

Kidney



Treasury Chambers, Parliament Street, SW1P 3AG

Dear Ian

Green has done it again.

Can't you find the words

underlined in 238 irresistible?

No wonder he's won his  
intellectual argument

John

With

# Heath says monetarism is dead

By Our Political Staff

**MR HEATH** yesterday hailed Sir Geoffrey Howe's Budget as indicating that "monetarism is dead as far as this Government is concerned," but questioned how much benefit its provisions would actually bring.

With MPs due to complete their debate on the package in the Commons this evening, the former Prime Minister said that while Sir Geoffrey had done a "U-turn" over unemployment, the Budget was no more than "roughly balanced" overall.

And in the wake of sharp post-Budget cuts in interest rates including those for mortgages, he gave a warning that they could soon start rising again because of the state of American markets.

Mr Heath, who was being interviewed on London Weekend Television's "Weekend World" said: "American interest rates are beginning to rise again, already, following the President's Budget and his very large Budget deficit.

"Now in the Budget debate in the House of Commons the Economic Secretary (Mr Jock Bruce - Gardyne) said in his wind-up speech that, of course, British interest rates are bound to be affected by American interest rates.

## Intellectual battle

Mr Heath said he did not at the moment see any possibility of the Reagan Administration being persuaded to change its policy, as it was still committed to the "dogma of monetarism."

"Now one of the great things about Geoffrey Howe's Budget is that it shows that monetarism is dead as far as this Government is concerned. We have won the intellectual battle, and I'm very glad about it too."

On interest rates, Mr Heath said there was still an intellectual argument to be won over the free movement of capital; he saw nothing wrong with exchange controls as the world monetary system had broken down, but recognised that Britain could not act alone without jeopardising its membership of the Common Market.

Mr Heath was sharply critical of Ministers — who include Mrs Thatcher — who have argued that the economy cannot be reflatated as that would mean higher inflation, saying: "Ministers are saying that reflation is the same as inflation is just sheer nonsense. If they were the same thing, we wouldn't have two words for it in English."