



CM

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

16 November 1987

Charles Powell Esq
10 Downing Street
LONDON SW1

Dear Charles,

PRIME MINISTER'S GUILDHALL SPEECH

I passed on to you on the 'phone the Chancellor's comments on the fifth draft of the Prime Minister's speech.

Two are fairly simple points:

- (i) on page 16, he feels that the last sentence should start "But no country should seek to run ...". It is not a question of "rights";
- (ii) on page 22, he feels that the end of the last sentence should read "... carried through in the difficult days of 1981 and continued with thereafter". We followed these cuts in borrowing with further cuts in 1985, 1986 and 1987 - hence our present strong position - while the economy grew steadily. The PSBR is now a $\frac{1}{4}$ per cent of GDP, a much strong position than 1981-82's $3\frac{1}{4}$ per cent.

On page 19, he made the comment against the last complete sentence ("And ought we not therefore to have escaped the worst of the stock market fall?"), that the Prime Minister should know that one reason why London fell so much at the beginning of the market collapse was that it was easier to sell stock here - thanks to the liquidity and depth of the London market - than in any other European market. This factor has now probably worked itself out.

He thought it was very unwise to include the rhyme on pages 19 to 20. He would certainly omit the last sentence. We have fallen less in comparison with a year ago than France and Germany - indeed we are roughly where we were a year ago: they are well below it. Moreover, no one has stolen our umbrella. It's just that umbrellas

RESTRICTED



don't provide complete waterproofing. More generally, this well known jingle is a flip commentary on the original in St Matthew ("He maketh his sun to rise on the evil and the good, and sendeth rain on the just and the unjust"), and is wholly inappropriate. The last sentence would be taken to imply that we would suffer more from "the" recession than others - the very last message we wish to get across - and that someone (who?) has done us down by stealing our umbrella. If any rain metaphor is required, he feels that the original gospel would be much better.

Yours
Alec

A C S ALLAN

(PS These are the Chancellor's own initial comments. There may be one or two further comments when officials have seen it - circulated for comments this morning.)
AA

