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PRIME MINISTER  
CHANCELLOR

c.c. The Party Chairman  
Chief Secretary  
Mr. Cropper

15th October 1981

RA/10

SELSDON GROUP "FRINGE" MEETING ADDRESSED BY  
MR. NIGEL LAWSON ON THURSDAY 15th OCTOBER

Since there is no text available, the following notes may be useful. Mr. Lawson defended Government economic policy, saying:

- root and branch criticism was being made of policies by former Cabinet Ministers who had fought and won an election programme advocating those policies;
- the combination of an overall financial discipline within which freedom would be maximised was in line with the accepted proper aims of government policy for centuries before the War;
- critics' advocacy of EMS entry was totally inconsistent with their reflationary policies. EMS was an alternative, tighter system of financial discipline, linking other currencies to the DM. The DM had its key role in that system because Germany had a reputation for itself pursuing financial discipline;
- the critics' claim that the Government were putting economics above politics seemed strangely redolent of arguments used by Baldwin and others faced with calls for rearmament, who agreed that 'politics' should be put first. Such an attitude was not one which would prepare us to fight a war - and the fight against inflation was a war;
- there was nothing 'moral' in advocating inflationary policies. We were seeing 'cold feet dressed up as high principles';

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- winning the next election would not be easy. But what was certain was that to say that two years' of policy was totally misdirected was hardly a way of inspiring confidence for a new mandate;
- our critics were damaging the country's economy because, to the extent they were thought to be heeded by Government, they could cause managements and unions to postpone - and thus make more painful - the adjustments needed to make Britain competitive.

RH

Robin Harris