



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Myners, CBE  
House of Lords  
SW1A 0PW

16 June 2010

*Dear Paul,*

Thank you for your contributions in last week's debate on the Government's approach to ensuring the UK maintains its competitiveness. You raised a number of points concerning sources of growth, increases in unemployment and the Banking Commission. I thought it may be helpful for me to write to set out the Government's position of these matters.

Regarding your questions on sources of growth over the next 12 months, the Office of Budget Responsibility (OBR) published its Pre-Budget forecast on 14 June 2010. This set out the OBR's view on the rebalancing of demand that is expected to take place in the economy. For example, private sector demand is expected to remain relatively weak this year but from 2011 all components of private sector demand are expected to strengthen, while government expenditure detracts from growth.

The forecast published on 14 June incorporates all the policy measures introduced or announced by the previous Government but it does not include any measures announced by the Coalition Government. An updated forecast will be published on 22 June incorporating such measures, including any announcements in the Budget.

As stated in the Coalition Agreement, the Government believes business is the driver of economic growth and innovation, and intends to take action to boost enterprise, support green growth and build a new and more responsible economic model.

Regarding your questions on the impact of fiscal adjustments on unemployment, the impact on unemployment would rely on a number of different economic assumptions. The interim OBR will certify a post-measures forecast that will account for all scorecard measures announced in the forthcoming emergency Budget.



Monetary policy is a matter for the Monetary Policy Committee (MPC) of the Bank of England and The Chancellor has said he will support the MPC's decision and actions to meet the 2 per cent inflation target.

You also questioned the creation of a Banking Commission. An independent commission on banking will be established under the auspices of, and will report its findings to, the Ministerial Committee on Banking Reform. It will be established as quickly as practically possible and will be given an initial time frame of one year to report. The Government will make further announcements in due course.

The Ministerial Committee will agree the commission's terms of reference and membership to ensure that the commission has the breadth of skills, knowledge and expertise necessary for this important work and appointments will be made in line with proper procedures. The commission will be independent and will provide a valuable opportunity for a wide-ranging debate about the structure of banking in the UK.

I hope you find this response useful. I am copying this letter to all peers who spoke in the debate and I will place a copy of this letter in the Library of the House.

Thank you also for your kind personal  
remarks  
Yours ever  
James

LORD SASSOON