, achieve faster growth and regain international competitiveness, at both the national and Community level.

Detail

2. In a speech in Rotterdam on 12 December entitled "Towards a Stronger Europe" the Netherlands Prime Minister, Mr Lubbers, set out his ideas on how the economies of Europe should get out of their current predicament of high unemployment, low growth and declining international competitiveness.

3. Lubbers began by criticising the economic mistakes of the '70s, when "we were busier distributing income instead of creating new prosperity for society as a whole ... and discussed too much macro-economics while neglecting micro-economics". He then identified 4 areas for action:

- (a) incentives for growth: Lubbers highlighted in particular:
- (i) a business climate that "fosters innovation, risk-taking and the application of new technologies";

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(ii) wage differentials and social security systems which "maintain sufficient incentives to perform, and sufficient solidarity with the people who cannot perform";

(iii) on the level of public finance, "more expenditure of a kind that generates sustainable growth and less growth hampering taxation, expenditure and regulation".

(b) labour demand: Lubbers observed that high labour costs destroyed employment either by reducing investment or by shifting investment towards labour saving production and drew a comparison between Europe and the US to illustrate this. His proposed remedy was:

(i) wage moderation, combined with moderation in public expenditure and moderation in taxation to preserve purchasing power and maintain consumer demand;

(ii) the absorption of more workers in those parts of the economy where labour costs have an important share in production costs.

(c) job distribution: Lubbers argued that unemployment could not be reduced to below 5% by 1990 by economic growth alone. He advocated:

(i) selective work-sharing "not across the board" but "flexibly and carefully and only when it fits";

(ii) more efficient use of capital installations (so that economic growth is not jeopardised). He favoured a reduction in the number of hours worked in a year, rather than a shorter working week.

(d) upgrading human capital: Lubbers highlighted:

(i) more job-orientated education and training;

(ii) esteem and reward for skilled workers.

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4. Turning to the European Community, Lubbers stressed that each of the measures, if applied to a Community framework, would achieve a significant multiplier. He identified the following priorities:

- (a) completion of the internal market ("politicians must listen more to business and less to their own bureaucrats");
- (b) streamlining of decision-making ("the national administrations have to realise that they have to broaden² their narrow national scope");
- (c) expansion of EMS, liberalisation of capital movements; private use of the ecu.
- (d) less expenditure on over-production in agriculture,
more on research and development.

Comment

5. None of these ideas is particularly new, but taken together they provide a useful guide to Lubbers' approach to economic questions, both in the run-up to the national elections in May and on the eve of the Netherlands Presidency of the EC. The speech is a further illustration of Lubbers' style of leadership: that of giving the nation a clear lead while seeking to carry a broad consensus behind him.

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