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*MKS 11/17*



10 DOWNING STREET

THE PRIME MINISTER

14 July, 1980.

Dear Mr. Greet,

Thank you for your letter of 4 July, informing me of the resolution on public expenditure cuts passed by the Methodist Conference in Sheffield.

Of course, like all my colleagues, I share your concern at the need to make savings in public expenditure, especially at a time of world economic recession. I can assure you that we regret the need for temporary sacrifices in living standards and keep a very close eye on the effects of reductions in spending. Indeed, we have made substantial reallocations of spending priorities in order to concentrate more resources on those in greatest need, rather than spreading them thinly over a wider area.

But I must ask you to consider which is likely, in the long run, to have the more disastrous effects on the lives of those in need - a continuing very high rate of inflation, with permanently high levels of unemployment, or a policy designed to reduce inflation to acceptable levels and restore the ability of British industry to create wealth and new jobs.

I have no doubt that persistent inflation is the worst enemy of the poor, the old and the disadvantaged. If we can conquer that - as we can, through our present policies and by no other means - the temporary sacrifices will have been worthwhile.

We can then look forward not only to a lasting recovery in our industry, but, also to improving our social services, as other countries have been able to do.

Finally, we can see no way, at a time of world recession, in which the huge increases in energy prices can be absorbed by our economy without some temporary fall in real living standards. Our aim is to ensure that the sacrifices do not fall to be borne disproportionately by those least able to bear them.

Yours sincerely,

(SGD) MT

The Reverend Dr. K.G. Greet