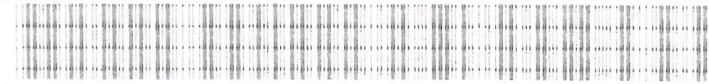


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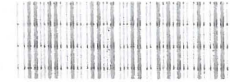
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Ends: 8/12/81



PO -CH /GH/0037



PART A

Chancellor's (Howe) Papers:

PARTY POLITICAL
BROADCAST DECEMBER 1981

Disposal Directions: 25 years

W. Howe

24/7/95

PO -CH /GH/0037

PART A

PART A

M

NEWS SERVICE

Release time: 20.00 hours/FRIDAY, 6th NOVEMBER, 1981 863/81

Extract from a speech by The Rt Hon The Lord HAILSHAM of St Marylebone, CH FRS DL, Lord Chancellor, speaking to Oxford University Conservative Association at Trinity College, Oxford, on Friday, 6th NOVEMBER, 1981.

Oxford has always been my second home. From the first time I saw it in 1926 to the present evening, in rain, in frost, in fog, in summer, it has never lost its charm. Some of the happiest years of my life have been spent here, as an undergraduate, as the MP representing the City, as a Fellow of All Souls.

I am sure that we are right to sow the seeds of Conservatism in every university in the land. It is not enough to have a Conservative organisation of the ordinary kind in the City, though, to be sure, OUCA in particular and its counterparts in every other university do provide the most admirable assistance at election times to our City neighbours. But a university Conservative association is both more and less than a constituency organisation, less, because, apart from neighbourly assistance, it has not the day to day business of canvassing, getting postal votes, checking the register, selecting and supporting candidates and the Member. More, because by its very nature a university organisation must interest itself in the discussion of principle, and the formation of policy at the highest level.

When I sat down to compose this speech, I was in some doubt what to choose as a theme. But, since the current situation is an extraordinarily bewildering one, and needs analysis before conclusions are reached, I thought I would begin on the same lines that I composed yesterday in my speech on the Address in the House of Lords.

I began by stating my belief that the year 1973 in fact formed a watershed in our affairs. One did not think so at the time. We were, as it turned out, though we did not then know it, within a few months of a General Election, a General Election which we lost, and which was destined to put Labour in for five years. But it was not that which created the watershed. Still less was it the circumstance equally known to us that Margaret Thatcher, then Secretary of State for Education, would within a comparatively short time become, successively, leader of the Conservative Party, and the first woman in this country to hold the office of Prime Minister. No, what made it a watershed, was the fact, for I believe it to be a fact, that, for the first time for more than a generation, the standard of life in this country would stop going up in absolute terms, and would either remain static or negative
/for years...

1) years to come.

The importance of this change has not been fully realised, and the fact that it has not been realised is at the bottom of much of the bewilderment which has affected public opinion ever since. I do not think it explains our defeat in 1974. But it was at the bottom of the absolute collapse of the economy of this country under Harold Wilson and Denis Healey, culminating in the winter of discontent under James Callaghan and Denis Healey in 1978. Labour economic policy was always dotty - stark staring bonkers I described it in 1964. But, bonkers or not, it was always predicated on a rising tide in our economic affairs, and, given an ebb tide, which is what we have been enduring ever since, was precisely calculated to give rise to uncontrolled inflation, heavily rising unemployment, the loss of our fiscal independence to the IMF who would force economies upon us quite inconsistent with Socialist policies, and, in the end the defeat of the Labour Government which occurred in the summer of 1979. It is equally this sense of bewilderment which has given rise to the lurch to the left which has affected and split the Labour Party since 1979 and has led both to the success - temporary I hope and believe - of its right wing offshoot the SDP and the SDP Liberal Alliance. I will not accept the charge laid against the present Government that we have taken a corresponding lurch to the right. On the contrary, we have been endeavouring to carry out consistently, pragmatically and humanely the policies on which we were elected in 1979, and the only people entitled to criticise us, (albeit unfairly) are those on the right wing of our party who upbraid us because the effect of our policy, although not insignificant, has not enabled us to reduce taxation, to break completely (though it has reduced) the rise in inflation, or to prevent the continued rise in unemployment. These effects are due, in my opinion, to the watershed - or change of tide in 1973 - and they have, naturally enough, increased the degree of bewilderment in public opinion, and, of course, have made it extremely difficult for us to explain the essential rationality of our policies.

To give you an example of the importance of the change in economic climate, let me ask you to consider a few obvious facts. No one under the age of 45 can remember the war at all. My son, now aged 37 and MP, was christened on VE day. No one under the age of about 60 has any rational recollection of the 1930's or the events leading up to the war. On the contrary, though plenty of warnings were given, not, I think least by myself, of the inevitable consequences of loss of competitiveness, which was both obvious and frightening, more than half the adult population of this country has been brought up in conditions in which, taking one year with another, things got better and better almost automatically. True, prices increased, though never so much as in the Healey Wilson Callaghan regime and immediately after. But, by and large, wages and benefits kept ahead. True, we were losing, very rapidly, /our share...

share in world trade. But, in absolute terms, our national product was increasing, whereas, since the watershed, it has declined to a neutral or negative figure. True, taxation had risen to an intolerable extent, the national debt had doubled, and the service of debt had become virtually the highest single item in the Budget, but, before the watershed, the effects of this had not become apparent. So that we find public opinion at the present time utterly unprepared to face a situation with which only a minority, and those the oldest has ever previously had to confront. The kissing has had to stop, and we have not yet become used to doing without it.

I have described 1973 as a watershed. I believe I was right to do so. But, of course the date was to some extent arbitrary. It was chosen because it was the date of the rise in the price of oil following the Arab-Israel war. But the impact of the recession of which it was the consequence has perhaps been felt more strongly here than in any of our more industrialised competitors. The reason for this lies a long way back far behind the watershed of which I have spoken, in our want of productivity, our excessive wage demands, our antiquated and backward looking trade unions, their restrictive practices, their overmanning, their leaders who do not lead, in our bad labour relations, generated in part no doubt by defects in management, but mainly in the Marxist ideology of our left wingers, in our excessive expenditure on consumption, and our inadequate or, worse still, misdirected expenditure on investment. A rational policy for the future is unlikely to achieve sudden or even rapid results. But it is here that we need to look and not to repeat the mistakes of the past.

Above all we must not delude ourselves into thinking that a great increase in expenditure on objects intrinsically and in themselves desirable is going to provide an easy way out. That is the policy which had been tried, and failed. Unemployment has been increasing steadily since 1951, and each rapid increase in expenditure has been followed by an accelerated increase in unemployment. Each attempt to control prices and wages by statute has been followed by a fresh burst of inflation and no improvement in employment.

We must also seek to avoid - again almost at all costs - the kind of little Englandism which characterises the speeches for instance of Mr Shore on the left and Enoch Powell on the right - import controls, which invite retaliation and which are merely an attempt to export unemployment to countries equally unable to bear it, withdrawal from the European community which, with its associates accounts for 60% of our foreign trade, again inviting retaliation, again disastrous in accentuating the deteriorating climate of world affairs. Carried to its logical conclusion such a policy would only restore the economic anarchy which preceded the last war and may even have contributed to its outbreak, each country trying to

/export its...

...ort its unemployment to all the others in a vain, and impossible attempt to achieve self sufficiency for itself. Trade is international. Peace is international. Rising fences are not acceptable. This country must seek to play its proper roles, as part of the World Community of nations, as the focal point of the Commonwealth, as a loyal partner of the European Community, as a determined and courageous member of NATO. These are dangerous times, and any other policy spells disaster.

By far the most dangerous threat to Britain lies, of course, in the lurch to the left in the Labour Party and in the Trade Union movement. I have already described its economic policy as dotty, and as peculiarly unsuited to the economic climate in which we are compelled to operate. But more dangerous still is the overt threat to Parliamentary democracy posed by its more militant elements which with the defection of the SDP members represent the most effective best organised and most articulate element in the Party. Reduced to its essential elements it would reduce this country to the status of an East European so-called "peoples" so-called "democracy" - a single chamber Parliament endowed with unlimited powers, committed to the uncritical implementation of a manifesto composed and dictated from outside all opposition parties gagged by the guillotine, the members of the Government Party controlled like puppets on a string by the infiltrated constituency organisations, its leader elected from outside by an unelected college, and dominated by the card vote by unions controlled by McGaheys, Scargillis and Ted Knights. I do not know what will warn people of its ultimate dangers, better than the consequences of the GLC elections. These were fought and won by the Labour Party under comparatively moderate leadership with a comparatively moderate programme. The election won, within a matter of hours, the ineffable Livingstone emerged from the woodwork with his black flags for Bobby Sands, his cheers for the Chelsea 'murderers of the Irish Guards and innocent bystanders, his bus rides at the expense of the rate payers, and his grotesque espousal of gay libs. If anyone does not see all this as constituting a threat to our national survival, I should adjudge him incapable of seeing a warning, and if anyone thinks that the danger is diminished by the defection of the more moderate elements to the SDP I have only to suggest that they take a short course in elementary arithmetic.

This brings me to the strange phenomenon of the SDP Liberal Alliance. It would be churlish on my part to speak ill of them, fresh as they are from Parliamentary victories at by-elections and in the local government field. Without a leader, without a single party, without a policy, without a coherent political philosophy they are admirably adapted to be all things to all men. The question is whether such a contraption or contrivance has any hope of survival in General Elections, or if they achieved any measure of success whether they have any prospect of contributing constructively to national survival, or even local government. The

Lord of centre parties has not been encouraging in the rest of the world. Their soft centres invariably melt away in the harsh heat of the political kitchen, and disappear altogether when subject to the fierce heat of the facts of life.

At the end of the day after all the argument I leave by the door wherein I went. The one hope for mankind lies in freedom under law operated by the rules of Parliamentary democracy. In that hope, the Conservative Party, careful, realistic, humane and patriotic, remains the best hope for Britain, and so long as it prevails in Britain one of the best influences for sanity and survival in the world outside.

END

Mr Ridley

I.8

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State (L)
 Mr Kemp
 Mrs Gilmore

PPB AT THE BEGINNING OF DECEMBER

Alan Howarth told me at CRD today that there was a plan to have a PPB on 2 December or 9 December. As he rightly observed, it cannot avoid foreshadowing or reflecting what you will be saying at around that period in your statement to Parliament on the Industry Act Forecast and related matters. I have reminded him ... of this in the attached letter, but you may feel that this is something worth pursuing more systematically. For example you might want to mention it to Cecil Parkinson when you next see him - or to pen him a quick letter about it. I do not at this point see it as an overwhelming attraction for you to bid to be the star of the programme, but you could certainly put in a bid, not having starred in one for some 15 months or so!

*brass
plan**(think on that, modestly?)*

2. The obvious problem would be timing. If you went for 9 December, and one assumed that your statement to Parliament was some days before that date, it would leave us only a fairly short time in which to work up a script, there being little opportunity of opening out to the degree one would like with the producers until the statement is made. Perhaps this is something which depends, too, on decisions which have yet to be taken about the way we are to present economic policy once the new public spending figures have been agreed and announced.

ADAM RIDLEY

13 November 1981



I.8

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000
Direct Dialling 01-233 5618

A N Ridley
Special Adviser

Alan Howarth Esq
Conservative Research Department
32 Smith Square
LONDON SW1

13 November 1981

Dear Alan,

Just a quick note to pursue the point about the date of the next PPB, and its possible content. You said today you thought that 2 or 9 December were the most likely days. If so, then there will certainly be an important relationship between what is said in the PPB and what the Chancellor announced in his statement. Obviously anything further you can tell me about the timing or content will be most useful. In the meantime I shall tell him, and let you know if he has any thoughts about the matter.

Yours

Adam.

cc Mr Ridley
Mr Cropper

CHANCELLOR

SEE:

- TCSC EUDNC: 24. xi

- WELSH SPEECH: CARDIFF

- WEDD PAIR ^{lessons from other industries}

- TECHNOL. CHANGE

PARTY POLITICAL BROADCAST TEXT

- WAY OF THROWING AWAY
+ PRE-EEC SPEECH

... Adam Ridley and I have prepared the attached text.

- PAY SPLURGE

2. You will almost certainly not have time to work upon it at the moment. But you should know that it has been sent, as you wished, to Tony Jay, David Boddy, and Peter Cropper.

- SECOND TERM

3. We will be drawing upon **their** comments and changes before coming back to you.



ROBIN HARRIS

15 November 1981

WORK IN - IF U CAN - CONCERN OF WHETHER GROWTH WILL COME FROM BEING RE-INDUSTRIALIZED OF DOMESTIC MARKETS & OF EXPORTS. THE DEMAND IS THERE UK. RIGHT! OTHER PEOPLE ARE SAYING IT, WE'RE NOT. WE!

8 We had failed to compete. And, because we failed to compete, our standards of living fell relative to those who had taken our markets.

And we all know in our hearts how we arrived here.

MANAGEMENT UNWILLING TO LEAD, UNWILLING TO COMMUNICATE - OPEN MIND WHEN YOU TRIED TO. MELINDA HAS CUSTOMER TEST BIRD.

9 Too many strikes; too little realism and responsibility about pay; too little concern for quality and reliability in what we produced; too much reliance on government rather than on ourselves.

10 That was the picture I'd have painted last year and for years before that. But not this year. For now, at last, things are improving.

11 There are some [really] encouraging [developments] which suggest that the corner has been turned. [And it has been turned] not just because the Government has been doing its part but because you have been doing yours.

PLAY DOWN SCARS OF SUCCESS (ONLY 1% GROWTH NEXT YEAR - TWO' PASTURE I THINK WE'VE DO BETTER)

Benny
It's been done because you have held down labour costs.

ONLY ECONOMISTS DO NOT SAY THIS!

It's been done because you have moderated pay settlements.

COOL!

It's because you've been responding to the initiatives we've advanced to encourage enterprise and foster small businesses and increase incentives.

This is something which we can together be proud of.

GRAPHIC EXAMPLES: SIMPLY

Yrk

12 Productivity which has lagged behind other countries for so

long has risen. It's risen while output has fallen - that's new and it's significant.

13 And it's through productivity increases that tomorrow's jobs are secured, even if some of today's are lost.

14 And we're clawing back our lost competitiveness. We're winning through in export markets. We're reversing the decline.

Sounds like A woman struggling to breathe her BRA!

15 What's now happening in Britain has been happening abroad for years. Only now are we learning what the Japanese learnt. They learnt that when they kept down unit labour costs, they kept down their unemployment and they increased their national income.

17) happened in Japan, US, CAN. We are known that 17% are using the for US. Forth above that: AND some of [FRANCE] [GERMANY] [CANADA]

[CHARTS: UK'S VS GROWTH OF JAPANESE LABOUR COSTS : UK'S GROWTH OF JAPANESE GDP]

16 They kept up their competitiveness and so ensured their share of world trade.

increased?

17 If we'd retained our share of world trade in [] we would be [] better off.

[CHART]

18 It's is because we've started doing what the Japanese did,

improving our productivity, improving our competitiveness,
that orders for the engineering industry are looking up.

[CHART]

19 And Industrial production has begun to rise.

[CHART: SHOWING FALL AND RISE]

20 And more orders and more output must mean the prospect
of more jobs.

21 So that brings me to my answer to the question: where will
tomorrow's jobs come from and how?

22 They'll come from successful competition at home and abroad,
from recovery of our share of world trade of the home market.

23 They'll come from more of what you and the Government together
have already achieved. From lower pay settlements, from
higher productivity, from a changed attitude to work
and success.

24 And the Government can and will continue to do its part.
We've steered a steady course. We've been flexible - spending
to ease the effects of recession, especially spending
to help retrain and give experience to the young who have
no job. But we've kept firmly to the strategy of not
trying to spend our way out of our problems - a way which
has helped lead in ^{the} past to inflation and unemployment.

26 This is what together the Government and the British people can do to give jobs and hope to our young people. The recovery is beginning. And what we've already achieved points the way to lasting prosperity and fuller employment.

Some Wages (EARLIER):

ONLY 2 WAGES WE
AS KNOW THIS ALL THINGS

- ① PAY SOURCE (USUAL NOISES)
- ② PRE-ELECT SPENDING SPARE

ALREADY PEOPLE BELIEVING TO
EXPECT. ALWAYS LEAVES A
MESS FOR NEW GOV. UNLESS
ALL THE GOOD.

WE DON'T INTEND TO DO
THAT - TO PLAY WITH YOUR
FUTURE FOR THE SAKE OF
Ours. (US WOULD TOLERATE
IN THIS - AND WE MEAN
TO KEEP IT THAT WAY.

From: ADAM RIDLEY
16 November 1981

13



A.30

CHANCELLOR

cc Mrs Gilmore)for
Mr Kemp)information

CONSERVATIVE PARTY CHAIRMAN

You asked me to draft letters for you to send to Mr Parkinson about the PPB now scheduled for 9 December; and the possibility that Central Office might try and handle Ministers' speech appearances in a more systematic and rational way. I accordingly attach a draft letter which I hope deals adequately with both issues.

ADAM RIDLEY
16 November 1981

DRAFT LETTER FOR THE CHANCELLOR TO SEND TO MR PARKINSON

I gather that you are planning to have the next PPB on 9 December. As you will know, only a few days before I (and colleagues) am due to make the normal autumn statements to Parliament about the new Industry Act Forecast, the latest public spending decisions, the uprating of National Insurance contributions and so on. The precise date is not yet known, but ~~I~~ I would expect it to be in the week of 30 November or, conceivably, as late as Tuesday 8 December. This will mean that economic policy will be very much on people's minds when the PPB is broadcast. This leads to the obvious thought - no doubt you could see it coming - that the programme might deal with economic matters. If the idea attracts you, we should of course be delighted to put some ideas to you quickly. ~~[At this point I would favour the idea that the most important thing to be done is]~~ ^{The aim might be} to re-establish confidence in the recovery - something which could, I suspect, be linked quite easily with the statements ^{what will just have been made -} ~~I have referred to.~~ There is also one other unrelated point which a number of us here thought might be worth raising with you, which concerns the programming of speeches by Ministers and senior backbenchers. We have consistently noticed that the great universities - perhaps particularly OUCA and CUCA - have tended to obtain a much larger share of our speakers' time than is either fair or, to be honest, prudent having regard to the need to present ourselves actively throughout our universities and institutes of higher learning. Obviously ~~we are - and you are~~ ^{neither we nor you are} in ~~no~~ position to do much beyond a certain point, inasmuch as the flow of of invitations is not determined in Central Office, let

✓

NWS

alone in any individual Departments. Nonetheless we could not help wondering whether there is anything you or Central Office itself could do to try and ensure a more even spread of speakers throughout the country. I seem to remember that some effort was made to this end in opposition, and that it was by no means ^{fruitless} ~~futile~~. If something is possible, I can assure you that, dislike it though we may, Treasury Ministers (if none others) will grit our teeth and do what is required of us without complaint!

RESTRICTED



*Ugpa on a photocopy
16
P.1
I'm sure we work to
Mr. Pakinson can you
look again?*

PRINCIPAL PRIVATE SECRETARY—

cc PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State (L)
Mr Kemp
Mrs Gilmore
Mr Ridley

DECEMBER P P B

The Economic Secretary has seen Mr Ridley's note to the Chancellor of 13 November. In view of the uncertainties about the timing of statements, he would have thought 2 December was to be avoided if at all possible.

C. H. Jutsum

C H JUTSUM
Private Secretary
16 November 1981

RESTRICTED

I.8

CHANCELLOR

cc Economic Secretary
Mr Kemp
Mrs Gilmore
Mr Cropper
Mr Harris

PPB 9 DECEMBER

We are seeing Messrs Boddy and Jay (and, possibly, David Davies) at 3.00 pm on Thursday 26 November. I thought it helpful to note some first ideas in advance, which reflect suggestions from the EST and other advisers.

Format

2. We assume it will be a "cheapie", and therefore person to camera, plus at best a visual aid or two if the BBC can draw them for us. Peter Cropper suggests you could conceive of doing it as a dialogue with the CST - which would add novelty. And he is the Minister in charge of PE. The mood we all hanker after is a natural, intimate fireside chat, with people seeing you calmly unveiling the mysteries to them in a reassuring manner. (An alternative interlocutor would be Tebbit, particularly if you talked about union legislation.)

Themes

3. Recovery Despite scepticism, it is happening. Cite some of the indicators, maybe chart them. Stress this is in part the fruit of commonsense (lower pay awards) and productivity increases (at last). Looking ahead more of the same could make a great difference. Union proposals put forward to strengthen the moderate responsible elements in society.

4. PE decisions Spending more; but with great wisdom and restraint; after the most careful discussion. These increases have to be paid for (reference to painful cuts, NI contributions).

Can't be said Government does not adapt to changing and difficult circumstances. Pick out one or two enlightened decisions?

5. Other points You could enlarge on the Tebbit proposals, particularly if he himself appeared. I see little advantage in saying much about the EEC or Social Security changes where the uprating is probably more than cancelled out by developments on the contribution front. This leaves one with unemployment. It is suggested that you could do your "anxious parent of three young labour force entrants" bit; and there is always Port Talbot. More generally, one could enlarge into the "why we have not reflatd" area if that seems indicated.

6. When you see Messrs Boddy and Jay we may find that they have very slightly misunderstood your letter. A chance remark suggests they hope we may have some goodies to announce.



ADAM RIDLEY

25 November 1981

PS Mr Harris points out that you will be playing Father Christmas this year. One might squeeze that fact in somewhere.

cc: Mr. Ridley
Mr. Cropper

CHANCELLOR

PARTY POLITICAL BROADCAST

.... I attach a script which I have just received from Tony Jay. I
.... also attach the (very rough) graphs to which he draws attention
('F' and 'E').

PH

pp ROBIN HARRIS
2 December 1981

20

DRAFT SCRIPT FOR A CONSERVATIVE PARTY POLITICAL
BROADCAST BY THE CHANCELLOR OF THE EXCHEQUER

CHANCELLOR:

I don't know about you, but I nearly always find these party political broadcasts depressingly predictable. If its the Government, they say what a good job they're doing. If it's the Opposition, they say what a mess the Government's making of everything. And that's about it. The truth is that Governments aren't often responsible for everything they're blamed for, or for everything they try and take credit for. And that's certainly true of what I want to talk about for the next couple of minutes.

I'm not going to bore you with a lecture on the battle against inflation. We all remember the horror of 1975 when we peered into the abyss and saw what might happen if things got out of control, and I think almost everyone knows we've got to conquer it, even if we dislike the short term consequences. No, I want to talk about success. Not the Government's success - all the Government has done is stop interfering and let the people of this country get on with it. Because despite the frustratingly high level of unemployment - and it's going to stay high for a while yet - there is growing evidence that the people who matter in Britain, the people who do the

/work, the

work, the people who earn the money, are starting to succeed where years and years of Government intervention and interference have failed.

In terms of hard facts, there are various pointers. Two of the most significant are industrial production and engineering orders. Industrial production, which fell steeply as you see in the last half of 1980, has started the slow but steady rise that everyone has been waiting for. It began in the spring of this year, and it's still rising.

Graph of industrial production - animated if possible ('F')

And engineering orders are up even more encouragingly house orders up 5 per cent and export orders up 7.7 per cent. That's not the Government at work. That's Britain at work.

Histogram of engineering order - animated if possible ('E')

But actually there's something even more important than statistics. The tough times we're going through have brought out a spirit of determination and realism that are worth all the statistics put together. Of course we read about all the strikes and disputes. What is less dramatic but far more widespread and significant is the millions of modest and sensible wage settlements going on all over Britain, and the millions of people who are producing as much output as before with fewer people, and starting to make us competitive with the very best of foreign manufacturers. And that's the real key

/to long-term

to long-term success. When I was in Crosby a couple of weeks ago - and I don't think I have to tell you why I was there - a lot of young people asked me where they are going to get jobs. And if I were them, that would be the one question I wanted answers as well. But the answer isn't in some quick panic Government action - that's what has caused the trouble we're in now. The answer is in the slow hard fight to regain the industrial competitiveness we've been losing, and that's a fight where it looks as if we're just starting to get the upper hand again.

And there's something else. In the end, the new jobs will come from new industries and new businesses not from old ones. We hear when a big company in a national industry lays off 500 people. We don't hear when 50 new businesses take on ten people each. And the fact is that this year the small business centres have dealt with no fewer than one hundred thousand enquiries from people interested in starting new businesses. If that means what it seems to me about the enterprise and courage of British men and women, then however black things may look at the moment, the long-term future looks pretty good to me. Provided the Government lets people get on with it.

Good night.

2/12/81.

22

PPB TEXT FOR CHANCELLOR

When I was in Crosby a fortnight (?) ago, some youngsters asked me a question which I know many of you would ask: where are our jobs, tomorrow's jobs, to come from?

2. As a father of three children, I wouldn't be human if I failed to ask myself that question too. And I understand the worries behind it. I want to answer them tonight.

3. But I can't answer them without reminding you of what's been happening to Britain, of how badly wrong things have gone for so long.

4. Just look, for a minute, at how we've lost our share of world markets. Between [1950] and [1980] our share of world manufacturing fell from ²⁵[] per cent to ^{about 8}[] per cent.

[CHART] A

5. And we have ^{lost} our home markets too. [⁷⁸] out of every [¹⁰⁰] cars bought in Britain in [¹⁹⁶⁰] were British made; [twenty] years later the figure was [⁴⁸].

[? CHART B

6. This isn't something new. You've heard it before. I remember [] years ago saying on such an occasion ".....".

7. As we lost our markets our people lost their jobs. Employment in manufacturing motor cars fell from [¹⁹⁷³] in [^{525,000}] to [^{345,000}] in [¹⁹⁸⁰].

8 We had failed to compete. And, because we failed to compete, our standards of living fell relative to those who had taken our markets.

And we all know in our hearts how we arrived here.

9 Too many strikes; too little realism and responsibility about pay; too little concern for quality and reliability in what we produce; too much reliance on government rather than on ourselves.

10 That was the picture I'd have painted last year and for years before that. But not this year. For now, at last, things are improving.

11 There are some really encouraging developments which suggest that the corner has been turned. And it has been turned not just because the Government has been doing its part but because you have been doing yours.

12 It's been done because you have held down labour costs
It's been done because you have moderated pay settlements.

It's because you've been responding to the initiatives we've advanced to encourage enterprise and foster small businesses and increase incentives.

This is something which we can together be proud of.

Productivity which has lagged behind other countries for so

long has risen. It's risen while output has fallen - that's new and it's significant.

13 And it's through productivity increases that tomorrow's jobs are secured, even if some of today's are lost.

14 And we're clawing back our lost competitiveness.
We're winning through in export markets.
We're reversing the decline.

15 What's now happening in Britain has been happening abroad for years. Only now are we learning what the Japanese learnt. They learnt that when they kept down unit labour costs, they kept down their unemployment and they increased their national income.

[CHARTS: UK'S VS GROWTH OF JAPANESE LABOUR COSTS
: UK'S GROWTH OF JAPANESE GDP]

CHART C -

16 They kept up their competitiveness and so ensured their share of world trade.

17 If we'd retained our share of world trade in ¹⁹⁶⁰ [] we would be [$\frac{1}{3}$] better off. £40 per week more for every person - employment

[CHART] D

It's is because we've started doing what the Japanese did,

improving our productivity, improving our competitiveness, that orders for the engineering industry are looking up.

[CHART] E

18 And Industrial production has begun to rise.

[CHART: F SHOWING FALL AND RISE]

And more orders and more output must mean the prospect of more jobs.

So that brings me to my answer to the question: where will tomorrow's jobs come from and how?

They'll come from successful competition at home and abroad, from recovery of our share of world trade of the home market.

They'll come from more of what you and the Government together have already achieved. From lower pay settlements, from higher productivity, from a changed attitude to work and success.

And the Government can and will continue to do its part. We've steered a steady course. We've been flexible - spending to ease the effects of recession, especially spending to help retrain and give experience to the young who have no job. But we've kept firmly to the strategy of not trying to spend our way out of our problems - a way which has helped lead in past to inflation and unemployment.

This is what together the Government and the British people can do to give jobs and hope to our young people. The recovery is beginning. And what we've already achieved points the way to lasting prosperity and fuller employment.

Q Boddy:

alternative hit to: present me a bit bad:

"Good evening. I know many of you are asking what is happening to the economy today; as we approach a New Year, what our prospects are like."

Notes: also ones we put 27
L. Brittan - his writing
Remember a statement saying:

"It's difficult to see the wood for trees & difficult to see the signs of improvement since we've been used to things going bad for so long. But let's try to get behind the scenes & see what's really happening now."

DRAFT PPB WEDNESDAY OCTOBER 8th

REDRAFT OF DEC 6th

THE CHANCELLOR

I suppose that on the surface, the economy looks much the same today as it ^{did} looked a year ago. But in fact there's a ^{quite a} considerable difference. ~~And~~ ^T the difference is that we ^{are} now just beginning to see the ^{first} real signs

of success. I'd like to say it's ^{all} the government's success, ^{but that wouldn't be true. Certainly not the whole truth anyway!} but the honest truth is that the government ^{hasn't} had very ^{a limited part to play. Probably the most important thing we've done} much to do with it. ~~The main thing the government has done~~

~~is to stop interfering and let the people of this country~~ ^{has been to give} get on with it, themselves. ^{not necessarily that straightforward. For one thing, there's still} Because despite the desperately ^{high} high level of unemployment ^{unemployment is still} and I'm afraid it's going to

stay high for ^{quite a} ~~along~~ while yet - there is growing evidence that the people of this country are starting to succeed by ^{your} their own efforts, where years and years of government intervention and interference have failed.

The measures I've (just) announced are simply the ones we need to keep us on ^{our} ~~their~~ course, ^A and not go back to the horrors of five or six years ago when prices shot through the roof. ^A When you hear people ^{take} talk about 'reflation' as an alternative to ^{carefree} ~~careful~~ control of spending, that's really what they've proposing. And it's not on.

Let me show you a couple of these signs of success. ^{let me show you a couple.}

Industrial production, which fell steeply as you see in 1980, ^{already} has started the slow but steady rise that everyone has been

MQ mixed
RAA

AR straw
CSIT here

but the honest truth is that it has much more to do with the attitudes people now hold than with direct Govt. interference. In fact as a Govt, we've interfered and let the people of this country get on with the job they have long known has needed to be done.

with some of the changes that we've all known were necessary.

AR alternative at Am
more page

They're really proposing a massive gamble with inflation. And it's not on. It's not on because after the sacrifices of the last couple of years there are now

Graph of
Industrial
production

waiting for. ^{Actually} It ^{already} began in the spring of this year, and it's still rising.

Graph of engineering orders

And engineering orders ^{have been rising} are up even more encouragingly - ^{with} home orders up 4½ per cent export orders up 14 per cent. ^{in the last 3 months}

That's not the Government at work. That's Britain at work. ^[N.B. Eng orders have been rising (order on hand) since Dec '80 - so we could refer that in the slightly more optimistic tone suggested.]

But actually there's something even more important than

figures. ^{This suggests strength this suffering that we deliberately engineered but a long time.} ^{In the last year or so we've seen a growth} The tough times we're going through have brought out a spirit of determination and realism that ^{is} are worth all the figures put together. Of course we ^{SHL} read about all the strikes and disputes. ^{but even they are much less} What is less dramatic but far more widespread and significant is the millions of modest and sensible wage settlements going on, all over Britain, and the thousands of companies who are producing as much as before with ^{much higher productivity} fewer people, and starting to make British goods competitive with the very best of foreign manufactures. And that's the real key to long-term

success. And it would be madness to throw that away on

a government spending spree to create a few temporary extra jobs ^{redundant} [in the short term], and chuck away the real lasting

gains we're already beginning to make. ^{These few} Those extra jobs would soon disappear, and what I want to do is to make it possible for new ~~jobs~~ ^{lasting jobs to be created}.

The real answer can only be in ^{the} this slow ^{shown} (steady) determined fight to win back the customers ^{our industries have} we've lost.

The reason we've lost them is all here. The wages cost in what we produce has gone up 95% in the last 5 years. ^{In other}

^{it been for less. And} In Japan the rise has been zero. That's how they keep

Graph of UK and Japanese labour costs and GDP increases 1975-807

prices down and sell so much. And that's why in those same 5 years, our output has gone up only 8%, and theirs has gone up 28%: nearly four times as much.

we now shift to (1960-80, so the ad is helpful)

That's true not just of us compared with Japan; but ^{it's long} of us compared with our major competitors as a whole. Look at this picture of our share of world trade since 1960. If we had done as well as other major exporters, we'd be exporting nearly twice as much as we are today.

Graph of our share of world manufactures trade

The country voted for a conservative government in 1979

because Margaret Thatcher promised we would ^{deal with} attack the basic problems which had caused that long national decline.

I don't think we did know enough it would be tough, it was done against saying it. It sounds false

Because people were fed up with promises of instant 'solutions'. We ^(all knew it could) warned that it would be tough, and would take time. We said that the government couldn't create prosperity; ^{or it's own} but that if government didn't keep interfering the people of Britain could ^{be allowed to get on with the job} create prosperity for themselves. And that, it seems, is what ^{is} just starting to happen. It doesn't mean our troubles are over - but it means that for the first time in 20 years and more we have real hope for the future. Not a future obtained by the government, but a future people are building for themselves.

brackets bit subtract rather than adds.

Now that we're seeing the first fruits of success let us carry on and complete the job together.

O. Britoy says, I think right, we need a stronger 'sign off'



PRINCIPAL PRIVATE SECRETARY

- cc PS/FST
- PS/EST
- PS/MST (C)
- PS/MST (L)
- Mr Ridley
- Mr Cropper
- Mr Harris

✓ MEASURES

PARTY POLITICAL BROADCAST

The Chief Secretary has seen Mr Harris's minute of 2 December to the Chancellor attaching a draft script for a Party Political Broadcast by the Chancellor.

2. The Chief Secretary thinks this a good "ministerial" type text, but only amounting to half of what a PPB should contain. However statesmanlike one wants to be, the Chief Secretary does not think one can ignore referring properly to the alternative of reflation and why it wouldn't work. The public is being bombarded with this alternative daily.

3. The Chief Secretary has the following comments on the text:

- i. page 1, last sentence - "Because despite the frustratingly high level....." etc. This sentence is too limited in its recognition of the scale of the unemployment problem.
- ii. page 3, paragraph 1 "- and I don't think I have to tell you why I was there" This is the wrong tone in the Chief Secretary's view.

MISS J M SWIFT
7 December 1981

- (i) Evidence that the fall in output is now over
- Total output (GDP) rose by $\frac{1}{4}$ per cent in 3Q according to preliminary estimates.
 - Industrial and manufacturing output increased $\frac{1}{4}$ and $1\frac{1}{2}$ per cent respectively between 2Q and 3Q.
 - 3Q figures for manufacturing, distribution and wholesalers show rate of destocking reduced by well over half compared with 1H 1981.
 - CBI and FT surveys showing more favourable trends since end of last year.
 - Volume of engineering and construction orders this year up 20 and 10 per cent respectively on 2H 1980.
 - Private sector housing starts up over 40 per cent in year to 3Q 1981.
 - Short time working in manufacturing fallen to $\frac{1}{4}$ of January peak, total hours worked have stabilised.
 - Most recent major independent forecasts (LBS, St James, NIESR, P&D, CBI) assess low point in activity reached in 1H 1981; prospect of some recovery in coming year.
- (ii) Earnings and settlements in latest pay round. Increases halved in last pay round. CBI pay data bank shows manufacturing settlements in last round averaging 8-9 per cent, with about two-thirds in single figures. Public sector in line.
- (iii) Productivity. Indications that productivity increasing. Output per head in manufacturing in 1981 2Q almost 6 per cent higher than in 1980 4Q. Investment in plant and machinery holding up.
- (iv) Competitiveness. Pay moderation and increases in productivity have led to very little rise in manufacturers' unit wage costs this year. Combined with exchange rate fall implies a recovery in UK competitiveness (up some 10 per cent this year) and alleviation in intensity of squeeze on profit margins.
- (v) Unemployment. Rate of increase in unemployment in 3 months to October less than half that of the last quarter of 1980. [NB some commentators conclude that trend is now accelerating.] Some increase in number of vacancies over recent months. Short-time working in manufacturing sharply cut - just $\frac{1}{4}$ of January level in August. Overtime working has increased by 10 per cent in 3 months to August over previous 3 months. Total hours worked in manufacturing have now broadly stabilised.
- (vi) Special employment measures. In July Government announced further provision for special measures, worth (gross) £700 million in 1981-82. A large part of this was for young people, including the new Young Workers Scheme. Special employment and training measures currently cover 700,000 people at a cost of over £1100 million this year.

- (vii) Industrial relations. Stoppages over period since July 1980 lowest in any comparable period since 1940s.
- (viii) Retail prices. Inflation almost halved since peak in second quarter of last year. 12 monthly increase in October of 11.7 per cent. [NB Progress is for a while being affected by lower exchange rate and higher mortgage rate.] UK's now much closer to average year-on-year consumer price inflation in major competitors (around 10 $\frac{3}{4}$ per cent).
- (ix) Public sector borrowing. Underlying position in line with Budget time forecast for 1981-82.
- (x) International consensus that control of monetary aggregates and public expenditure essential to curb inflation, improve 'supply side' and lay foundations for renewed, sustainable growth. US, Canada and Germany have announced lower monetary targets for this year than last. Most major countries (US, Japan, Italy, Germany, Netherlands, Sweden, Norway and Australia) have recently announced measures to cut planned public spending.
- (xi) Loan Guarantee Scheme. Off to a very good start. Nearly 1200 guarantees issued so far on loans totalling over £41 million. Over half of loans going to new businesses.
- (xii) Enterprise Zones. 10 out of 11 zones already in operation. Much interest shown; eg announced that at Dudley new high technology project will provide 300 jobs by 1985. At Corby, a good proportion of sites already allocated for development and on designation day 32 factories were already under construction. At Clydebank, 45 companies with potential for 600 new jobs have either moved in or are expanding existing operations.
- (xiii) British export successes. September trade figures show that exports holding up better than many feared. Specific successes reported in the Press include: STC has won contract worth £170 million for telephone cable across Pacific from Australia to Canada; Davy Corporation have won £330 million contract for steel plate mill in Mexico and are in lead in international consortium to build £1250 million steelworks in India; Foster Wheeler working on £140 million petro-chemical complex in Greece.
- (xiv) Locations in Britain selected by international companies. Texas Instruments, Hewlett Packard and Motorola and demonstrating confidence in Britain by selecting sites in UK for expanding their operations.

KEY ECONOMIC FACTS

As at 19.11.81 (Tape 455)

	<u>51-64</u>	<u>64-70</u>	<u>70-74</u>	<u>74-79</u>
Inflation (% pa, avge)	3½	4½	9	15
Unemployment (UK total, mn)	1/3	½	¾	1¼

In last 10 years, total money spending rose 20 times as fast as real output:

(% increase)	<u>Total money expenditure</u>	<u>Real output</u>	<u>Prices</u>	<u>Imports (volume)</u>
1970-80	344	17	274	46

[NB. Figures above based on National Accounts data and subject to revision.]

Manufacturing productivity (output per man hour) grew 4 times faster 1963-73 as 1973-80.

And UK productivity growth post-1973 only 1/3 other OECD majors:

[average, % pa NIESR estimates]	<u>1963-73</u>	<u>1973-80</u>
OECD (major 7, exc UK, Canada)	5¾	3¼
UK	4½	1

Profitability: Real net rate of return on capital in manufacturing:

<u>1960</u>	<u>1970</u>	<u>1980</u>
13%	7½%	2%

Average UK manufacturing profitability 2nd half 1970's: 1/3 level in US, Germany, Canada.

Unit labour costs (manufacturing): Doubled 1975-80, cf increases ½ Canada, 1/3 USA, 1/6 Germany, nil Japan.

Competitiveness: Down by some 40% (RNULC) since 1975 despite over 10% sterling depreciation.

Trade: UK share world manufacturing exports halved (from 20% to 10%) 1965-80.

In 1960 net exporter of ½ mn cars; in 1980 net importer of ½ mn. Import penetration ratio for cars just 7½% in 1970; now over 50%. Share in world exports in cars ¼ 1967 level.

Public expenditure: around 1/3 of GDP in 1960; 46½% 1974-75, 41½% 1979-80; 44½% 1980-81.

Public service employment: 15% of total labour force early 1960's; over 20% late 1970's - 1¼ mn extra jobs, over 1 mn in LAs and over ½ mn in NHS.

Civil Service numbers: Down 52,000 (to 679,000) since April 1979. Smallest for 14 years. By end-Parliament aim smallest CS since war.

PSBR: Average 5% GDP in 1970's (reaching 10% in 1975); double average in 1960's.

EFFECT OF RECESSION/PERSPECTIVES FOR RECOVERY

1. Fall in activity now over. Provisional 3Q GDP(O) figures - the best measure of short term movements - shows a $\frac{1}{4}$ per cent rise on Q2. Some recovery in industrial output, $\frac{3}{4}$ per cent up between 2Q and 3Q. Engineering and construction orders firming, and private sector housing starts up, this year compared with 2H 1980.
2. Manufacturing output rose $1\frac{1}{2}$ per cent between 2Q and 3Q reflected in labour market indicators. Total hours worked by manufacturing operatives stabilised over recent months. Short time working only $\frac{1}{4}$ of January's level, overtime has edged up, and employment falling much less rapidly (77,000 pm in 2H 1980, under 50,000 in 1H 1981, only 17,000 in August).
3. CSO's cyclical indicators which embody wide range of economic indicators - both official statistics and business survey findings - point to trough in 1H 1981, probably 2Q. [IF PRESSED on decline in longer leading indicator - too early to judge significance, recall that temporary weakening occurred in the last cycle].
4. Most recent major outside forecasters (LBS, NIESR, CBI, P&D, St James) assess low point of activity to be in 1H 1981, with some subsequent recovery. [NB OECD and ITEM foresee decline into 2H 1981.]
5. Major contractionary force has been destocking; deceleration, supported by business surveys, now expected. Provisional 3Q figures for manufacturers, wholesalers and retailers stocks show sharp moderation in destocking - only $\frac{1}{3}$ that of quarterly average over previous year. [IF ASKED - September import figures not inconsistent with this.] Final domestic demand has held up [though investment (mainly housing) has declined; IF PRESSED on efficiency implications, can point out that plant and machinery investment has increased some 10 per cent in 2 years to 1H 1981].* Export performance has been better than many feared.

* NB. Manufacturing Investment - preliminary 3Q figures released on 18 November) show further decline. $\frac{1}{4}$ down over last 2 years. IF PRESSED - published quarterly statistics are on basis of ownership not use. Recent years have seen sharp rise in importance of leasing. Figures thus understate new amount of capital coming into use by manufacturers (in 1980 capital expenditure down 10 per cent, including leasing declined by less - 6 per cent).

INFLATION

Background. In October 12 month increase in RPI was 11.7 per cent compared with the July low point of 10.9 per cent. Primary cause for this acceleration have been higher food (especially seasonal ones) prices, rates (partly offset by lower fares), tobacco duty (derv reduction offset) and petrol prices. Sterlings depreciation has so far only significantly affected petrol prices.

Dept Employment outlook for November is 12½ percent. We expect further rise in December. Both these increases are partly due to higher mortgage rate. Thereafter inflation will resume its downward path, but progress will be slow. [IAF will contain 10 per cent for Q4 1982.] Unlikely that inflation will fall below last July's level until middle of next year.

CONFIDENTIAL
not to be
quoted

LINE TO TAKE

There are inevitably fluctuations in inflation, as well as a downward trend, and we would not expect to sustain the rapidity of the recent fall we have seen, from 22 per cent to 11 per cent in a little more than a year. Currently progress on inflation is being affected by the fall in the exchange rate, and the rise in the mortgage interest rate this month will affect the RPI. We expect further progress in reducing inflation, but the timing is of necessity uncertain. The Industry Act forecast due to be published around the end of this month will contain a forecast of the increase in the RPI between the fourth quarters of 1981 and 1982.



CHANCELLOR -2

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)
Sir D Wass
Mr Kemp
Mrs Gilmore
Mr Ridley
Mr Cropper

PARTY POLITICAL BROADCAST

I have tried to incorporate your comments into the amended Tony Jay text attached, which we will be discussing at 4.00 this afternoon.

Could I note i) that it has been important not to lengthen the text too significantly and ii) that because of the pressure to produce graphs by the weekend they have also exerted some constraints over the text.

ROBIN HARRIS

7 December 1981

(REVISED) DRAFT SCRIPT FOR A CONSERVATIVE PARTY POLITICAL
BROADCAST BY THE CHANCELLOR OF THE EXCHEQUER (6.12.1981)

CHANCELLOR:

I don't know about you, but I nearly always find these
party political broadcasts depressingly predictable.

If it's the Government, they say what a good job they're
doing. If it's the Opposition, they say what a mess the
Government's making of everything. And that's about it.

The truth is that Governments aren't often responsible for
everything they're blamed for, or for everything they try
and take credit for. ^{I don't know but we've got to} super-
intend [And that's certainly true of what I
want to talk about for the next couple of minutes.]

I'm not going to bore you with a lecture on the battle
against inflation. We all remember the horror of [1975]

[when we peered into the abyss] and saw what might happen if
things got out of control, and I think almost everyone
knows we've got to conquer it, even if we dislike the [short

term] consequences. No, I want to talk about success. Not
 the Government's success - *the main thing we've* all the Government has done
 [it stop interfering and let the people of this country
 get on with it.] Because despite the *deteriorating* frustratingly high
 level of unemployment - and it's going to stay high for
 a while yet - there is growing evidence that [the people
 who matter in Britain,] the people who do the work, the
 people who earn the money, are starting to succeed where
 years and years of Government intervention and interference
 have failed.

In terms of hard facts, there are various pointers. Two of
 the most significant are industrial production and engineering
 orders. Industrial production, which fell steeply as you see
 in the last half of 1980, has started the slow but steady
 rise that everyone has been waiting for. It began in the
 spring of this year, and it's still rising.

Graph of
 industrial
 production -
 animated if
 possible ('C')

Histogram of
engineering
orders -
animated if
possible ('C')

And engineering orders are up even more encouragingly -

home orders up almost ^{4 1/2} 5 per cent and export orders up

14 per cent. That's not the Government at work. That's

Britain at work.

But actually there's something even more important than

~~statistics~~. The tough times we're going through have brought

out a spirit of determination and realism that are worth

all the ^{figures} ~~statistics~~ put together. { Of course we read about all

the strikes and disputes. } What is less dramatic but far more

widespread and significant is the millions of modest and

sensible wage settlements going on all over Britain, and

the millions of people who are producing as much as before with

fewer people, and starting to make us competitive with the

very best of foreign manufacturers. And that's the real key

to long-term success.

When I was in Crosby a couple of weeks ago - and I don't think I have to tell you why I was there - a lot of young people asked me where they are to get jobs. And, if I were them, that's what I would want answered as well.

*Q: I suppose
picking up
jobs at the
end?*

But the answer doesn't lie in sudden Government action.

Past Governments, as they approach a general election, have indulged in pre-election spending sprees to create jobs.

People are already starting to expect it from us. But every time it's just created more problems for the next Government - and for ^{the country} people - to clear up.

We won't do that. We won't play with your future for the sake of ours.

The real answer can only be in the slow, hard fight to regain industrial competitiveness. ^{*we've been losing for so many years,*} It's a fight we've been

Chart A: Labour costs and growth: UK vs JAPAN

losing, because its been costing so much more to produce our goods than those of our main competitors. And because we've paying ourselves too much, we've actually, as a nation, been earning less.

That's true not just of us compared with Japan but of us compared with our major competitors as a whole. And as a result our share of world trade has ^{been} dropped ^{ing} fast. If we had done as well as other major exporters ^{in the 60s and 70's now} since 1960 we'd be exporting twice as much ^{as we actually are}.

Graph B
World Trade
Shares

The fact is that we're now reversing those trends. We're seeing reasonable pay settlements. We're seeing more new businesses starting up - and this is where the new jobs will come from. [If all this means what it seems to me about the enterprise and courage of British men and women, then, whatever present difficulties, the long-term future looks pretty good. . . . Provided the Government lets people get on with it.

*the extra 800m
isn't adding to
the employment
programme next
year - already
passed at £200
£2 billion - will
help. But to
create sustainable
job opportunities
we need to go
reopening markets
and demonstrating
our financial trading
skills. There's no easy
short cut.*

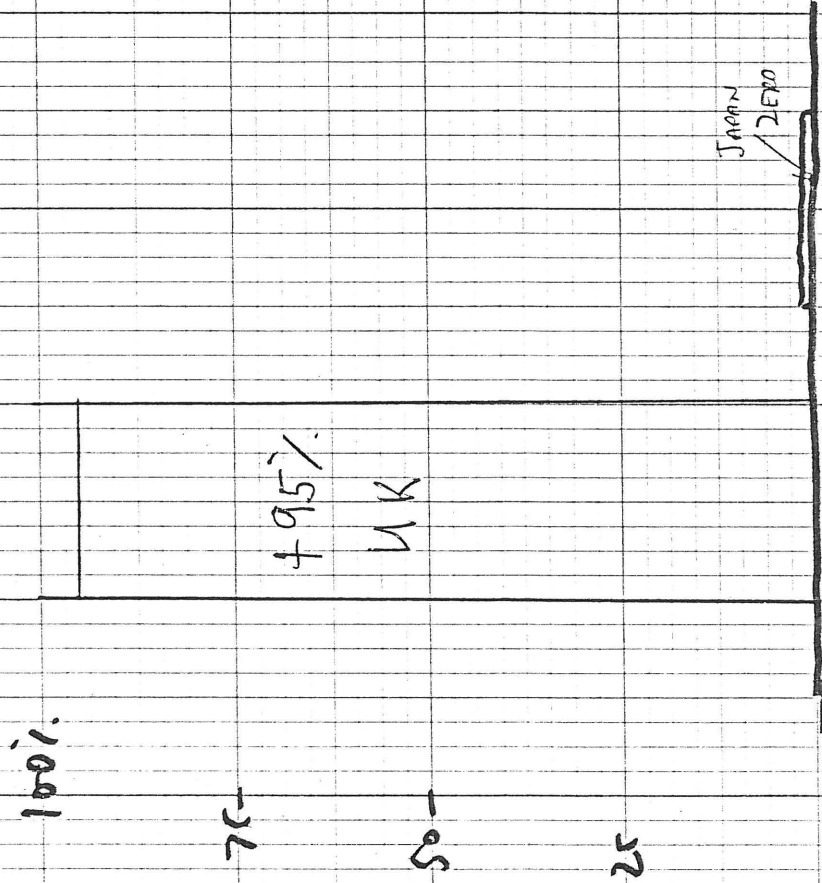
Good night.

↖ You voted us into office in 1979 because you thought it time for a change to a new mood of realism. Because Margaret Thatcher promised that we'd help you attack the basic problems which had caused our long national decline. Because you were fed up with promises of "instant" solutions. We never promised you a rose-garden. We warned that it would be tough and would take time, we said we'd do our best to help - not just by trying to get government off your back - but that it would depend on you. The figures of the method for the same. That you're starting to

Chart A.

UNIT LABOUR COSTS & ECONOMIC GROWTH: UK and JAPAN

Unit Labour Costs (Manufacturing) 1975-80



National Output - 1975-80

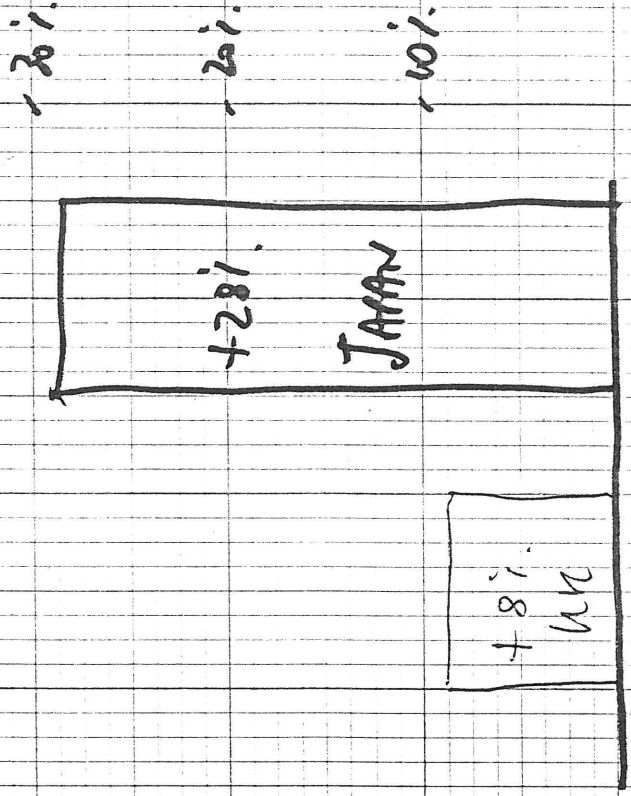
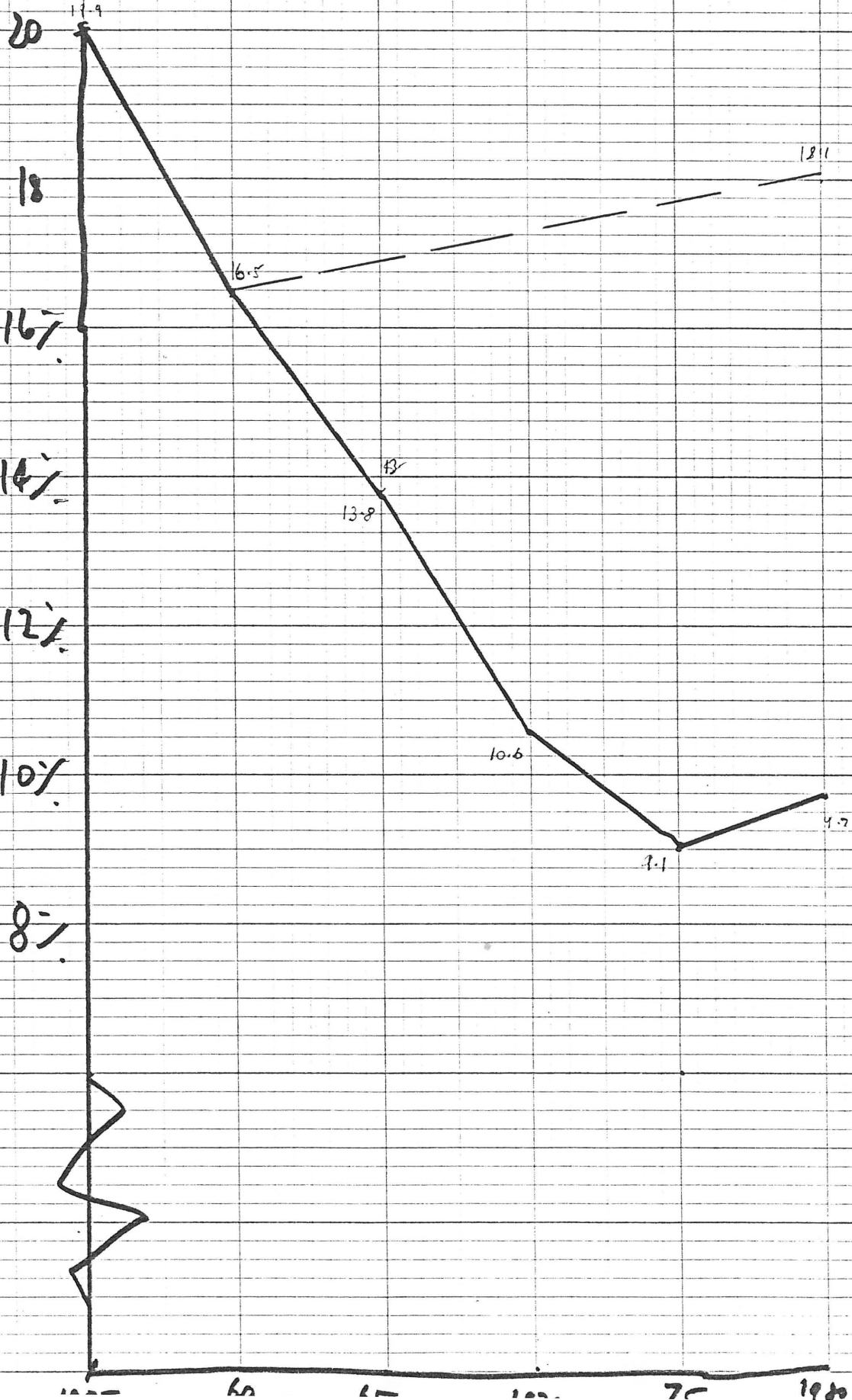


Chart B.

IF WE HAD DONE AS WELL IN EXPORTS AS OUR MAJOR COMPETITORS SINCE 1960

UK
Share
in
Manufactures
Trade



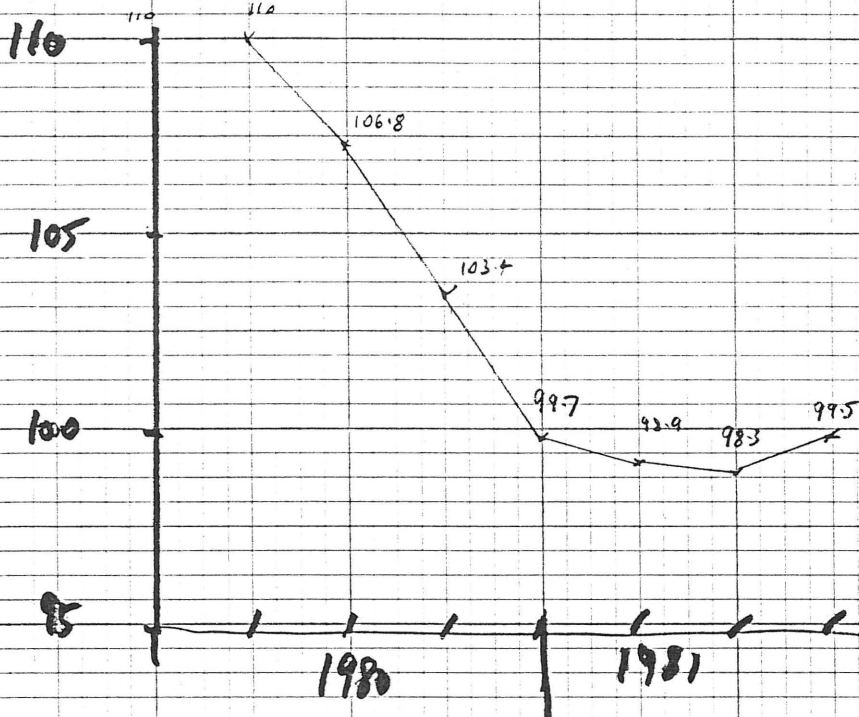
Line showing how our export share would have grown if we'd done as well as our major competitors

Actual Performance

Chart 6

INDUSTRIAL PRODUCTION & ENGINEERING ORDERS ON HAND

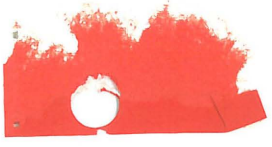
Industrial Production Since 1980



Increase in Engineering Order in last 3 months

HOME + 4 1/2%

EXPORT PBOJ 14%



PRINCIPAL PRIVATE SECRETARY—

cc PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (L)
Mr Ridley
Mr Cropper
Mr Harris

To consider

What we

*text for review is.
This may be OK*

PARTY POLITICAL BROADCAST

The Economic Secretary has seen the draft text circulated by Mr Harris on 7 December. Please find attached a few suggested opening paragraphs, which he feels would strike a more optimistic note.

C. H. Jutsum

C H JUTSUM
Private Secretary
7 December 1981

45

I am talking to you this evening from my study at No. 11 Downing Street. It is two and a half years now since I first came to work here. Two and a half years is half the life-span of a Parliament. So where have we got to?

My first ambition when I came here was to try and get us all more stable prices in the High Street. For in the middle 1970s we had had a glimpse of what banana republic inflation feels like. If we risked that again there might be no turning back.

Well, together you and I, we have made some progress. Prices now are going up half as fast as they were some eighteen months ago. But we've still got quite a way to go before we can claim to have inflation licked.

That's all very fine, you may say. But what about jobs? What is the Government doing about them?

If lasting jobs could really be bought by Ministers with cheque-books we should have no unemployment. For public spending has apart from a couple of brief pauses, been rising every year for twenty years. And so, alas!, has unemployment.

So it's not as simple as that. Would that it were.



I.8.

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233

A N Ridley
Special Adviser

CHANCELLOR

PPB.

Herewith

(1) a clean copy of the text for you to fiddle with, and a second with (colour-coded) amendments.

(2) The earlier papers, of which the most important is perhaps the EST's alternative notes, of which I am not frankly much enamoured!

me too
Add.

Procedure.

As indicated earlier, I intend to descend on you at 8 am; that we should convene telephonically with Tony Jay at 8.30; and that I should then get a fair copy sent a.s.p. to ^{the} BBC to put onto the airtime - (with your permission) using later to do it there. Please phone me whatever the hour to countermand any or all of this!

looks a good idea: but better alert PS tonight

M. 7/12.

DRAFT PPB WEDNESDAY OCTOBER 8th

REDRAFT OF DEC 6th

THE CHANCELLOR

I suppose that on the surface, the economy looks much the same today as it looked a year ago. But in fact there's a considerable difference. And the difference is that we are now just beginning to see the real signs of success. I'd like to say it's the government's success, but the honest truth is that the government hasn't had very much to do with it. The main thing the government has done is to stop interfering and let the people of this country get on with it themselves. Because despite the desperately high level of unemployment - and I'm afraid it's going to stay high for along while yet - there is growing evidence that the people of this country are starting to succeed by their own efforts, where years and years of government intervention and interference have failed. The measures I've just announced are simply the ones we need to keep us on their course, and not go back to the horrors of five or six years ago when prices shot through the roof. When you hear people talk about 'reflation' as an alternative to carefree control of spending, that's really what they've proposing. And it's not on.

Let me show you a couple of these signs of success.

Graph of Industrial production

Industrial production, which fell steeply as you see in 1980, has started the slow but steady rise that everyone has been

waiting for. It began in the spring of this year, and it's still rising.

/Graph of
engineering
orders/

And engineering orders are up even more encouragingly - home orders up $4\frac{1}{2}$ per cent export orders up 14 per cent. That's not the Government at work. That's Britain at work.

But actually there's something even more important than figures. The tough times we're going through have brought out a spirit of determination and realism that are worth all the figures put together. Of course we read about all the strikes and disputes. What is less dramatic but far more widespread and significant is the millions of modest and sensible wage settlements going on all over Britain, and the thousands of companies who are producing as much as before with fewer people, and starting to make British goods competitive with the very best of foreign manufactures. And that's the real key to long-term success. And it would be madness to throw that away on a government spending spree to create a few temporary extra jobs in the short term, and chuck away the real lasting gains we're already beginning to make.

/Graph of UK
and Japanese
labour costs
and GDP increases
1975-80/

The real answer can only be in this slow (steady) determined fight to win back the customers we've lost. The reason we've lost them is all here. The wages cost in what we produce has gone up 95% in the last 5 years. In Japan the rise has been zero. That's how they keep



PRINCIPAL PRIVATE SECRETARY —

cc Financial Secretary
Minister of State (C)
Minister of State (L)
Mr Kemp
Mrs Gilmore
Mr Ridley
Mr Cropper
Mr Harris

PPB DRAFT

The Chief Secretary has seen Mr Ridley's minute of 8 December to the Chancellor attaching a redraft of the PPB. I attach a copy of the text showing the Chief Secretary's comments in manuscript. The Chief Secretary would also like the following sentence to be included somewhere in the text:-

"It is hard to see the wood for the trees and difficult to see signs of improvement when we have been used to things going bad for so long. But let's try to get behind the scenes to see what's really happening now."

MISS J M SWIFT
8 December 1981

waiting for. It began in the spring of this year, and it's still rising.

/Graph of engineering orders/

And engineering orders are up even more encouragingly - home orders up 4 1/2 per cent export orders up 14 per cent. That's not the Government at work. That's Britain at work.

But actually there's something even more important than figures. The tough times we're going through have brought out a spirit of determination and realism that are worth all the figures put together. Of course we read about all the strikes and disputes. What is less dramatic but far more widespread and significant is the millions of modest and sensible wage settlements going on, all over Britain, and the thousands of companies who are producing as much as before with fewer people, and starting to make British goods competitive with the very best of foreign manufactures. And that's the real key to long-term success. And it would be madness to throw that away on a government spending spree to create a few temporary extra jobs in the short term, and chuck away the real lasting gains we're already beginning to make.

These few jobs would soon disappear, as what I want to do is to make it possible for new jobs, lasting jobs to be created.

/Graph of UK and Japanese labour costs and GDP increases 1975-80/

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Members: also could be put in
Somewhere a statement saying:
"It's difficult to see the wood for
trees + difficult to see the signs of

DRAFT PPB WEDNESDAY OCTOBER 8th improvement in what we've been

REDRAFT OF DEC 6th

used to think going bad for so
long. But let's try to get behind to
scans + see what's really happening
now."

THE CHANCELLOR

I suppose that on the surface, the economy looks much the same today as it looked a year ago. But in fact there's a considerable difference. And the difference is that we are now just beginning to see the real signs of success. I'd like to say it's the government's success, but the honest truth is that the government hasn't had very ^{only the} ~~much to do with it.~~ ^{a limited part to play.} The main thing the government has done is to stop interfering and let the people of this country get on with it themselves. Because despite the desperately high level of unemployment - and I'm afraid it's going to stay high for ^{quite a} ~~along~~ while yet - there is growing evidence that the people of this country are starting to succeed by their own efforts, where years and years of government intervention and interference have failed. The measures I've just announced are simply the ones we need to keep us on ~~their~~ ^{our} course, and not go back to the horrors of five or six years ago when prices shot through the roof. When you hear people talk about 'reflation' as an alternative to carefree ^u control of spending, that's really what they've proposing. And it's not on.

Let me show you a couple of these signs of success.

Graph of
Industrial
production7

Industrial production, which fell steeply as you see in 1980, has started the slow but steady rise that everyone has been

IMMEDIATE

Chancellor
 cc. with (negative?)
 Collective funds. M

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Better, I think is staying where:

A There are a lot of people who think we could now
just spend our way out of trouble. But ~~the~~ ~~idea~~
what that would actually do is ~~put us into deep trouble~~.
The opposite. Who wants to go back to the economy of 5 or 6
years ago when prices shot through the roof?

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IRENE RIPLEY

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