



10 DOWNING STREET

THE PRIME MINISTER

10 July 1980

Dear Mr. Deakin,

Thank you for your letter of 1 July.

Naturally, I was unhappy with your criticisms of our first year in office. I agree with you that in many areas there is much more to be done. But we have done a good deal already.

On the trade unions, we may not have yet gone quite as far as the Manifesto intended; but the Employment Bill now going through Parliament will have a significant effect on union power and their ability to cause industrial disruption. In particular, I would draw your attention to the Clause on picketing, which will make it unlawful for anyone to picket except at their place of work; and also Clause 17 which, although perhaps not ideal, will nonetheless substantially reduce the scope for secondary blacking. I believe we have gone just about as far as we can for the moment; but if the current Bill proves ineffective, or if the Green Paper which we are planning to bring out leads us to the view that we ought in any case to go further, we shall not hesitate to do so.

You say that public spending and borrowing are increasing. In fact, spending in real terms will be down this year compared with last and our current plans call for further reductions in each of the next three years. By 1983/84, total spending will be £2,500 million less than it was in Labour's last year of office, and we have taken some £20,000 million off Labour's planned expenditure. We are still borrowing too much, but our forecast

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for the public sector borrowing requirement for this financial year is well down on last year and as a percentage of national income even more so.

As regards taxation, of course we would have liked to have gone further. Nonetheless, I think the reduction of top tax rates from 83 per cent to 60 per cent in our first Budget was pretty significant, as too was the reduction in the standard rate from 33 per cent to 30 per cent. We certainly intend to do more in the life of this Parliament; but in the immediate future the first priority must be to get our borrowing down.

Finally, you say that hand-outs to all causes continue unchecked, and that all that is needed is Ministerial action to stop them. Again, I do not think this is quite fair. We have taken some tough decisions. For example, we have reduced unemployment benefit in real terms by 5 per cent at a time when unemployment is rising; we have substantially cut our overseas aid programme and the public housing programme; and we have refused to provide subsidies to a number of companies that have come to us in trouble.

I could not agree more with you that there should be no automatic pay rises for Government employees. That is precisely why we decided not to implement the Boyle recommendations for top public servants; and we are determined to get the total Government pay bill under control during the coming year.

In short, I believe we have made a start, even though there is much more to be done.

I am grateful to you for writing and for your offer of assistance, which I will certainly bear in mind.

Yours sincerely  
Raymond Dehnb

C. N. Beattie, Esq., Q.C.