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Economic Discussion

- ① Tokyo - 2 round of oil price increases
- effect on inflation now passed its peak
- but unemployment still rising.
- ② Europe suffering particularly from
rising unemployment - level has risen
from one recession to the next, in Britain and
I believe elsewhere.

Changing world pattern of industry has
added to unemployment at home.

This has to be tackled on long-term basis.

- ③ Youth unemployment particularly bad - try
to relieve by special programmes.



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3. Meanwhile some of us know special problems of getting people to live together harmoniously where differences of race colour religion or language.

Problems caused by groups which challenge authorities have sometimes been as acute in times of prosperity as in times of recession. At the same time riot crime has risen over many many years of prosperity. We face violence which has nothing to do with race or colour.

Unemployment contributes to these problems while they in turn are an obstacle



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to creating more genuine jobs in the area where violence occurs.

4 In general, as IMF pointed out, countries have managed things better this time, but countries have different experiences.

Britain has passed through higher inflation

- lost more output,

- suffered more unemployment

than most

BECAUSE when 2nd oil price increase came we had

(i) worse history than most of pay inflation

(ii) more productivity problems

(iii) more structural problems with old industries.



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- Pure invention
- ~~Support~~ ~~of~~ ~~U.S.~~
- ~~Support~~ ~~of~~ ~~U.S.~~

Now - have brought down inflation
dramatically

Middle of
Paul
month
now

21-11-72

- have improved productivity

- have brought down rate of pay

- buy stock building ^{settlements} _{policy kept down interest}

S-

Support efforts of U.S. also also
directed to reducing inflation
and improving productivity.

Plan to give priority to control
of monetary growth
and redⁿ of public expenditure

Hope will do all they can to reduce
the extent to which they have to
rely on interest rates to achieve
their objectives



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In U.K. we have managed by a
strict budgetary policy to give industry
interest rates lower than in U.S. and
other countries.

6 Trade - Export efforts to our countries
concentrated in very narrow areas
can be disruptive and expose us
to freely political measures for
protection. Must avoid this
through amicable international
co-operation.

Need to avoid competition in export
credit



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7. Western market system and int. financial markets - served us well. Funds have been recycled to L.D.C.'s and developed countries in deficit.

8. Important grounds for hope alongside much reason for concern and perplexity.

Part work of the recession.

World less dependent on imported oil.

Unemployment will begin to fall

if we are spared further shocks to int'l system and world stability for next 2-3 yrs.



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inflection and improvement of
structure of our economy