

PRIME MINISTER

Lunch at British Embassy: Note for Remarks

General Theme - what has Government been trying to achieve, where is it seeking to go?

When this Government came into office in 1979, we had four immediate tasks:

- i. bring down inflation, then rising sharply towards a peak of 22%;
- ii. put public finances on a sound footing, controlling expenditure, reducing borrowing both at home and abroad;
- iii. reduce regulation and bureaucracy to make the economy more responsive to market forces;
- iv. to change attitudes and produce a greater sense of responsibility, recognising that a higher standard of living could only be earned by greater effort.

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Have made significant progress on all these fronts:

- i. inflation down to 5%;
- ii. Government borrowing down from 5% of GDP to 3% and overseas debt halved;
- iii. many controls and regulations abolished;
- iv. economy now beginning to grow, slowly at first, but with increasing strength.

To achieve this has been hard and in a way it is all rather negative. What is exciting is that the next five years can move forward on the basis of what we have achieved.

We have three main objectives:

- i. reduce burden of taxation;
- ii. rekindle enterprise and initiative, in enterprises both large and small;
- iii. produce a society which does not fear change but embraces it with enthusiasm.

New technology does not kill jobs but creates them. (Reference to interchange between scientists in Britain and Hungary.) Must put excellent scientific base in our universities and research establishments into industry to influence the goods we produce and buy in our shops.

I do not pretend that your economic system is the same as ours but I am nevertheless struck by the similarities from what you are trying to achieve:

- come to grips with public finances and overseas debt
- increased role of market forces
- increased scope for enterprise.

Pleased to see that further loan from IMF has been agreed.

But wrong for me to be telling you about your objectives and policies. Would welcome your views.

A.T.