

Econ Bl 2

Prime Minister

Duty Clerk 24/12



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

23 December 1980

T.P. Lankester Esq,
No.10 Downing Street

*I doubt whether
the successive features do
upon the Treasury were
accidental. Perhaps we can
reconsider our attitude to OECD.
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Dear Tim,

OECD ECONOMIC OUTLOOK

The Prime Minister asked about the background to the publication in various newspapers of OECD's forecast that unemployment in the UK will reach 3 million by mid-1982. There are two separate issues - how OECD came to publish the forecast and how it appeared in the press before the embargo date.

The OECD Economic Outlook contains both a general section comparing aspects of the economic situation and prospect in the different member countries, and specific sections on the major economies. In the section on the UK, the "Outlook" stated that unemployment in the UK (including school leavers) would rise to "roughly 12 per cent in mid-1982 or nearly $\frac{3}{4}$ to 1 million more people than in November 1980". As the figure then was 2.1 million, the press rounded this to 3 million. In the general section on employment prospects in the OECD area, unemployment in the UK is forecast at 12 $\frac{1}{4}$ per cent (Table 9), the highest figure of the major 7. In addition there is a forecast for youth unemployment in 1982 of 20 per cent, a figure second only to Italy.

The Sunday Times says the OECD forecast was prepared "after close consultation with the Treasury". It is true that the OECD Secretariat's draft forecasts were discussed by the OECD short term forecasters' and Economic Policy Committee meetings in November, at both of which UK representatives, together with those of other member countries, were present. But because this was before the Industry Act forecast was finished, the UK representatives at the forecasters' meeting did not submit an official UK forecast and confined themselves to commenting on the draft OECD forecast. They were, for example, able to persuade the OECD to reduce their inflation forecast for the UK.

/The Secretariat



The Secretariat paper discussed at the Economic Policy Committee meeting in November (which as usual covered broadly the same ground as the Economic Outlook), gave a forecast for unemployment of 11 per cent for H1 1982 and a figure of $2\frac{1}{2}$ million for GB wholly unemployed (ie excluding Northern Ireland and school leavers). The general section gave a figure only for 1981 as a whole. The figure quoted was perhaps slightly higher than the 2.3 million for 1981-82 assumed in the Government Actuary's report, but not markedly out of line with it. In early December the OECD Secretariat were sent a copy of the Industry Act forecast, including an estimate of the unemployment in 1981 consistent with it - but this arrived after OECD's deadline and was not able to influence the figures they have published.

In the Economic Outlook, neither part of which is shown in draft to officials of the member countries, the OECD has gone much further than ever before in publishing specific unemployment forecasts. In the July outlook there was no prominent summary table in the general section equivalent to Table 9, merely statements in the country texts relating to mid-1981. On this occasion the time horizon has been extended to 18 months and unemployment forecasts given for the major economies up to mid-1982.

The Outlook makes clear - inside the front cover - that it "is published on the responsibility of the Secretary General. The assessments given of countries' prospects do not necessarily correspond with those of the national authorities concerned". Nevertheless, the Secretariat should be sensitive to the political problems they can cause the members of the organisation. We will be considering whether greater control should be exercised by the members over the drafting of the Outlook, though this would inevitably involve greater responsibility. An alternative might be to try and distance ourselves more from the forecast.

On the question of the early publication of the figures by the Press, the first direct reference was in the Sunday Times two days before Tuesday's embargo. But there was an earlier reference by Frances Cairncross in Saturday's Guardian, where she wrote "A respected international institution will predict a further large decline in output in 1981 and a rise in unemployment to about three million by the middle of 1982". Though this may not break the letter of the embargo it is certainly contrary to its spirit. Following the Sunday Times article the Secretariat lifted the embargo on the section about the UK only, and so informed the UK press. But they failed to let the Treasury Press Office know of this until mid-morning on Monday.

/The difficulty

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Please take up
highly with
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The difficulty in which the Treasury was placed was increased by the fact that although the Outlook had been in the hands of the UK press for several days, copies only arrived in the Treasury on Monday morning - barely in time for briefing to be prepared had the embargo held. It is plainly very unsatisfactory for the press to be given this material several days in advance of member Governments. We shall now press strongly for copies to arrive earlier, so that we can brief the Press in advance that OECD forecasts should be treated as independent and not as incorporating a Government view.

Yours

John

A.J. WIGGINS

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OECD REPORT ON BRITISH ECONOMY

1. THE SECRETARY-GENERAL OF OECD TOLD ME HE WAS UPSET BY THE PREMATURE PUBLICATION YESTERDAY BY THE SUNDAY TIMES OF THE GIST OF THE SECTION OF THE OECD ECONOMIC OUTLOOK CONCERNING BRITAIN. ONCE THE REPORT HAD BEEN PUBLICISED THE SECRETARIAT JUDGED IT BEST TO LIFT THE EMBARGO ON THE SECTION OF ECONOMIC OUTLOOK. THE EMBARGO ON THE REST WILL BE LIFTED AS PLANNED TOMORROW.

2. THE SECRETARIAT ARE TRYING TO FIND OUT WHETHER THE SUNDAY TIMES ACTED BY MISTAKE. DEPENDING ON WHAT THEY DISCOVER THEY WILL ADDRESS AN APPROPRIATE MESSAGE TO THE SUNDAY TIMES.

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10 DOWNING STREET

From the Private Secretary

30 December 1980

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OECD Economic Outlook

The Prime Minister has read your letter of 23 December. She remains very unhappy about the premature disclosure of the OECD report, and she doubts whether their failure to inform the Treasury in advance of their forecast on unemployment was accidental. She has asked that our representatives at the OECD should take up vigorously their failure to give the Treasury advance warning.

The Prime Minister has also asked, in the light of what happened, for a note on the OECD organisation - how many staff, what are their qualifications and who pays, etc. She has also questioned whether we should not reconsider our whole attitude to the organisation.

I am sending a copy of this letter to George Walden (Foreign and Commonwealth Office).

J. P. LANKESTER

A.J. Wiggins, Esq.,
HM Treasury.

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