

From: The Rt. Hon. Peter Shore, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

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3 August 1981

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The Rt Hon Margaret Thatcher MP
Prime Minister & First Lord of the Treasury
10 Downing Street
London SW1

Dear Prime Minister,

I am writing to you in your capacity as First Lord of the Treasury - and therefore the Senior Economic Minister of the Government - to seek a clear statement from you as to the Government's official and considered view of the present state of the economy. I regret the need to write to you in this way, since in normal circumstances, the word of the Chancellor of the Exchequer can be taken as expressing the collective view of the Government. But as you will be only too well aware, the Chancellor's view is seriously at odds with that of other Senior Ministers and we are all as a consequence unsure as to which view represents official Government policy.

A most serious example - though by no means the only one - of this confusion occurred on Thursday last, in the wake of the publication of CBI's latest Industrial Trends survey. The Chancellor told the House, without qualification that "we are now at the end of the recession" and claimed at the same time that the CBI's survey was "consistent" with this "fact".

Such optimism was in no way however consistent with the remarks at the week-end of the Leader of the House, Mr Francis Pym nor with those made by the Chairman of the Conservative Party, Lord Thorneycroft - and the attempt by Sir Geoffrey in a radio interview at textual reconciliation between his position and that of Mr Pym was wholly unconvincing.

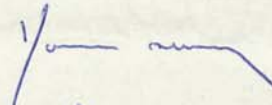
In his speech at Alnwick Mr Pym said: "there are few signs yet of when a general upturn will come" and in his radio interview, Lord Thorneycroft said: "there is no great sign of it (the economy) picking up". These remarks are very much at odds with the Chancellors', since on the normal meaning of words, "the end of the recession" must imply that the economy has started to pick up.

Moreover the Chancellor's claim that he was supported by the evidence of the CBI survey has itself been challenged by the authors of the survey, the CBI, as The Financial Times reported on Friday. "There is no sign of any general upturn in the economy" was the comment of the Chairman of the CBI's economic situation committee.

To restore the health of Britain's economy is the paramount need of today. Nothing is more damaging to that restoration and to the development of confidence in our economic future, than uncertainties emanating from the Government itself.

That is why I called for a clear statement this morning and, failing that, why I am asking you for an unambiguous view of the Government's considered assessment of the state of the economy and of the prospects for its recovery.

Since this matter is now the subject of widespread public debate, I am releasing this letter to the press.


Harold Wilson