

Confidential



PRIVY COUNCIL OFFICE  
WHITEHALL, LONDON SW1A 2AT

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Prime Minister

I regard the OECD forecast as almost the last straw, on top of the welter of conflicting - but nearly all unfavourable - economic forecasts with which we are afflicted.

Every time one comes out, the C.B.I., the T.U.C. and the Opposition use it as a peg on which to hang even gloomier forecasts and criticism of the Government's policies.

We really must have a coherent and confident-sounding presentation from the New Year on, to counter this.

It is no longer enough to go on talking only about the conquest of inflation, or the need to cut public borrowing and the level of pay settlements. People no longer listen to this - if only because they believe we are succeeding in it.

Somehow we must begin to offer some hope of recovery somewhere, some time. But I cannot persuade the Treasury to admit even a glimmer of hope into any briefing. Apart from John Nott, the Institute of Directors and myself, no one has been prepared even to suggest that we might be through the worst of the recession by mid - 1981.

We really cannot go on like this. Universal prophecies of doom can even work to destroy firms' confidence and hope of recovery, if no counter is forthcoming.

We may occasionally stick our necks out too far - but if we just say nothing, we shall sink farther and farther behind in public esteem, and the once widespread confidence that in the end our policies will work will be totally eroded.

I do not suggest that our policies should be changed. But we must have something more encouraging to say about the near future.

(Since writing this, I have now seen a flash of the Chancellor's statement today on OECD. This is better! Can we build on it? )

A.M.

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