



10 DOWNING STREET

MR. SANDERS

You may care to have by you  
this summing up of the main  
Neddy debate by the Prime  
Minister.

A handwritten signature in cursive script, appearing to read 'Ingham'.

B. INGHAM

5 FEBRUARY, 1981

PA (NEDD  
file)

MS

PRIME MINISTER'S SUMMING UP OF MACRO-ECONOMIC DISCUSSION WHICH  
TOOK UP 1 HOUR 45 MINUTES TO 11.45 a.m.

No doubt we all want same things and all think we could do better than we are doing now. Those two things not in any way in doubt.

All people believe that Britain could have a higher standard of living. All want less unemployment. All want people to fulfil their lives in work.

May be some disagreement on how we get there. Yet there does seem to be a tremendous amount of common ground.

Not going to get more jobs on higher standard of living unless we are competitive.

We shall not be competitive if our rates of inflation are worse than other countries. We shall not be competitive, by definition, unless our unit costs are the same or lower than others. No way out of that.

We shall not get our unit labour costs competitive unless we are prepared to raise productivity.

People can have high wages with high productivity. The link is high productivity.

But also need something left over for profits. Unless we have profits we shall not have investment which will keep us competitive in the future.

But we shall not have investment unless we get a return on investment with working practices which rival anyone else's in the world.

And part of competitiveness is innovation, and to keep us ahead of competitors we need a willingness to adopt innovation; to change.

/I recognise



I recognise unit labour costs are not all that matters. Product design, quality, delivery - we all recognise these things are necessary.

I was just a little bit alarmed that there is such an absence of total understanding between the several parts that make up industry.

I can only quote what Sir Ray Pennock said at the CBI conference. He did not regard reality as being what people would do on the brink. Reality is a complete understanding of what makes business prosperous and competitive.

I am very worried indeed that we are not taking steps to get that larger understanding of the role of profit, of unit labour costs, productivity and innovation. If we are not, we are all guilty in not doing it.

I hope you will take up the suggestion of Jim Prior to set out at an early meeting an agenda for a new understanding by everyone in industry of how we achieve this cost competitiveness and good job prospects for the future.

Finally, I do not think we can negotiate properly in the absence of facts. Without them you are not going to come to a reasonable conclusion. So I do support fully the suggestions we have had to set out the facts to get the full cooperation we need. I do hope you will take up that idea and sort out between you and with Government what has to be done to get that total understanding without which we shall not be able fully to use the potential in Britain.