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- cc Chief Secretary
- Financial Secretary
- Mr Burns
- Sir K Couzens
- Sir A Rawlinson
- Mr Ryrie
- Mr Middleton
- Mr Bridgeman
- Mr Britton
- Mr Cassell
- Mr Evans
- Miss Brown
- Mr Turnbull
- Mr Aaronson
- Mr Folger
- Mr Cropper

MR UNWIN

ECONOMIC DEBATE 26/27 NOVEMBER

The Chancellor has been gathering some thoughts for his speech in next week's debate. These are as follows:-

- i. We should make sure that UK problems are placed in their full international context throughout the speech, even at the risk of some repetition. Thus we should refer to other countries where GDP is falling (Japan); to other steel industries in trouble (elsewhere in Europe); other countries de-indexing (Holland, Denmark, Sweden, Norway); other Governments cutting public expenditure, and not increasing borrowing (Germany); other countries where defence expenditure is increasing less rapidly than the NATO target (Germany and numerous others); other motor industries in trouble (USA, Massey Ferguson).
- ii. A full exposition should be given of the Burns/Middleton thesis, in such a way as to emphasise that we are not discarding UK industry. We should explain the need for a switch from consumption to investment; from current to capital expenditure; from the personal to the company sector. This would be the context in which to explain the change in stock relief, ENIC and the decision not to change the NIS. This

/section might also



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section might also include some discussion of the arguments set out by J Forsyth (on the PSBR in the medium term), and by Kay and P J Forsyth (on the change in the structure of UK output).

- iii. We should make clear the inevitability of a decline, in present circumstances in GNP - and the consequent need to curtail public spending; the present situation is that public spending represents an enormous burden on a shrinking base.
- iv. The speech should make clear the extent of the reductions achieved in the public expenditure programmes inherited from the previous Government, the foolishness of such commitments, and the fact that the previous Government would have had to make similar cuts if they had remained in office. The speech might say something about the cost - in terms of tax rates, interest rates, jobs etc - of trying to press ahead with the inherited programmes.
- v. The North Sea oil revenues should be put in perspective; these revenues are not being "wasted" but are already being used to keep public borrowing within bounds.
- vi. We should explain the impact of the recession on the PSBR, and indicate how big the PSBR might have been if tax and expenditure measures had not been taken to contain it. This section would also show that - after taking account of the impact of recession - the underlying change in public expenditure programmes is in fact a substantial

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reduction. It could also be useful to put in some comparisons with other countries' PSBRs.

JW

A J WIGGINS

19 November 1980