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Prime Minister

To glance: a  
good reaction  
overseas to  
the Budget.



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THE BUDGET: OVERSEAS REACTIONS

On the day of his Budget Statement, the Chancellor of the Exchequer sent a message, outlining the Budget measures, to his Finance Minister colleagues in the Economic Summit group of countries, in EC countries not in the Summit group, to the German Economics Minister, Count Lambsdorff, to the EC Commissioner for Economic and Monetary Affairs, M. Ortoli, and to the Managing Director of the IMF.

Such messages have been sent in the past, without causing much of a ripple. This time however there has been positive response, conveying much sympathy with and support for the Chancellor's approach and methods. The Chancellor finds this most encouraging, and thinks the Foreign Secretary and the other Cabinet colleagues may be interested in the (unusual) degree of overseas support the Budget strategy has received. The following paragraphs summarize the various reactions.

Secretary Miller expresses his strong support for "our resolve to control inflation", and his "great interest" in our "elaboration of" a medium-term financial strategy.

When he was in London with the Federal German Chancellor recently, Herr Lahnstein, State Secretary in the German Finance Ministry, said that the Germans had found the message "extremely useful": they had however been concerned

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about the apparent prospect that the output of the non-oil sector of UK industry would be declining over the period to 1983-84. The Chancellor explained the significance of the 1 per cent growth assumption: and the manifest danger of planning public expenditure on the assumption of fast growth. On behalf of Count Lambsdorff, Herr Schlecht wrote at some length to "welcome your Government's financial strategy warmly", adding that, in particular, "an economic policy geared more explicitly to the broad improvement of the supply side of the economy holds out the best prospect of strengthening Great Britain's economic base again in due course". He also said that "especially admirable is the ..... courage in setting annual targets ..... for the growth of the money supply up to the financial year 1983-84": that "socio-economic conditions for growth in the private enterprise sector ..... have to improve continuously over a couple of years. This is likely to bring the British economy back onto a path of sustained non-inflationary growth", and ended by saying that "The German Government supports the priority of principles on which the British Government's medium-term strategy is presently based. Internationally this approach to our common economic ills deserves our continuous and steady support".

The Japanese Finance Minister wrote more briefly, but says that the "explanation ..... is full of useful suggestions to us".

The French Finance Minister also wrote briefly but with an approving reference to our medium-term strategy.

The Managing Director of the International Monetary Fund referred to the "enormity" of the task we have undertaken. He is "impressed by the determination with which you have pursued the aims of reducing public sector spending and controlling the growth in the money supply". He fully supports the medium-term strategy which we have chosen.

I am sending copies of this letter to Tim Lankester, to the Private Secretaries to the other members of the Cabinet, and the Minister of Transport, and to David Wright.

*Yours ever,*

*ME*

M. A. HALL  
Private Secretary

24 APR 1960

