

Hammond: Conference Speech

Philip Hammond, Chancellor of the Exchequer, speaking today at Conservative Party Conference in Manchester said:

(Check against delivery)

“Thank you Ben.

What a privilege to be introduced by the Conservative Mayor of a north-east city region.

Ben Houchen, Ladies and Gentlemen, the living proof that our party is working for people in every part of Britain!

And what a privilege to be here: In Manchester City, but 100 percent United! And we have all been with Manchester in spirit as it has stood united in the face of adversity this year.

Conference, 40 years ago this week here in the North West a 16 year old speaker from Yorkshire warned his fellow Conservative delegates about Labour’s plans for an irreversible shift of power allegedly to the people but in reality to the State.

He urged them to reject the socialist argument that the government knows what is good for us better than we do ourselves.

He spoke with the passion of youth about people’s inherent desire to be free and he underlined how free markets underpin free societies.

Well, the young William Hague was right then and his powerful arguments still resonate down the decades even if his hairstyle didn’t last quite that long.

I am not 16, sadly. And I am not from Yorkshire. But we do have to step forward and make those arguments again because a new generation is being tempted down a dangerous path.

We have to explain why and how the market economy works and the role of competition as the consumer’s friend.

And, colleagues, we have to make those arguments with confidence because they are true and they are timeless.

Now I can almost hear the warning bells going off in Conference Control Centre: “Don’t talk about the ‘70’s!”

Look, I have kids; I understand we will not engage them simply by droning on about some previously fought war, “I remember the Winter of Discontent!”

But I also know that the purpose of history is to learn lessons for the future.

So, although, to paraphrase William Hague, some of us might, just conceivably, not be here in 40 years. I think we owe it to the next generation to show how Corbyn’s Marxist policies will inevitably lead us back to where Britain was in the late 1970’s.

We know what state control does to industry: utilities, transport; energy; steel, coal, mail, shipbuilding, telecoms, ports, airports and much of heavy manufacturing were all nationalised.

Almost all of them were massively inefficient, running up huge losses – because the Unions knew that with the state as owner, they could not go bust. So the setting of wages and prices was determined by naked political power, not market forces.

The losses those industries piled up, and the capital they needed to keep going competed with our public services for scarce resources.

The Labour Government squared the circle by borrowing money and then when the lenders took fright at the mounting debt and the supply dried up they had to go cap in hand to the IMF.

Inflation reached 26.9% in 1975. Britain haemorrhaged talent as a "brain drain" of Doctors, scientists, teachers and managers gathered pace the skilled and the mobile abandoning Labour's Utopia for a better life elsewhere.

And who could blame them?

Top rates of income tax were 83% on earnings and 98% on interest and dividends. Corporation Tax was 52%. I wouldn't envy Liam Fox the job of promoting investment in Britain on those terms!

And unsurprisingly, there wasn't very much of it, so we slipped further and further behind our competitors.

And as things got worse, the Labour Government doubled down, tightening the screws, inflicting more misery on a country that was already the sick man of Europe, beating the patient, not treating it.

Until in the winter of 1978 it finally fell apart and in the election the following year the British people voted to put Labour's failed experiment behind them to abandon the stagnation, the hopelessness and the national humiliation that socialism had heaped upon our proud nation and embrace the radical vision of economic liberation presented by Margaret Thatcher.

End of History lesson!

That election was a turning point for our nation.

By abandoning the delusion that the state could run the economy that we could borrow our way out of every problem. By embracing the discipline of the market and taking the hard decisions to put Britain back on track to sustainable growth, we not only rescued our economy, tamed inflation and created the conditions that led to decades of rising living standards for the British people. But we blazed a trail of ideas that ultimately liberated the people of Eastern Europe, unleashed the boom in international trade and allowed what we used to call the "less developed economies" to become the emerging economic giants of today.

For those who don't like history lessons, I could equally appeal to Geography because there are a few countries around the world that have held out against the global trend to market economies and rising living standards, but it is only a few.

Like Cuba, which I visited last year as Foreign Secretary, where curiously, I found cows in the fields but no milk in the shops. I am sure the Cuban people are eternally grateful that the state controls the price of milk on their behalf and presumably willing to overlook the fact that the price control is so effective that the farmers choose not to produce any. That's what socialism does to a market.

Or Zimbabwe – once, one of the most productive and prosperous countries on the continent but after decades of socialism, not so much a breadbasket, as a basket case. And Venezuela, a country rich beyond imagination in natural resources but where the economic policies of Hugo Chavez, publicly supported by Jeremy Corbyn, have so tragically impoverished the country that it can no longer feed its people and inflation is over 1,000% and growth this year will fall for the fourth year in a row.

But still Corbyn won't say a word against it.

"Oh, Jeremy Corbyn!" – Lost your voice now have you?

This is my 34th consecutive Conservative Party Conference. And every year, it's been preceded by a Labour Party Conference.

I've watched them all. And, I can tell you, there have been some shockers. Some of you are probably connoisseurs. You've probably got your own particular favourites (I think mine is probably Kinnock falling into the sea, not so much waving as drowning!) But last week, we saw Labour, in the raw – exposed for what it has sadly become.

A party taken hostage by a clique of hard-left extremist infiltrators people who despise our values and talk down our country.

Who openly proclaim their ambition to demolish our successful modern market economy and replace it with a back-to-the-future socialist fantasy. With hundreds of billions of extra debt for the next generation to pay off.

Wasting billions more in interest instead of funding public services.

Squeezing billions more in tax, out of ordinary people threatening investment, trade, jobs and ending the hope of building a better Britain.

It was a resolutely-negative agenda of failed ideas, dredged up from a bygone era.

Threatening not only our economic progress but our freedom as well because economic freedom and political freedom have been inextricably linked – throughout our own history and across the globe.

But they say Politics is about the clash of ideas. So we say to Corbyn: "bring it on"

Let them put their arguments, let them make their case.

We will take them on.

And we will defeat them.

And I promise you this: we will defeat them by the power of argument; by our logic; by the experience of history.

We will not resort to the politics of the mob, to the threats, the intimidation, the undertones of lawlessness that were so menacingly present last week.

Nor will we be cowed by intimidation whether it's on the streets or online. It's all very sad because for 35 years we had a broad consensus in British politics about our economic model, with the Labour party acknowledging (with varying degrees of enthusiasm) the importance of business, investment, entrepreneurship, job creation so that we grow the size of our economy, improve the lives of our people and generate the taxes to support our public services.

35 years in which we have seen real living standards almost double in this country.

But that consensus is over.

We will always do what is right for Britain and colleagues, what is right for Britain now includes keeping Jeremy Corbyn, and his clique, far away from power, or even a sniff of it.

He is a clear and present danger to our prosperity damaging our economy, even in opposition his loose talk already deterring the entrepreneurs and the investors we need for our future success.

By abandoning market economics Corbyn's Labour has abandoned the aspirations of ordinary working people.

And we must be the party which picks them up and delivers on them.

Yes, it falls to us in this, great, Party not only to keep Britain safe from the resurgence of hard-left Socialism, as we have had to do before but to stand up for the hardworking, decent people of this country whose concerns are real and whose livelihoods and wellbeing are too important to be put at risk by an ideological experiment.

But we won't do it simply by asserting that Corbyn's way is the wrong way. We will do it by offering them a better way forward.

By showing that we can address Britain's challenges – and their concerns – without going to the extremes that Corbyn proposes. And, as Labour abandons the centre ground of British politics we will do it by taking that ground by being the party of Progress.

The Party that looks outward, while they are turned inward; The Party which embraces the future, while they yearn for the past; The Party which welcomes and manages change – while they want to resist it, and tax it, and fight it. The Party that makes a clear commitment to the next generation – that they will be better off than us; and that their children will be better off again than them.

That is the Conservative definition of progress. And I pledge this to the next generation: we will not let you down.

But we also need to understand why we are having this argument again an argument that both we Conservatives, and politicians of the centre-left, thought we had won so decisively that the one or two remaining proponents of hard-left socialism in Parliament like Corbyn and McDonnell were for years treated almost as museum pieces dinosaurs, worth preserving for the sake of historical curiosity.

But last week at Brighton the dinosaurs had broken out of their glass cases, their political DNA apparently uncontaminated by any contact with the reality of thirty years of global economic development ready to wreak havoc fighting the battles of the past using the language of the past, all over again, a sort of political version of Jurassic Park.

The argument they present depends essentially on McDonnell's claim that our economy is fundamentally broken.

John McDonnell: the man who gloated in the midst of the 2008 financial crisis, that he'd been looking forward to it for a generation. He even urged his supporters "not to waste" the crisis. Now he wants to run our economy.

I wouldn't trust him with a Monopoly set! Not even to give him the boot.

He does, however, have one remarkable achievement to his name: Ken Livingstone sacked him for being too left wing.

That takes some doing.

The hard left are preying on people's worries, manipulating their fears, luring them with false promises.

It's a wicked and cynical business offering superficially simple solutions to complex challenges: But colleagues, we need to listen to those fears and concerns, we need to acknowledge the weariness at the long slog back from Labour's recession, the pressure on living standards caused by slow wage growth and a spike in inflation. The frustration among the young who fear that the combination of student debt and sky high rents and house prices will condemn them never to access the opportunities of property ownership their parents enjoyed.

Many of you will have heard these concerns first hand at the Election as you pounded the pavements of Britain and I want to thank you on behalf of all the

candidates – successful and unsuccessful alike – for your help.

We hugely appreciate it – and we never forget the debt we owe to the volunteers who are the backbone of our party.

I want to thank our financial supporters as well: we need your support more than ever as the Union Barons mobilise their power behind Corbyn. Whether it was time or money, I know you all invested a great deal in the 2017 election and I am sorry we were not able to deliver the result we all hoped for.

But don't let disappointment obscure the substantial achievements:

A Conservative prime minister returned to Number 10 in 2017 with our biggest share of the vote for 30 years. And at 43%, Theresa May won a clearer, stronger mandate in the popular vote in Britain than Angela Merkel in Germany. Now let's unite behind her and make that mandate count at home and abroad.

Under Ruth Davidson's dynamic leadership we saw Scotland sending 13 Conservatives to Westminster – re-establishing an assertive Scottish Conservative voice in our UK Parliament for the first time in two decades, (and, believe me, as Chancellor, I have already found out just how assertive!). Ruth, you've put Nicola Sturgeon on notice, and your campaign was an inspiration to all of us.

In the Midlands, we won seats such as Stoke-on-Trent South for the first time in over 80 years and in Copeland we saw Trudy Harrison cement her historic by-election victory. But still, overall it wasn't the result we all worked for and we lost too many valued Parliamentary colleagues.

And while we will dismiss Labour's solutions to them, we must never dismiss the underlying concerns that the election articulated. We must listen to them and we must respond. Not by embarking on reckless experiments that would put at risk all the progress of the last decades. Not by swimming against the tide of history but by working with the market economy to deliver pragmatic solutions that will make ordinary lives better.

Because, Conference, our economy is not broken: it is fundamentally strong.

And while no one suggests a market economy is perfect, it is the best system yet designed for making people steadily better off over time and underpinning strong and sustainable public services for everyone.

As this model comes under renewed assault, we must not be afraid to defend it.

The market economy frees people and businesses, encourages them to create, take risks, give ideas a go because they can see the results and benefit from their success.

It's the profits from such businesses that underpin our savings and our pensions. And the tax revenue that a strong market economy creates which, in the end, pays for our public services.

Of course there are challenges to delivering sustainably higher living standards for our people.

And we need to be open and honest with the British people about those challenges, and how we are tackling them only that way will we overcome them, together.

We face an immediate challenge managing uncertainty about the outcome of our Brexit negotiations. We face a medium term challenge of restoring our public finances to balance and starting to pay down our debts – so we do not burden the next generation with the cost of our mistakes. And we face a longer term challenge of raising Britain's productivity – increasing the amount we produce in each hour we work – so that we can get wages growing more quickly,

without simply stoking inflation and so we can fund our public services to support our ageing population.

Ten years ago we gathered for our conference just days after we had witnessed the spectacle of people queuing round the block to draw their money out of Northern Rock, the first run on a bank in Britain for 140 years.

The financial crisis that unfolded over the following year has scarred our country deeply. The effects of a financial collapse are always the most difficult to shake off. Some chose to accelerate the process, accepting widespread business failures and soaring unemployment – still 17% in Spain today two years after their recovery began.

We chose a different route.

I'm proud to stand here today as a Conservative Chancellor to report on our successes. But as David Gauke did it so brilliantly just a few moments ago, (and as it's nearly lunchtime) I won't repeat them.

Thank you David, showing that you can take the man out of the Treasury, but you can't take the Treasury out of the man!

And while I'm on the subject of Treasury talent, please acknowledge my fantastic team: Liz Truss, Mel Stride, Steve Barclay and Andrew Jones; our Lord's spokesmen Michael Bates and George Young; our whip, Graham Stuart and our PPS team:- Kwasi Kwarteng, Chris Philp and Suella Fernandez. All of them do a great job.

While I won't repeat our overall record, there is one fact – an inconvenient one for our opponents. Despite the debt and the deficit we inherited. Despite the challenges Britain has faced. Despite the difficulties of re-building an economy ravaged by recession, we can be proud that under this Conservative Government, income inequality in this country has fallen to its lowest level in over three decades.

And as a result of the hard work and resolution of the British people, our debt is set to begin falling next year.

Our economy today is fundamentally strong. We are well positioned for the future with our time zone, our legal system and our language.

Last week's World Economic Forum league table, shows the UK a more competitive place to do business than it has ever been. The UK is the world's No.1 digital economy. Britain led the world in the first industrial revolution, driven by steam and iron and our great engineering pioneers.

In the 20th Century we helped give the world radio, television, the jet engine, and the computer and today we are playing a leading role in what some have called a fourth industrial revolution, in which new technologies – robotics, artificial intelligence, Big Data, biosciences – are coming together to change the way our economy and our society works.

The future is coming and we must be the Party that embraces it, not fights it. Because it is change that will deliver the progress we are committed to.

We have a phalanx of entrepreneurs and investors who have taken these breakthrough technologies from the labs of our world-leading Universities, to the factories and business parks of Britain creating the jobs and the wealth and the tax revenues that will sustain the Britain of the future.

Britain is also the world's second largest exporter of services.

Our world-leading firms – in financial, legal, technical, digital and creative services – are poised to seize the opportunities in the great emerging economies like China. A fundamentally strong economy, with a great

future. A fiscal strategy which will get our debt down and keep our global credibility up, while maintaining sufficient headroom to support our public services and invest in Britain's future.

But now we need to tackle the stagnation in wages. Britain's productivity growth, along with many other developed countries, slowed to a snail's pace in the wake of the financial crisis – and has remained stuck there since. We need to get it moving, although we definitely don't need Momentum

Because you can't do it by the kind of short-cuts and smoke and mirrors we were offered at Brighton last week.

Anyone with a GCSE in economics can tell you that pouring borrowed money into a state controlled, Union-dominated economy will produce inflation, not growth. The truth is that while the best British businesses can beat the world, other parts of our economy need help to grow.

In many areas of our country, in many sectors of our economy, and in many individual firms, productivity is just too low and that means for many, wages are just too low.

It isn't that people aren't working hard; rather that they are not producing as much through their hard work as their competitors manage to do. For some, it will feel like driving with your foot to the floor but the handbrake half on.

Sometimes, it's because of inadequate skills; So I announced at the Spring Budget that we will invest half a billion pounds a year extra to radically reform technical education and we are on course to deliver 3 million more apprenticeships by 2020 creating new opportunities for higher skills and higher earnings for millions of young people. But it is not only Britain's young people who need support to develop new skills, which is why we committed in our manifesto to introduce a new National Retraining Scheme; to help people whose jobs are threatened by technological change, or who have to find new careers because of longer working lives to get the skills they need to maximise their earning potential.

Preparing Britain's workforce as we embrace the future.

A Conservative Government determined to leave no one behind. Sometimes, low productivity is because firms haven't invested enough private capital in the latest technology to make their workers more productive. So our patient capital review will report in the autumn on ways to increase private investment in growth businesses. And sometimes it's because Government has failed to deliver the public infrastructure that businesses need to prosper. This Government accepts the challenge of stepping up infrastructure investment; that's why we created the National Productivity Investment Fund, demonstrating our commitment to fund Britain's future at the same time as dealing with our debts.

An extra £23 billion is going into high-return schemes such as housing, transport, broadband and R&D that will drive Britain's productivity performance, and the Industrial Strategy that Greg Clark is delivering will help us to harness the power of Government to spread economic growth across the length and breadth of the UK. Because ensuring our regional economies are firing on all cylinders will help to close the gap in living standards and raise our national performance.

That's why we are committed to the Northern Powerhouse project to join the great cities of the North into a single connected market with a population to

rival London's. And to the Midlands Engine to do the same in the Midlands conurbation and what a great job Andy Street is doing as our, Conservative, Mayor of the West Midlands.

Here in Manchester, you don't have to look far to find opportunities for infrastructure investment.

Take a walk and you'll see some of it taking shape; new bridges, new rail links, new roads.

Opening up derelict land for development for housing and for jobs. Connecting our communities to make them more productive. And so today I am announcing a further £300 million to future-proof the railway network in the north, ensuring HS2 infrastructure can link up with future Northern Powerhouse and Midlands Rail projects while keeping open all options for services through Manchester Piccadilly. As well as infrastructure, sustainable economic growth needs housing that is both decent and affordable, in the places where people need to live.

Housing to buy. And housing to rent in the public and private sectors. We recognise that, right now, despite the growth in housing starts, getting into the housing market is challenging for anyone on average earnings.

To many young people, the housing market looks rigged in favour of those already way up the ladder and against those trying to get on the bottom rung.

As Conservatives, we have always supported young people and families to achieve their dreams of home ownership. Our "help to buy ISA", launched in 2015, has helped more than a million people to save for their own home.

And "Help to Buy: Equity Loan" has achieved much higher take-up than we expected, helping 130,000 families so far with a deposit for their own home.

This morning, the Prime Minister and I have visited two of them in their new home in Salford, hearing first-hand how Help to Buy made their dream of home ownership come true. But that success means the original funding allocated to the scheme will run out before the scheme was expected to end.

So today, I can announce an extra £10bn in funding to provide loans under the scheme through to 2021. Helping an estimated 130,000 more homebuyers over the next few years. Renewing our Conservative commitment to Britain's property owning democracy for the next generation.

An economy that is fundamentally strong; Our deficit being tackled in a responsible way; And investment in Britain's productivity to drive up growth and wages. That's a solid basis for Britain's future.

But we face an immediate challenge as we move ahead. The process of negotiating our exit from the EU has created uncertainty so investment has slowed as businesses wait for clarity. So before we can reap the benefits of our strong economic fundamentals and the investment we are making in the future we must remove this uncertainty.

But of course, Brexit is not only, or even mainly, an economic decision.

In 1973, we joined something that was then called the European Economic Community. The "Common Market". Maybe just one or two of you are old enough to remember it?

The key word is "Economic". We did not join a grand political project. And we did not change. But over the years, the EU did.

Moving relentlessly towards closer economic, fiscal and political union.

Until in June 2016, the British people voted to leave. They voted, to borrow a phrase, to take back control. And I respect their decision. Our job now is to implement it

But as I have said before, they didn't vote to get poorer or to reduce trade with our closest neighbours and biggest trading partners. The British people have chosen independence, over integration.

And as we implement their decision, we must use that independence in our nation's best interest to protect our jobs, to strengthen our economy and to safeguard our prosperity.

We are leaving the EU, not leaving Europe.

Our economic future will remain closely linked with the EU for many good reasons.

But our political future will be our own. Our EU partners can go their way, we wish them well. But we will not join them on a voyage to ever closer union. We must resolve the short term challenge of uncertainty around this process by accelerating the talks and delivering a time-limited interim period of around two years for our businesses to adjust.

Our objective is to make Britain safer, stronger, and richer.

And as the Prime Minister said in Florence, ten days ago, that objective is what will guide us in our negotiations. I don't pretend it will be a simple process.

There are moments in history when the choice is binary, like the decision in the referendum last year. But there are other times when the challenge is more complex.

Now is such a time, as we pick our way carefully and cautiously across the difficult terrain of EU negotiation, to ensure we arrive in good order on the fertile plains at the other side.

And as we tread that terrain, we need the path well-lit; the hazards well signposted.

The future prize is great. If we get this right – Britain will have a bright future beyond Brexit. But to get to it, we must be clear-eyed about the challenges along our way.

We must not downplay the difficulties nor underestimate the complexities. This will be one of the most challenging tasks ever undertaken by a peacetime government but with focus and determination and unity, we will succeed.

So Conference, we will deliver a Brexit that works for Britain and in doing so, we will unleash our nation's potential. We have a fundamentally strong economy. We're rebalancing our public finances. We're addressing the productivity gap. We're investing in Britain's future. But we hear the concerns of a generation that feels excluded from the opportunities their parents enjoyed. We hear the concerns of millions of households, impatient at the long slog back from Labour's recession. We hear them and we will respond to them.

But we can only do so by harnessing the power of the market economy to deliver a brighter future. And that means re-fighting a battle we thought we had won against an opposition determined to put Britain's prosperity at risk. We will not let that happen. We will not allow Britain's prosperity to be threatened, our security to be undermined. We will take on the false promises of Corbyn's Labour and one by one we will expose them for the fallacies that they are. We will not allow the past to triumph over the future. We will not allow the politics of fear to trump the politics of progress.

Conference, the Conservative Party is the most successful political organisation in history, flexible and adaptable, responding to a changing world. But resolute and unmoving in its principles and values.

We will see off this threat to our fundamental freedoms. We will deliver on our promise to the next generation.
We will do it together.
And we will do it for Britain.”

ENDS