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WB

10 DOWNING STREET

THE PRIME MINISTER

22 June 1981

Dear Mr. Goldsmith,

Thank you very much for your letter of 16 June about the Government's economic strategy.

I agree entirely with almost everything you say, and I can assure you that the Government has every intention of persevering with the existing strategy; indeed, we will be redoubling our efforts. As I made clear in my speech to the CBI last Tuesday, it is absolutely crucial that adequate resources are freed for the private sector; and this can only mean holding back on public spending. Disposing of public sector assets and contracting out wherever possible will also continue to be a major plank in our policies. In the specific case of British Rail, we will insist that they finance at least part of their new investment by further disposals; and as Norman Fowler made clear in the House of Commons this afternoon, we will only be prepared to approve electrification schemes on potentially profitable mainline routes where it is absolutely clear that the benefits justify the investment.

Yours sincerely
Margaret Thatcher

Walter Goldsmith, Esq.

JS