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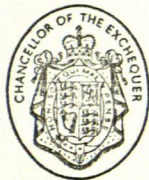
PRIME MINISTER

Keith Joseph has sent me a copy of his letter to you of 6 August, proposing an approach to Tim Bell on presentation of economic facts.

2. I am sure that we have not done enough yet to put over the basic reality of poor competitiveness as the key weakness in the British economy. The present is a good time to start planning a campaign because of the recent fall in the exchange rate. For British industry cannot easily use the argument that Government policy has pushed up the exchange rate to a level at which de-industrialisation is unavoidable - and thus avoid their own responsibility for the level of costs. Indeed, in the present situation I believe that the CBI could play a valuable part in getting all these points into the minds of TV and radio participants. I am encouraging them to think of ways of doing this.

3. On the particular difference of emphasis between Keith Joseph and John Hoskyns, I do not think we should flinch from arguing on the basis of unit labour costs. Certainly, in the first instance, higher productivity can mean fewer jobs. But one would be taking a very pessimistic view of the working of the market if one did not see beyond that the certainty that reduced unit costs would lead to enhanced competitive power and a consequent revival of activity. We must not subscribe to the favourite trade union thesis that there is only a limit amount of work to be done and that it therefore has to be shared round.

4. It would be most interesting to have Tim Bell's advice on presentation, ready perhaps for consideration at the beginning of September.



5. I am copying this minute to Keith Joseph, Norman Tebbit, Ian Gow and John Hoskyns.

Peter Jenkins

for (G.H.)

11 August 1981

(Approved by the Chancellor of the Exchequer and signed in his absence).