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BRITISH EMBASSY,  
THE HAGUE.

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A J Coles Esq  
10 Downing Street  
London

*Dear John*

LUBBERS: THE ECONOMIC CRISIS AND SOCIETY

1. This is absolutely not urgent, or a must. But if the Prime Minister goes to the Stuttgart European Council she might like to glance in advance at the enclosed summary of a lengthy (full page) article recently contributed by Lubbers to the NRC Handelsblad, the Dutch equivalent of "The Times". It is notably vague in parts, but nonetheless of interest, and there are some striking points of similarity between the approach advocated by Lubbers and that favoured by our present Government.
2. Alternatively Mrs. Thatcher might like to send Lubbers a brief note saying that she had seen a summary of his article and been interested by it.

*Yours truly*  
*Philip Mansfield*  
Philip Mansfield



"NRC HANDELSBLAD" OF 27 APRIL 1983

"HAVE WE ENOUGH CREATIVE ABILITY TO RESHAPE OUR SOCIETY?"

by Drs R F M Lubbers

### Summary

In face of the economic crisis my instinctive response is to search for a synthesis of the competing remedies. Extremism is doomed to impotence. Appearances are often deceptive: Keynes was in fact a monetarist. In political and publicity terms an approach aiming at synthesis has drawbacks, being relatively unclear. Nonetheless that is my preference: synthesis pursued with energy and efficiency.

We have to combat protectionism and solve the main trade problems confronting us. We must defuse the US/EC dispute over agricultural trade, and get the Japanese to limit their exports and increase their imports. We must help the Third World, and ensure that its problems do not get pushed into the background by the East-West conflict.

In the Netherlands we have completed the first phase in our campaign of retrenchment. Government expenditure, not counting interest on the national debt and the cost of unemployment benefits, is no longer growing. We are now in the second phase: cutting expenditure to compensate for increased payments and unemployment costs. We are severely handicapped here by the fall in gas revenues. Our dilemma is: how do we control the financing deficit without causing deflation? This Cabinet is determined to cut that deficit, by hook or by crook.

/The key is



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The key is to get growth going in the private sector - the growth for which our balance of payments surplus cries out. But in the Netherlands the relationship between the public and private sectors is so lop-sided that we cannot just wait for growth to get under way again. We must begin not only by cutting back public expenditure, but also by creating the conditions necessary for entrepreneurs to flourish. The burdens on the private sector must be reduced: there must be effective deregulation, a more mobile labour force, better training facilities, and a reorganisation of electricity production. The private sector must regain its confidence. Bureaucracy must be controlled, reduced and simplified.

Another important target is the redistribution of work. The annual collective bargaining agreements now being worked out are beginning as a matter of routine to incorporate agreements on shorter working hours. This is necessary for a number of reasons: not least because it helps to reduce unemployment and to provide jobs for the increasing percentage of the population who want them. But it is of course not easy: it involves a cut in income for those with jobs, just at a time when such cuts are extremely unwelcome.

The main question underlying all this is whether or not we have enough creative ability to reshape our society. How far do the conditions for creative expression have to be created by government expenditure? And so on. In my view the real threat is from lassitude. We must muster the energy to get our society moving forward again.

/In doing so



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In doing so we must maintain tolerance as the guiding principle of our society. And we must stress the importance of self-help: voluntary work and self development. These virtues must be respected in building on the traditions of the past, and keeping going real community feeling. This too is necessary if the process of reforming our economy is not to impoverish our society.

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