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PREM 19/272

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PART 1

Confidential filing.

Public attitudes on pay, determination, publicity, Campaigns for the government's economic strategy.

INFORMATION & PUBLICITY
ECONOMIC POLICY

July 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
30.7.79.		31.3.80					
28.79		30.4.80					
9.8.79		16.5.80.					
13.8.79		2.6.80					
21.8.79		6-6-80					
10-5-79				PREM 19/272			
11.9.79		ENDS					
18.9.79							
15.10.79							
5.11.79							
13.11.79							
11.12.79							
14.12.79							
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19.2.80							
4.3.80.							
17.3.80							

● PART 1 ends:-

Ingham to CAW 30/6/80

PART 2 begins:-

E(80)66 4/7/80.

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Info + Publications

MR. WHITMORE

cc. Mr. Lankester
Mr. Gaffin
Mr. Davies, Treasury

PAY - PRESENTATION

I promised you a paper on the problem of pay presentation as I see it from my day to day contact with journalists.

BACKGROUND

2. We have come through the Government's first pay round with our credibility barely intact. We have just, but only just, been able to maintain the fiction that the Government does not have an incomes policy or an "acceptable" figure for pay settlements in mind. This notion would not be difficult to sustain had we no public sector. The CBI's figure demonstrates a very wide spread of pay settlements in the private sector which can be presented as paying some regard to a company's ability to pay, though not necessarily in those cases where the unions present firms with a strike ultimatum.

3. The public sector is, however, a shambles. On the one hand the public believes that some very high settlements have been made or conferred upon the public sector - e.g. the doctors and dentists' 30-odd per cent. (It is almost impossible to persuade the media to qualify or explain settlements which involve staging and loss of money where there is no backdating). On the other hand it is widely believed that a "norm" of about 14 per cent - the most prevalent cash limit - is operating. The nurses are the most emotive example of its existence.

4. Meanwhile, earnings are seen to have broadly kept pace with prices with increases running at well over 20 per cent.

5. On the other hand there are some pluses:

- the steel strike established the Government's determination to keep out of industrial disputes and has probably made unions and their members

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think twice about going on strike;

- encouragingly, some workers have faced up to pay reality and refused to act according to type, though all too often only when they are staring over the precipice; and
- the Government's message that excessive pay increases not matched by higher output create unemployment is being hammered home and is probably getting through as unemployment rises.

6. To summarise: the more the Government is criticised for the abysmal example set by the public sector, the more difficult it is to sustain the claim that it does not have an incomes policy. Indeed, there are those in the Government who are prepared to admit that the Government must have an incomes policy for its own employees - as, indeed, it must. The Government's approach to pay is therefore beset by contradictions, inconsistencies and plain, straightforward muddle. It is one thing to convey simple, manifestly sensible messages about the link between pay, productivity and employment; but it is entirely another matter to maintain a coherent message when it comes to working out the pay equation on the industrial blackboard.

THE IMMEDIATE FUTURE

7. Over the trade union conference season, which is now coming to an end, we have had the customary militant, unbending noises and the familiar determination on the part of militants who congregate at these occasions to improve the standard of living of their members by keeping earnings ahead of the Index of Retail Prices. The conference season will end with the NUM next week claiming, it is expected, something like 35 per cent in the next round and declaring its willingness to back the negotiation with industrial

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action, if necessary. And that will be the last uncompromising word from the trade union movement before we all go on holiday.

8. We must, however, draw a clear distinction between claims and settlements. It is more than ever prudent to do so in a period of intensifying recession and rising unemployment. But the fact remains that if expectations are to be lowered for the next pay round - and that should be the prime objective of the next few months - the example set by top salaries and MPs is crucial. The press will not believe that the Government is serious of intent unless the awards to these two groups are below 14 per cent - a figure which has acquired the going rate tag in relation to the public sector.

LOWERING EXPECTATIONS

9. If the Government's objective is to lower expectations for the next pay round, then there must be a starting point. Since people take their cue from the public sector, the benchmark is 14 per cent. The problem is how to get people thinking in terms of a much lower figure than that when inflation is still running at nearly 22 per cent and is popularly expected to be running at around 18 per cent at the end of the year - higher, incidentally, than the 16.5% figure popularly believed to have been forecast by the Treasury.

10. In fact, the press believes already that the Government will be looking for settlements in the next pay round of between 7-14 per cent. I am doing nothing to discourage them from taking this view. The explanation for this range is as follows:

- the starting point is 14 per cent;
- the money supply target range is 7-11 per cent;
- the Secretary of State for Trade is widely believed to have let the cat out of the bag by referring, if only by way of example, to 10 per cent: and

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- the Times recently described the Government's objective as having been authoritatively confirmed at 11-12 per cent.

11. But all this begs the question as to whether the Government should own up to any figure at all. One argument is that progress will be made - and be seen to be made - if pay settlements progressively come down in the next pay round. In fact, the psychology of pay bargaining does not provide for a progressive reduction during a pay round. The early figures tend to set the tone except in those circumstances where the workers involved can be persuaded that it would be suicidal to push their demands. Equally, the public (or indeed private) acknowledgment of a target or "norm" becomes the figure to beat. This underlines the futility, at least up to now, of a range of figures: the lower figure is ignored and the higher figure becomes that which it is a point of honour to breach.

12. Thus the following key questions emerge:

- Does it make sense for the Government to state at the outset what it is prepared to pay its own employees?
- Can it avoid so setting out its pay stall?

CONCLUSIONS

13. In my judgment it would be entirely wrong, futile and counter-productive for the Government to set its sights, whether publicly or privately, on a single-figure target for pay settlements in 1980-81. That would be too ambitious (whatever the economic needs may be) and would court the same disaster which attended the Labour Government's terminal 5%.

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14. In my judgment, it would also be wrong to go for John Nott's single figure 10 per cent, though it would be marvellous if we could achieve such a figure. That would become the "norm" to beat - and it would be beaten as a matter of course and honour.

15. Consequently, I take the view that we should make a virtue out of necessity and assert that pay settlements should fall within the 7-11 per cent range by which money supply will be allowed to rise. This is notwithstanding my savaging of a range in Para. 11 above. There is a rational basis for pay settlements within that range; it is possible to develop an argument that pay settlements at the top of the range (and over the top) will generate unemployment whereas those at the lower end of the range (backed by productivity) will secure competitiveness and jobs; it affords room for the private sector argument that it can only pay what it can afford - and if it can't afford 7 per cent then there will be many who will recognise and accept that the company is in a bad way.

16. Inconveniently, this conclusion requires that the top salaried group and MPs should get no more than 11 per cent and preferably 10 per cent. Is this possible?

17. The key point is money supply. If the Government is determined to hold it within the 7-11 per cent range, then it seems crystal clear:

- pay should fall within that range;

- any pay settlements above that level should be justified by genuine improvements in productivity, efficiency and output; this enables a positive gloss to be put on any pay policy deriving from money supply;

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- every effort should be made to promote the concept of genuine improvements in productivity within the 7-11 per cent range in order further to improve competitiveness ^{and} / employment prospects and moderate inflation;
- the self-inflicted wounds of settling above the range should be emphasised at every opportunity.

TIMETABLE

18. It is here that we run into difficulty. The present conception by the press is of the following sequence of events:

- public sector pay (a continuing and difficult examination);
- top and MPs' salaries (for early announcement);
- macro-economic review (this Thursday);
- public expenditure review (part of the annual cycle but to be completed before the Recess); and
- fixing of cash limits (by November at the latest).

19. Top salaries and MPs' pay will set the tone. The macro-economic review is neither here nor there, provided (a) it does not produce policy changes; (b) it is not the occasion for leaks seeking a policy change; and (c) it is not accompanied by a reduction in MLR which, however justified, would be misinterpreted. And the public expenditure review is dominated by an expectation that the Government (notwithstanding or perhaps because of the requirements of the steel industry and the lower than expected return from the EC Budget) will require an additional reduction in public expenditure of £1 billion.

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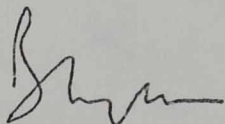
20. This leaves the question of public sector pay and cash limits. These are bracketed deliberately because one is seen to be linked with the other. In my view, what the Government ought to do is to whittle top salaries and MPs' pay down to 10 per cent; to espouse enthusiastically the cause of a money supply within the 7-11 per cent range; and to set a cash limit as close to 10 per cent (but not below) as it feels able.

21. To end on one difficulty: I do not at present see my way forward, given that Government discussions are furthest on public sector pay and least advanced on cash limits. We need to give a great deal of thought to how these two issues can be brought into phase.

PUBLIC PRESENTATION

22. Public presentation depends entirely on how the timetable of decisions can be sorted out. It is, however, axiomatic that if expectations are to be lowered, favourable decisions on top salaries and MPs' pay should be followed up by a view on money supply, cash limits and public sector pay limits BEFORE the Trades Union Congress at the beginning of September.

23. In other words, we need to clear our lines and policies in July so that we may productively spend August preparing a pre-TUC campaign which would be intensified in the autumnal run up to the next pay round.



B. INGHAM

30 June, 1980

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Information 2

PRIME MINISTER

Not all that colloquial?

MS
13/6

SPEAKING NOTE ON PRICES

The retail prices index for May, published on 13 June, shows an increase of 21.9 per cent since May 1979, hardly changed from the 21.8 per cent registered in April. The year-on-year increase will fall sharply in July as the once-for-all effect of last year's VAT increase drops out of the calculation. (The effect of the VAT increase on people's spending power was broadly offset by income tax cuts).

Much of the impetus underlying the present inflation derives from the acceleration of money growth in recent years. The Government is getting money supply under control. It will steadily reduce the growth of money supply over the next few years. And the rate of inflation will fall in consequence.

However, in the short term, strong pressure on prices remains. It can be gauged from recent developments in industrial costs. The underlying year-on-year growth in earnings has been running at around 20 per cent since the beginning of the year. Over the six months to March, manufacturers' raw material costs were rising at a rate of about 2½ per cent a month - largely as a result of higher oil prices. Allowing for the normal lags, these cost increases are likely to exert considerable pressure on prices until the end of the year; and this makes it all the more important to reduce the level of pay settlements as quickly as possible.

Looking a little further ahead, the deceleration in raw material costs should have a beneficial impact on retail prices towards the end of the year. This reflects both the recent appreciation in sterling and reductions in the dollar prices of a wide range of internationally traded commodities.

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The rate of inflation will fall, but if this process is to happen as quickly as we all want and need then wage settlements are going to have to be much lower than over the current round. Increases above the levels broadly consistent with the announced monetary targets can only lead to continued high inflation in the short-term and higher unemployment over a longer period.

We can not avoid the loss of real income resulting from higher import prices and the failure of production to expand: we have to accept pay increases less than the RPI. This need for restraint is inescapable if monetary policy is to work as directly and quickly as it should - without big increases in unemployment - to keep inflation on a downward trend.

Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

13 June 1980



Info + publicity

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 3443

P G Davies
Press Secretary and
Head of Information Division

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Bernard Ingham Esq
Press Secretary
10 Downing Street

6 June 1980

Dear Bernard,

You asked in your letter of 28 May how MIO(E) might be kept in touch with the work of NEDC in so far as this bears on the public communication and presentation of policy concerning pay.

I have discussed Sir Denis Rooke's proposal with Sir Douglas Wass (who chairs the Group of Four) in the context of your enquiry. Although Sir Douglas does not expect the proposal to lead to a major new initiative within NEDC, he will keep me informed and I will report at MIO(E) accordingly. I shall also be able to keep the Committee in touch by virtue of my regular monthly attendance at, and my close involvement with the Chancellor's briefing for, NEDC.

*Yours ever,
Peter*

P G DAVIES



10 DOWNING STREET

From the Press Secretary

28 May, 1980

Dear Peter,

I noticed in the minutes of the last meeting of the NEDC the conclusion (Page 18) which

"invited the NEDC parties to discuss Sir Denis Rooke's proposal for better communication, either in the Coordinating Committee or the Group of four."

The conclusion was reached in the context of macro-economic policy and pay bargaining and is therefore directly linked with our work in MIO (E). It is thus rather important that we should have some liaison between ourselves and the NEDC.

I have consulted Tim Lankester here and he suggests that this might best be done through Treasury who are apparently on both the Coordinating Committee and the Group of Four.

Could you let me know how we in MIO (E) might be kept in touch with NEDC's work?

B. INGHAM

P. G. Davies, Esq.

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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

2 June 1980

The Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Department
Queen Anne's Gate
London
SW1

Dear Willie,

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TRADE UNIONS IN THE REAL WORLD

I attach a further speaking note in the economic education campaign in which the Prime Minister, in her letter to you of 18 April, urged all members of the Government to make a major effort to bring home to the public the realities of our economic life.

This note deals with 'Trade Unions in the Real World' and as before I should be grateful if colleagues would ensure that their Heads of Information monitor the output and the results for my official sub-committee on economic presentation,

I am copying this to other members of the Cabinet, the Attorney General, Minister of Transport and the Chief Whip.

Yours sincerely,

Angus

ANGUS MAUDE

1-3 JUN 1980



TRADE UNIONS IN THE REAL WORLD

A real debate has started at last about the role of trade unions in the last twenty years of the 20th century.

Two objectives are clear: to minimise conflict and to reverse trends that have damaged Britain's industrial performance for many years.

This means a fundamental shift of emphasis: from the 'trench warfare' mentality to working positively for higher production and success in world markets.

The prize is higher living standards for all Britain's workers and their families including the 13 million members of trade unions.

A Role for Government and Management

The Government has two responsibilities for the world of work. First, it must set the framework in which industry can flourish - this includes rooting out inflation, providing more incentives and lightening the burden of public spending.

Second, it must establish the ground-rules - ranging from those covering safety and health at work to those embodied in the new Employment Bill - for restoring a fair balance between the rights and duties of everyone in industry.

Managers are ultimately responsible to their shareholders. But their first task is to satisfy their customers. In an increasingly competitive world they must find new ideas, new methods, new technologies, new investment, new machinery, new products and new markets.

Within the company managers need to provide leadership in harnessing the skills of all employees.

Managers should ensure acceptable, safe and healthy working conditions. They should work towards removing unnecessary distinctions of status and conditions between so-called 'blue collar' and 'white collar' staff. They should provide training. And they should provide for the flow of information and genuine consultation that are needed to involve the work force fully and responsibly in the affairs of the company. But trade unionists also have responsibilities in facing up to realities.

A Role for Unions: Pay Bargaining

The trade union approach to pay bargaining needs to take account of the realities of competition in the domestic and international markets.

In the private sector, this means settlements should relate to a company's performance and prospects - its production, its sales record, its order books. It means that settlements should relate to productivity. If pay rises a lot faster than productivity, then jobs will vanish. The ultimate reality in the world of work is that you can price yourself and other people out of a job.

In this connection, both employers and unions should perhaps reconsider whether national pay bargaining always serves the best interests of all firms and all workers.

In the private sector, too, there must be better rewards for hard work, skills and ideas - through lower taxation, a fair recognition of differentials and relativities and an end to leapfrogging.

In the public sector the requirements are similar. Pay settlements must be kept down to what the country can afford. The Government is determined to impose strict financial discipline on the public sector by cash limits. This means that if pay settlements are too high, then jobs will be lost. And the public will get poorer services. The more of the available cash absorbed by salaries and wages, the less is available for medical equipment, school text-books, public libraries, and so on.

Both public and private sector pay negotiators must face up to the economic reality of the Government's absolute determination to control the money supply - to restrict the amount of new money flowing into the country's financial system. As a result, if pay settlements are higher than employers can afford, then even greater damage will be done to jobs from now on.

A Role for Unions: Industrial Relations

The great majority of people are against strike action. And the reality is that working-to-rule, going slow, striking, 'days of action', over-manning and restrictive practices neither protect jobs nor improve living standards.

Strikes should be the ultimate deterrent. But all too frequently they are used as a weapon of first not last resort. And because of the increasing complexity of our society, strikes hurt more and more innocent people.

In the process all too often the rules are broken deliberately, agreements torn up and procedures flouted.

We cannot continue to conduct industrial relations as if they are industrial warfare. In any agenda for reform union leaders have got to face up to two questions asked by Mr Prior in his Granada lecture:

Is it not time that they ensured that agreements and procedures are observed properly by their members?

Should unions not be prepared - as they are in so many other countries - to enter into legally binding agreements with managements?

Few changes could do so much for the development of more effective union leadership and more effective unions. Or so markedly improve industrial relations.

A Role for Unions: Structure and Organisation

It is plain that the structure and organisation of unions in this country are way out-of-date.

There are still more than 450 trade unions in the UK, with many managements still facing the difficult task of having to negotiate on pay and conditions with between 10 and 20 separate unions. Admittedly, there has been a trickle of mergers. The number of unions has fallen by an average of 12 a year during the last decade.

But we are still a very long way short of attaining a rational structure of unionism which is appropriate to our industrial needs in the final decades of the 20th century.

So union reform must also deal with organisational questions:

- The need for more union officials - with better pay, training and career prospects, as well as research and support facilities.
- Clarifying with management the role of the shop stewards, so often the sole channel of communication with the shop floor, cutting out full time officials.
- Much greater use by unions of the secret ballot - not for officials to hide behind and abrogate their responsibilities, but to provide support and protection for the majority of union members.
- Acceptance by union members of the fact that for too many years they have had trade unionism on the cheap and must be prepared to pay for a better service.

Many now believe that the union movement needs to reassess its essential purposes. It needs a new vision of its role in society, new priorities and a new appreciation of how best it can serve the interests of its members and the country. Both Government and employers would welcome any opportunity for constructive discussions along these lines.

Only industry that is succeeding can create the extra wealth that will give Britain a high output, high wage economy. Only industry can produce the basis for higher pensions, better welfare and more help to poor countries overseas.

A great responsibility rests on Government to provide the economic framework and ground-rules for this growth. The Government accepts this responsibility and is discharging it. But only management and unions working together can see that the opportunities for growth are taken.

NOTE: Further Reading:

Granada TV Lecture by Jim Prior on 7 May 1980.

Speech by Sir Keith Joseph: Solving the union problem is the key to Britain's recovery.

(published by Centre for Policy Studies, February 1979).

2 June 1980

The Paymaster General's Office
Privy Council Office
68 Whitehall
London
SW1

19 May 1980

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MR INGHAM

THE NEXT PAY ROUND - PRESENTATION

I have read your helpful paper of 16 May. I agree the general background and note the imminent opportunities for putting across messages. The question is - what sort of message and why? And what tone and style?

Reading your paper, I feel that there is a distinct danger that the Government could find itself launching an hortatory counter-inflation campaign. This could be most damaging. It would hark back to the last Government's efforts, would be ineffective, and would suggest that the Government was losing confidence in its monetary policies.

So the key is to choose a message which helps rather than damages the Government's position. Here are some thoughts:

1. Exhortation is a waste of time. British trade unions are economically illiterate, fragmented, highly competitive with each other. No one union can "unilaterally disarm", in the face of high inflation. Each may know that multilateral disarmament would be rational, and that unilateral disarmament is not. But that makes no difference. The dilemma is familiar. We see it when Governments exhort drivers not to fill up when there is a petrol shortage. It can only be rational to act on the advice if one can be sure that everyone else is doing likewise.
2. In the end, trade unions have, in aggregate, to behave as if there was an incomes policy. In other words, they have to accept "de-indexed" wage awards. If they continued to index fully, or better-than-index (assuming they were able to) then inflation and/or unemployment would have, as a matter of arithmetical logic, to rise and rise - to some point of societal collapse. So the question is, how do the unions in aggregate accommodate their awards (not their demands) to the Government's monetary targets?
3. There are three ways. They can do it through trauma (the scenario I have just described). Or they can do it by concerted restraint on incomes (whether by formal incomes policy or restraint, agreed and trusted among themselves). Or they can do it as a result of a

combination of explanation (not exhortation), management resistance (backed by changes in the bargaining balance through the Employment Bill, and general public opinion, changing attitudes in the work force, readiness to ballot, Edwardes-style, etc) so that, in the end and despite the inevitable scatter of settlements around the trend, that trend is towards de-indexation.

4. The complexity of the processes and the factors at work (eg is inflation still rising? At an accelerating or decelerating rate? Or falling? What is its absolute level? What is happening to unemployment? And so on) are such that it is not really possible to say which of these three routes is preferable or most likely.

5. Government policy is based on the third route. If we simply exhort, we are effectively telling individual groups to act stupidly, within their own frame of reference. What we have to do, in effect therefore, is to explain the problem to the public, and to the rank and file (and thus, of course, to management too) so that they will begin to influence enough of their negotiators to behave as if there was voluntary pay restraint within the union movement. The message might be on the following lines:
 - (a) Explain the "trap" - ie the petrol shortage dilemma - so that we show that we understand the problem, that we have thought it through, that we are not so naive as to think that exhorting individual unions to lead the way in self-sacrifice is really helpful. (The trade union culture, at its best, attaches great importance to equality of sacrifice in hard times; they may be prepared to tighten belts but only if all are doing their share.)

 - (b) Dismiss the illusions of incomes policy, reminding the public that this Government and the unions are at one in that respect But we have to be careful here. The Prime Minister has never ruled out a pay freeze and there are good reasons why she should not do so.

 - (c) Real national product will be roughly the same size regardless of the amount of additional bank notes the country pays itself. Actually - because of the recessionary side effects - it will be a bit smaller if the number of bank notes is higher. So the further that union negotiators can go in bargaining

moderately and trusting each other to bargain moderately, the better.

- (d) Raise some of the underlying questions for debate: what are the trade union leaders' objections to such moderation? Either they don't understand this situation because they themselves haven't thought it through; or they do understand exactly what is happening and are presumably therefore deliberately trying to raise unemployment. Why would they be doing this? As part of their political duty to the Labour Opposition? Or in order to cause such crises that they will be called into No.10?
6. The only exhorting that we wish to do therefore, is, after explaining the problem to the rank and file, to exhort them to explain it to their leaders, who appear not to have thought it through for themselves.
7. Our style, and thus the impression our message makes, is very important. We have to sound very calm, patient, even resigned - everything that is the opposite of exhorting, hectoring, panicky. If we sound like the latter, we shall be accused of a U-turn in no time! Our line therefore has to be patient and explanatory - if the trade union leaders are intent on delaying the conquest of inflation or increasing unemployment, or both, then that is what will happen - unless their members refuse to let them do it.
8. If the Government were to allow such behaviour by union leaders and negotiators to force them into monetary expansion to try and take away the pain, our last chances of economic stability and recovery would be over, so - and this needs to be spelt out emphatically - there is no question, whatever the trade unions do, of the Government going that way, increasing money supply growth, raising Government spending, etc, as Governments have done in the past. Our job is to get money supply down (not a new-fangled doctrine, it's the basis of normal economic policy in every country) so that inflation comes down. That's a long, hard process. It is for the unions to decide whether their task is to make it longer and harder, or quicker and easier. Recent experience suggests that it is for union members to make their feelings plain to union leaders - hence this message.

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9. A prerequisite for such a campaign of explanation and education is that colleagues themselves accept this analysis. I agree with you that the Prime Minister should be in the lead. She is much better than any other colleagues at making economic reality simple and intelligible. But, at the risk of repetition, it must not sound like a Government which is beginning to lose its nerve and is starting to plead with its electorate to deliver the results which its own policies have not done.

I am copying this note to John Rickard at CPRS.

JOHN HOSKYNS

Information - publicity

MIO (E) (80) 12

THE NEXT PAY ROUND

PRESENTATION

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A Note by the Chairman

INTRODUCTION

1. This note is intended as a basis for discussion on how the Government, by means of information/presentation techniques, can influence the public's pay expectations and therefore the outcome of the next pay round starting in the autumn.

INFORMATION'S ROLE

2. There is considerable scepticism about the contribution which any information campaign can make to the outcome of any pay round. This is understandable and justifiable. While it is possible to measure changes in attitude, it is much less easy, and perhaps even impossible, to relate those changes in attitude to actual changes of behaviour and consequently the influence on a pay round of an information campaign. In any case, the outcome of any "voluntary" pay round is influenced by a complex of factors not the least of which is the prevailing mood of organised labour and the level of inflation, as measured by the Index of Retail Prices.

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3. However, in the absence of any wage freeze or limits set by an incomes policy, the Government's main weapon is persuasion. And the Government will not succeed in persuading the public to change its attitudes or moderate its behaviour unless it talks to them directly. Thus, while it is essential not to invest too much hope or expectation in an information campaign, presentation remains a legitimate and essential element in any overall effort to contain inflation.

4. There are a number of crucial elements in any campaign:

- i. the starting point - i.e. the background; atmosphere and environment;
- ii. message or messages;
- iii. target audiences;
- iv. timing; and
- v. methodology.

5. The rest of this paper deals with these five components before finally making proposals for action.

STARTING POINT

6. As of now, the next pay round has to be seen against the following background:

- a very high level of pay settlements in the present round, in the main not offset by compensating increases in productivity;

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- a high level of earnings, boosted by catching up exercises following the collapse of an incomes policy;
- an improvement in the standard of living as earnings have kept ahead of prices, in spite of the very high level of inflation;
- a steady rise in unemployment (which is in part related to decreasing competitiveness arising from high pay settlements);
- a public scepticism about the efficacy of monetary policy; and
- an apparent failure so far on the part of workers to recognise the link between excessive pay settlements and unemployment, except where bankruptcy and closures are staring them in the face; or the accelerated effect that high pay settlements can have on firms in difficulty when money supply is being reduced; nonetheless
- an increasing (and encouraging) refusal on the part of the rank and file to answer calls for strike action;
- the humiliation of the TUC over the May 14 'Day of Action', though the workers' refusal to strike for political reasons may not necessarily signal the onset of moderation in pursuit of pay claims; and
- an increasing recognition, especially after the steel dispute, that the style and substance of Government has changed and that Government will not necessarily rescue people from their individual or collective folly.

7. In short, the starting point is confused but not without positive and hopeful elements. The presentational problem is how to build moderation on these encouraging elements when:

- inflation is likely to remain high and be slow to moderate;
- rising unemployment can make for a more difficult labour force, paradoxically and self-damagingly more militant in pay negotiations;
- public sector comparability, since by definition a catching up exercise, remains a delayed action time bomb which can damage any campaign;
- public sector price increases, especially in the fuel industries, can be especially damaging presentationally;
- the driving force in pay negotiations remains the right to a maintained standard of living regardless of circumstances or willingness to earn it by higher output; and when
- resistance to change and innovation remains a British characteristic.

8. To have any chance of success a campaign must:

- take into account all these "atmospheres"; but at the same time,
- be simple, direct and hard hitting.

MESSAGES AND TARGET AUDIENCES

9. Messages and target audiences are inevitably linked and, of course, directly related to the overall background.

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The current need is to define what needs to be said to which audience.

10. The following are the main audiences:

- the nation (to get over the essential economic facts and the Government's determination to conquer inflation, persevere with its policies and to place responsibility where it belongs - on negotiators);
- trade union negotiators (to emphasise the responsibility for increasing unemployment if they seek excessive settlements, resist technology and change and ignore ability to pay);
- management negotiators (to emphasise that they hold the purse strings and the consequences of their own weakness - i.e. to stiffen management's determination to manage);
- private sector workers (to spell out the market discipline);
- public sector workers (to spell out the cash limit discipline).

11. It is for consideration whether

- these target audiences are sufficiently well defined or broken down;
- the outline messages to be directed at them are correct and whether the tone should be neutral or more specific - e.g. the effect on jobs of excessive pay settlements.

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TIMING

12. In one sense, a campaign to influence public attitudes this autumn is already overdue. We are now well into the trade union conference season which fixes claims and conditions attitudes, if not necessarily expectations. However, the 'real world' campaign initiated by MIO (E) has already introduced a great deal of appropriate background. We now need to focus more specifically on the issue of pay bargaining.

13. There are nonetheless a number of highlights in the calendar which provide an opportunity to press home the message to different audiences:

- the coming week with the following trade unions in conference - AUEW/TASS; NUGMW; UPW; and EEPTU; this is an important week.
- early June - when the building workers, Post Office engineers, ASTMS, SOGAT, NGA are in conference;
- immediately before June 9 when the ISTC will be in conference, to ram home a very hard message;
- immediately before June 24 when the Confederation of Shipbuilding and Engineering Unions and the TGWU gather for their annual conferences; and
- during the last week in August immediately before the Trades Union Congress at Brighton.

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14. It is for consideration whether special messages should be directed at NALGO (June 9-13), ASLEF (June 10-19), the NUR (June 30-July 12) and the NUM (early July).

15. It might be desirable to consult both the CBI, NEDO and other groups on when, and how, the chosen messages might best be put over to management.

METHODOLOGY

16. The above analysis implies as a minimum:

- the preparation of a series of crisp, sharp speaking notes;
- close coordination;
- the effective mobilisation of Government as a promotional force; and
- the need for a Prime Ministerial lead and strong support from economic Ministers.

17. Given agreement on audiences and messages, the campaign is largely an administrative/organisational problem, ensuring that the appropriate Ministerial speaker has the appropriate message directed at the appropriate audience at the right time, and the availability of the right media.

18. It is, however, for consideration whether we should seek to extend the media used from a Ministerial speaking campaign, operating through the free media, to include:

- meetings with appropriate organisations;
- conferences - e.g. regional seminars;
- /- speaking

CONFIDENTIAL

- speaking tours;
- leaflets;
- advertising.

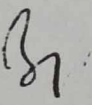
19. It is also essential that we should examine the availability of resources. Are Departments geared up for such a campaign? Could they rapidly make resources available for a major effort? Should we seek additional presentational advice - e.g. a copywriter?

ACTION

20. The purpose of this paper is to help clarify the advice MIO (E) wishes to tender to Ministers. We need to make recommendations on the

- shape and content of a campaign;
- media to be employed;
- timing and organisation; and
- resources required.

21. In addition, we need to examine whether immediate action is required, given the imminence of some important attitude-forming conferences, and the rising level of inflation as evidenced by the Index of Retail Prices published May 16, 1980.


B. INGHAM

16 May, 1980

CONFIDENTIAL



4
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30 April 1980

at *Mc Donnell*
the letter
The Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Department
Queen Anne's Gate
London SW1

Dear Willie,

MANAGEMENT IN THE REAL WORLD

I attach a further speaking note in the economic education campaign in which the Prime Minister, in her letter to you of 18 April, urged all members of the Government to make a major effort to bring home to the public the realities of our economic life.

This note deals with 'Management in the Real World' and as before I should be grateful if colleagues would ensure that their Heads of Information monitor the output and the results for my official sub-committee on economic presentation.

I am copying this to other members of the Cabinet, the Attorney General, Minister of Transport and the Chief Whip.

Yours ever,

Angus

ANGUS MAUDE

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MANAGEMENT IN THE REAL WORLD

Over the last 12 months the Government has made a start on redeeming four pledges to industry:

- to reduce Government spending and give industry room to breathe;
 - to cut away the thicket of Government controls and give the market a chance to work again;
 - to redress the balance of power in labour relations;
- and
- to encourage and reward enterprise by reviving incentives.

Billions of pounds have been cut from inherited spending plans. This is the first Government since the war to plan a progressive reduction in public spending. And cash disciplines taken for granted in the private sector are now being applied to that public expenditure. Government borrowing is also being brought down - a fundamental step in reducing interest rates.

Resources are therefore being freed for the productive sector of the economy.

For the first time in over 40 years the Government has rid the country of price, pay, dividend and exchange controls. The Government is also rooting out the abuse of monopoly power in the public as well as the private sectors. The new Competition Bill provides the means to do this. The Government will make full use of it.

At the same time the Government is reducing its stake in industry and introducing more private sector disciplines in, for example, British Airways, British Aerospace and the National Freight Corporation.

The Government's guiding principle is to place responsibility where it belongs - and responsibility for running industry rests with management. The determination to uphold that principle was underlined by its refusal to intervene in the steel dispute after establishing the industry's financial framework.

Those involved in disputes - managements and workers - will have to live with the consequences of their own actions.

Under the Employment Bill the wide legal immunities now available for picketing and blacking are being narrowed. The objective is to reach a fairer balance of power in industry.

Similarly, the plan to reduce social security benefits for strikers' families - by assuming that trade unions have a financial responsibility for looking after their members on strike - will restore a fairer balance between the striker and other taxpayers who have had to subsidise strikers.

To encourage enterprise direct taxation has been reduced. And the recent Budget contained important new measures to foster the small firm - the seed corn of our industrial harvest.

In all these ways the Government is creating a framework within which industry can prosper and make Britain economically successful.

Over and above all this there is the Government's overriding objective to conquer inflation. Only if this is done can the conditions be created for the country's economic advance and a solution to industry's many problems. But in the end Government itself cannot turn round the economy after years of decline. That task falls to the wealth creators - the people who produce the goods and services that the world wants to buy. Government cannot do that job for them.

The only prescription for a successful firm and a successful Britain is to produce and market competitive products with a design, quality, price, delivery date and back-up service that consumers demand.

There is no escaping this eternal truth. Nor is there any escape from four other realities.

First, there is no escape into import controls. The Government will protect particular sections of industry from unfair competition and dumping. But wholesale import controls would only increase prices, reduce consumer choice and postpone the day when we have to sort out our own inadequacy or inefficiency.

Import controls would also cost jobs if other countries retaliated against our exports - and we are extremely vulnerable because roughly a third of our income as a nation comes from overseas trade.

Second, there is no escape into an incomes policy. The only result of incomes policies over the last two decades has been to raise the level of inflation instead of reduce it. Pay policies have rewarded inefficiency, wrecked differentials and discouraged initiative.

Pay negotiators have only two choices. They can take account of an employer's ability to pay, helped or hindered by a willingness or lack of it to improve efficiency. Or they can ignore that ability and bankrupt the firm.

Third, there is no escape from the need to keep on top of competition at home and abroad. The successful firm is one that constantly works at the job of keeping ahead of the pack. That means creating a willingness to adapt to changing circumstances. There is therefore a premium on managers who can anticipate trends and seize opportunities because they can manage the necessary change.

But if companies are continuously to adapt there is no escaping from the fourth reality of the 1980s - management's responsibility for giving effective leadership.

/Whatever

Whatever differences of interest there are between management and workers they have one thing in common - the success of the enterprise which provides their livelihoods. But the workforce will understand the company's problems and opportunities - in reality their problems and opportunities - only if they are discussed with them.

Thus management has an inescapable responsibility for setting an example and ensuring that their employees clearly understand the route to company success and secure jobs and what can bring about failure and redundancy.

The most successful firms not only produce goods and services which people demand; they also create, by good clear communication, the human drive within themselves that spells success.

Britain needs enterprising, imaginative and resourceful managers who bring these qualities to British companies. The Government aims to encourage managers who have these gifts.

The Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

30 April 1980





Info + Pub, 2

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

25 April 1980

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the
Home Department
Queen Anne's Gate
London
SW1

Prime Minister

*The second in the
series of speaking
notes for Ministers.*

MS

Dear Willie,

In her letter to you of 18 April the Prime Minister urged all members of the Government to make a major effort to bring home to the public the realities of our economic life and attached the first in a series of speaking notes for this economic education campaign.

*12
27/4*

I now attach another speaking note - 'Local Government in the Real World'.

I hope that all members of the Government will take every opportunity to put over the various messages contained in the note; and I should be grateful if they would ensure that their Heads of Information monitor the output and the results for my official sub-committee on economic presentation.

I am copying to other members of the Cabinet, the Attorney General, Minister of Transport and Chief Whip.

*Yours sincerely,
Angus*

ANGUS MAUDE

For use in England and Wales only

LOCAL GOVERNMENT IN THE REAL WORLD

Government strategy is to give:

More power to local communities for controlling their Councils and making sure that they provide the best possible services at least cost;

More freedom to local authorities, more responsibility and less control within a realistic economic framework;

More scope to local authorities to help create the right environment for new industry and thus play their part in creating more wealth.

Local authorities will spend nearly £17,500m this year. That is 25% of all public expenditure.

Local authorities employ nearly 3m people. That is more than 13% of the country's working population.

In other words local authorities, as a result of the many services they provide, are very big business indeed.

But not all local authorities are businesslike. They are not all efficient. They are not all living in the real world.

The Government's aims:

Central government cannot by itself make local government more efficient. It cannot run local business or control individual authorities' spending. To do so would mean the end of local government and a most objectionable increase in the power of the centre.

What central government can do is to help create the climate for greater efficiency. It can set a ceiling for spending which matches the state of the national economy.

/But

But the will to economise must be local. It is up to councillors and ratepayers, to see that their own controls work. To see that their business is run on the right lines. To see that they are guided by the values of the real world.

To provide a new deal in England and Wales the Government is legislating under the Local Government, Planning and Land (No 2) and the Housing bills.

Greater freedom: more information: faster action:

Under the new legislation major changes will be made in the way local government operates:

First, changes will be made in distributing grant to local authorities and in controlling capital expenditure.

Result: Overspending by local authorities will be discouraged, but they will have greater freedom to determine their own priorities over the whole of their spending.

Second, local authorities will have to publish key information about their performance in a way which will make comparisons easier between authorities.

Result: Councillors and ratepayers will be better able to judge how efficiently and effectively their authority's operations are being managed.

Third, the planning process will be speeded up.

Result: Less delay will help to keep down development costs.

Fourth, local authorities will be encouraged to release vacant and unused land for development.

Result: A stimulus to the community's economy and a broader base for rates (so helping to keep rates down).

New rights for tenants:

Fifth, the Housing Bill will give all tenants of council houses and flats the right to buy their own homes.

Result: This will help the country by making it easier for families to move and so for workers to go where they are most needed; and help local authorities by providing a new source of money, which will assist in keeping down rate increases.

Sixth, the Bill will provide a Tenants Charter giving people who do not wish to buy security of tenure, freedom to decorate and improve their homes, freedom to sublet and to accept lodgers.

Behind the Bill is the Government's fundamental belief that people want a real stake in their own community. They want to belong, to be involved, to participate. They do not want to be subject to a remote, anonymous bureaucracy.

Owning a real asset - a home of their own to care for, to improve and to see appreciating in value as they invest in it - will give them that stake in the community.

The Improvement Grant system is being made more flexible so that owners or tenants can improve their homes at a pace and price they can afford.

More local choice on housing:

The Government is also creating the conditions in which local authorities can have greater freedom to decide their own housing expenditure priorities.

Essentially the choice is between building new homes or renovating and improving existing ones.

For several years the number of new council houses has been falling despite the huge funds made available by Government. 129,883 council houses were completed in Great Britain in 1975; only 74,412 in 1979.

More Councils now want to spend more money on improving existing property. From now on, they will be able to do so. The Housing Investment Programme for each Council is now, in effect, one lump sum instead of being split under three separate headings which were not interchangeable.

Reducing manpower:

Local authority manpower has increased in England and Wales inexorably over the last 15 years. It has gone up from 1,800,000 to 2,700,000 - a 50% increase.

And manpower accounts for about 70% of local government's expenditure.

A sharp reduction in manpower levels will be needed to help keep within our public expenditure limits. Trends are being monitored closely by the quarterly Manpower Watch set up by local authorities and Government.

Discouraging overspending:

The general level of rate increases this year is higher than the Government would have wished. But decisions on rates are for local authorities: we did all we could by urging them to cut expenditure and by making a fair rate support grant settlement. Of course it is Labour councils - including all the old familiar overspenders - who are at the top of the rate increase table.

Our plans for a steady reduction in local authority spending should ease the burden for ratepayers in the coming years. Reductions in central government taxes must not be cancelled out by massive rate increases.

Our new block grant system will strongly discourage councils that overspend. And in the longer term we are looking for alternatives to domestic rates.

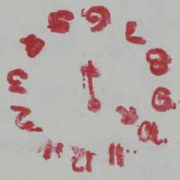
Summing up:

As a major spender and employer local government has a key role in making Britain a more efficient and productive country. As a major provider of services local government must respond to local needs and electors must have enough information about their authority. Equally local government requires a workable and open relationship with central Government.

Government policies mean that local authorities will have bigger opportunities for efficiency and service in the testing conditions the country faces.

The Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

25 April 1980



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Misc

10 DOWNING STREET

THE PRIME MINISTER

18 April, 1980

Dear Willie:

Over the next few months to the Recess I would like all members of the Government to make a major effort to bring home to the public the realities of our economic life.

Under the guidance of the Paymaster General, Information Divisions in Departments are preparing special material for this economic education campaign. Speaking notes for this purpose addressed to either the public in general or specific sections of it - e.g. management, local authorities/ ratepayers, trade unions - will be issued from time to time, geared wherever possible to particular events. We intend to bring the various threads of the campaign together in a final note just before the Recess.

The first speaking note in the series is attached. It is a complete short speech in itself but points from it can, of course, be woven into speeches on specific issues as appropriate.

I intend to make use of this and subsequent notes in broadcasts and interviews and I would like all members of the Government to take every opportunity to put over the message - in speeches, radio and television interviews, articles, etc.

/There

There is welcome evidence that attitudes are beginning to change and that people are responding to our policies. But I am convinced that we must consistently and effectively spell out for them the facts about our national position and what needs to be done to change our economic fortunes.

I am copying to other members of the Cabinet, the Attorney General, Minister of Transport and Chief Whip.

*Y
Gunn*

Ray

The Rt Hon William Whitelaw, CH MC MP

GOVERNMENT IN THE REAL WORLD

The Government has one overriding objective:

to conquer inflation - that is to bring down and hold down the rate of price increases.

It is essential to do this if the national decline is to be reversed and our prosperity restored. Nothing more weakens a country and its people than a relentless fall in the value of money.

Sadly, because of things in the pipeline, inflation in Britain is likely to get a little worse before it gets better. But it should be turning down in the latter part of this year. It can, and will, be controlled as we face the facts and stop believing in myths.

Over the last 12 months the Government has begun to change the country's thinking - to persuade every individual to face up to some fundamental facts.

We are now, I believe, beginning to come to terms with the real world again. The myths are exploding and reality is breaking through.

The first myth to go is that the Government has money of its own. It hasn't.

Every penny it acquires has to be raised from its citizens, either through taxes or borrowing. It can, of course, borrow abroad but its individual citizens have to repay the debt and meet the interest. So it all comes back to you - the citizen - in the end.

It follows that the more the Government spends and borrows, the more individuals and companies have to find out of their own pockets. And the higher the demand for the available money,

the greater will be the cost of borrowing it - that is, the interest rate charged. We can't have lower interest rates unless we reduce both the demand for money and the rate of price rises. The Government is determined to minimise its call on your money - and so help to bring down interest rates.

The second myth is that the Government can somehow overcome all the nation's problems by printing money. It can't. Printing money just makes things worse. The only effect of pumping more and more money into the economy is to reduce its value as more and more paper money chases inadequate supplies of goods and services.

That is why the Government is determined to keep a tight hold on the supply of money. We aim to damp down the fire of inflation; not to use the printing press to fuel it.

The third myth is that the Government can somehow spend the country's way out of economic trouble. It can't.

It is nonsense to suppose that spending simply to create or retain jobs regardless of what they produce is a remedy for any ailing economy. In the long run, it just makes the disease worse.

It is even greater nonsense to suppose that retaining people in public service jobs, simply to keep them in work, contributes to our national recovery. All it does is to rob the productive sections of our economy of the people needed to create wealth, not to mention the cost in wages of keeping on those public employees.

That is why we are determined to have a slim and effective public service and to minimise the number of jobs it has to do. We aim for less government rather than more.

The fourth myth, which feeds on the third, is that the Government can do other people's jobs for them. It can't.

There is no way that any Government can do the work of boards of directors, managers or workers. The best decisions are taken by those most directly concerned with the problems.

That is why the Government is ensuring that responsibility rests where it belongs. On boards of directors for the strategic running of our industry and commerce. On managers for the effective operation of their plants and marketing of their products. And on workers for the production and delivery of goods which customers want to buy.

Myth number five is that the Government can protect the country by import controls. It can't.

The Government can - and will - protect particular sections of industry from grossly unfair competition and dumping. That is reasonable.

But there is no escape through wholesale import controls, or a retreat into a seige economy. That would only increase prices, reduce consumer choice and postpone the day when we have to sort out our own inadequacy or inefficiency. It would also cost jobs if other countries retaliated against our exports - and don't forget that roughly a third of our income as a nation comes from overseas trade.

We need to look at overseas competition positively - and produce competitive products which sell the world over because their design, quality, delivery and price are right.

Sixth there is a myth that if only the Government introduced a prices and incomes policy all would be plain sailing. It wouldn't.

We have had prices and incomes policies of one kind or another for nearly two decades and what has happened? We've simply ratcheted up the level of inflation.

The truth is that the efficiency which comes from competition is the best way of putting a brake on prices. As for pay, incomes

/policies

policies are notorious for rewarding inefficiency, wrecking differentials and discouraging initiative.

The reality about pay is that managers and union negotiators can either take account of a firm's ability to pay, helped or hindered by a willingness or lack of it to improve efficiency, or ignore that ability and bankrupt it.

Myth No. 7 is that we can all maintain our standard of living, regardless of the country's economic performance or external events like the huge increase in OPEC oil prices. We can't.

The vast increases in oil prices - up by over 50% in less than a year - are causing more inflation and lower production throughout the industrialised world. Despite our own North Sea oil, we cannot escape these influences in Britain. Pretending that we can will only make matters worse. Nor can we expect to maintain or advance our living standards without producing more. To believe otherwise is to fall for the lure of fool's gold. We can't enjoy a better life unless we provide the wherewithal by producing more goods and services more efficiently.

Myth No. 8 is that the Government can do all it wants to do - and more - for the poor, sick, aged and infirm regardless of the health of our economy. It can't.

We must earn the money first. And we shall only earn that money - the means to a better life for all our people - if we become efficient producers and sellers of British goods and services.

The ultimate myth is that Governments create wealth. They don't. People do.

Governments can create opportunities but it is people who seize them. And in seizing their opportunities now and in the future the British people know that their efforts and enterprise will be much rewarded. For the Government's consistent aim is to leave more of the money you earn in your pocket to spend as you choose.

And that, as everyone knows, is not myth. It's an established fact.

PRIME MINISTER

Already in Brief.
Post Budget Campaign

Information + Publicity
cc. Paymaster General
Mr. Whitmore
Mr. Davies, Treasury

Mr. Lanchester:

1. You have approved the concept of a post-Budget campaign to educate the public in certain economic realities on the lines of the paper submitted to you on March 12 (Flag 2).

Immediate Programme

2. This morning the Paymaster General and I took stock of the Budget's reception and agreed that, while it was on the whole satisfactory, we needed to keep plugging away on:

- fairness; the extent of the help being given to the aged, sick, infirm, etc; and

the enterprise package, with special reference to small firms.

3. In addition, we took the view that we needed to introduce over Easter ebullient speaking notes for Ministers on:

- the education scene, given that Easter is dominated by teachers' union conferences; and
- the lessons to be learned from the steel dispute, taking credit for the Government studied non-intervention; the futility of the strike; and the cost to the workers, which cannot be recovered.

4. This package of speaking notes is more than enough to carry us over Easter. We must avoid giving too many messages at any one time, though we must not miss tricks - i.e. fail to take advantage of the topicality of the steel strike settlement or the Easter education debate.

/April Programme ...

April Programme

5. This conveniently and helpfully carries us over Easter before we change gear. The occasion for this is your 26-minute Granada TV broadcast on Monday, April 14. You will recall that you have accepted that you should use this occasion to launch the "Living in the real world" educational campaign.

6. I attach at Flag 1 a draft speaking note for that occasion. You will see that, as agreed, it develops that well publicised "illusions" passage in your Airey Neave Memorial Lecture (Flag 3).

7. Two questions now arise:

- Are you content with the draft for your own purposes?
- Do you agree to circulate that draft to members of the Cabinet with a personal note setting out the campaign strategy (see Para. 9 below) and urging them to use every opportunity to get over the message, e.g. by inserting the passage in their speeches; using it as a speaking note for radio and TV broadcasts? (I should say that my Information colleagues are adamant about the need for a personal message from you if the campaign is to be given real clout).

Campaign Strategy

8. The Paymaster General and I agree that by April 14 the Government should be returning to fundamentals and seeking to put Budget decisions, plans and proposals into a longer term strategic context. In essence, what the Government ought to be doing after Easter is to relate to specific publics or audiences its overall approach to the advancement of Britain. Put another way, we need to get over to the country what the Government

/is

is generally trying to do through the concerns of specific groups - e.g. ratepayers, managers, trade unionists, consumers,

9. The draft speaking note at Flag 1 sets out the Government's realistic approach to a range of economic issues. We need to follow this up - and reinforce - with messages aimed at specific publics before coming back immediately before the Summer Recess to the Government's overriding objectives. As of now - and there must be an element of tactical calculation - we have in mind the following publics:

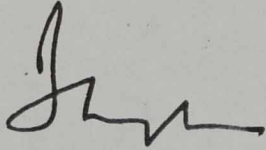
- management (for treatment in your Birmingham Chamber of Commerce speech on April 21);
- local government (pre the May 1 local elections) and to be hit hard over the weekend April 25-28 (when, unfortunately, the nation's eyes are likely to be on the Eurobudget);
- trade unions (a convenient focus would be before the projected Day of Action on May 14, provided it doesn't build up that event);
- British resources (for release just before mid-June which marks the fifth anniversary of the landing of the first North Sea oil); and
- welfare and consumers in the real world (for which focuses have yet to be identified).

10. In essence, we have, if you approve, three tasks in April: to set in the real world the roles of

- i. Government;
- ii. Management; and
- iii. local authorities.

/11. Subject

11. Subject to your views, I intend to get speaking notes to you and the Paymaster General on management and local authorities within a week or so.

A handwritten signature in dark ink, appearing to be 'B. Ingham', written in a cursive style.

B. INGHAM

31 March, 1980

GOVERNMENT IN THE REAL WORLD

The Government has one overriding objective:

to conquer inflation - that is to bring down and hold down the rate of price increases.

It is essential to do this if the national decline is to be reversed and our prosperity restored. Nothing more weakens a country and its people than a relentless fall in the value of money.

Inflation will only be controlled if we face the facts and stop believing in myths. We've been ducking the truth for too long, and look where that has got us.

Over the last 12 months the Government has begun to change the country's thinking - to persuade every individual to face up to some fundamental facts.

We are now, I believe, beginning to come to terms with the real world again. The myths are exploding and reality is breaking through.

The first myth to go is that the Government has money of its own. It hasn't.

Every penny it acquires has to be raised from its citizens, either through taxes or borrowing. It can, of course, borrow abroad but its individual citizens have to repay the debt and meet the interest. So it all comes back to you - the citizen - in the end.

It follows that the more the Government spends and borrows, the more individuals and companies have to find out of their own pockets. And the higher the demand for the available money,

/the

the greater will be the cost of borrowing it - that is, the interest rate charged. We can't have lower interest rates unless we reduce both the demand for money and the rate of price rises. The Government is determined to minimise its call on your money - and so help to bring down interest rates.

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That is why the Government is determined to keep a tight hold on the supply of money. We aim to damp down the fire of inflation; not to use the printing press to fuel it.

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It is even greater nonsense to suppose that retaining people in public service jobs, simply to keep them in work, contributes to our national recovery. All it does is to rob the productive sections of our economy of the people needed to create wealth, not to mention the cost in wages of keeping on those public employees.

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There is no way that any Government can do the work of boards of directors, managers or workers. The best decisions are taken by those most directly concerned with the problems.

That is why the Government is ensuring that responsibility rests where it belongs. On boards of directors for the strategic running of our industry and commerce. On managers for the effective operation of their plants and marketing of their products. And on workers for the production and delivery of goods which customers want to buy.

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The Government can - and will - protect particular sections of industry from grossly unfair competition and dumping. That is reasonable.

But there is no escape through wholesale import controls, or a retreat into a seige economy. That would only increase prices, reduce consumer choice and postpone the day when we have to sort out our own inadequacy or inefficiency. It would also cost jobs if other countries retaliated against our exports - and don't forget that roughly a third of our income as a nation comes from overseas trade.

We need to look at overseas competition positively - and produce competitive products which sell the world over because their design, quality, delivery and price are right.

Sixth there is a myth that if only the Government introduced a prices and incomes policy all would be plain sailing. It wouldn't.

We have had prices and incomes policies of one kind or another for nearly two decades and what has happened? We've simply ratcheted up the level of inflation.

The truth is that the efficiency which comes from competition is the best way of putting a brake on prices. As for pay, incomes
/ policies

policies are notorious for rewarding inefficiency, wrecking differentials and discouraging initiative.

The reality about pay is that managers and union negotiators can either take account of a firm's ability to pay, helped or hindered by a willingness or lack of it to improve efficiency, or ignore that ability and bankrupt it.

Myth No. 7 is that the Government can do all it wants to do - and more - for the poor, sick, aged and infirm regardless of the country's economic performance. It can't.

We must earn the money first. And we shall only earn that money - the means to a better life for all our people - if we become efficient producers and sellers of British goods and services.

The ultimate myth is that Governments create wealth. They don't. People do.

Governments can create opportunities but it is people who seize them. And in seizing their opportunities now and in the future the British people know that their efforts and enterprise will be much better rewarded. For the Government's consistent aim is to leave more of the money you earn in your pocket to spend as you choose.

And that, as everyone knows, is no myth. It's an established fact.

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10 DOWNING STREET

From the Press Secretary

MR. PRESCOTT

cc. MR. LANKESTER —
MR. GAFFIN
MISS HALL

Presentation

I see that Cabinet minutes require the Chancellor of the Exchequer to consult the PMG about the presentation of the Government's long term economic strategy in the period after the Budget. Would you please keep me informed of progress and involved as necessary?

A handwritten signature in dark ink, appearing to be 'B. Ingham'.

B. INGHAM

17 March, 1980

CONFIDENTIAL

Infant pub

R

PRIME MINISTER

Clive
✓
yes, v. good. but
need to think on
Ministerial responsibility.

Mr. Whitmore
✓

Post-Budget Campaign

To see.
I think that this is generally on
the right lines. But it will need a very
big effort to translate it into effective
action.

AKL 12:00

1. I promised in the attached minute which you read at the weekend to bring forward proposals on the concept, themes and messages for a post-Budget campaign of economic education. This minute sets out my ideas for your comment and, I hope, approval.

Proposed Campaign

2. You will recall that the proposed campaign would consist of:

- speaking notes on particular themes which can be slotted into speeches - e.g. your Airey Neave Memorial Lecture;
- background factsheets to fill out speeches, broadcasts or articles;
- a determined effort to bang over a particular message over the space of a week or fortnight during the currency of the mid-April/end-July campaign; and
- a launch, whether explicitly or implicitly, in the form of your Granada broadcast on April 14.

Theme

3. The key need at this stage is to identify the theme and prepare the actual material for post-Budget adaptation in order to ensure that the campaign concept and first message is available to all members of the Government (and backbenchers) before April 14.

4. You will recall that at our meeting last week you were attracted by the idea of a campaign built on the good news concept - good sense, good use, good business, good times, etc. The more

I have thought about it, the less I am attracted in 1980 with a campaign unified by the word "good". The truth is that 1980 is not going to be a good year in material terms (though it may be good or even better in the way in which attitudes change). Economically, it is going to be a hard and difficult year and no purpose will be served in conducting a campaign which is out of tune with the times. We need to capture the public mood and carry it with us.

5. I also consider that, in devising a campaign, we need to have our eye not merely on the present but also on the future, both immediate and longer term. The immediate concern must be to influence negotiating attitudes during the next pay round. The longer term objective must be to give people hope, without over-playing it; that if they act on the campaign message good times are ahead.

Proposal

6. In the light of all this, I have concluded that this summer's campaign should be built upon the theme "Living in the real world". The arguments for this are:

- it develops the successful illusions/realities theme of the Airey Neave lecture;
- the realities theme, far from being worked out, has not been worked over in a systematic way;
- it is in tune with the times and the immediate Government objective of bringing the country down to earth with a bump in order to shake it out of its decline;
- it offers a convenient means of addressing a number of different publics which can be selected to maximum advantage - e.g. reality in local government immediately before the local elections on May 1;

- we can use the step change which will occur in July in the Index of Retail Prices as VAT is worked out to complete the campaign on a hopeful high note.

7. I think we should reserve a good news campaign for later in the Government, when we hope this will genuinely be in tune with the times.

Structure

8. If you accept the "Living in the real world" theme, I suggest that the various publics or audiences should be addressed in broadly the order set out below. I say "broadly" because we ought, as convenient, to take advantage of topicality - e.g. local government elections. But - and this is a crucial but - we should not, as is the case so often in Government, leave so much flexibility that everyone is allowed to go his own way in his own time, with the result that nothing happens. You need to place your Government under an obligation to hammer home one identifiable theme a fortnight; otherwise we might as well forget about the whole thing.

9. I therefore propose the following broad sequence:

Government in the real world - bringing out its main objectives of low inflation, high employment, high wages and high productivity and linking these with the reality that

- (i) Government has no resources of its own;
- (ii) these have to be raised in tax or loans - from you and me;
- (iii) the more the Government spends, the more it has to raise in tax or borrow or both;

/(iv) the

- (iv) the more it spends the available money, the less there is for everyone else, including the productive profitmaking sector, and the higher the cost of borrowing available money;
- (v) the demand by people for lower taxes and lower interest rates - ergo the need to cut public spending and raise efficiency in the public sector; and
- (vi) the extent to which Government objectives and achievement are those of its people.

Local Government in the real world (to be hit home during the final week of April) emphasising

- (i) local government is in the service of the people;
- (ii) people - rate and taxpayers - are the sole source of local government's money;
- (iii) as electors, they have control not only over the supply but the use of money to local authorities;
- (iv) their obligation to themselves is to ensure that local authorities spend their money wisely and effectively;
- (v) there is a genuine alternative to cuts in services - namely, efficiency, economy and harder work;

/(vi) this

- (vi) this Government no friend of spendthrifts and inefficients but a staunch ally of councils who give service with an economical smile.

Trade Unions in the real world (the timing may depend on the passage of the Employment Bill but the basic aim should be to influence attitudes during the trade union conference season: we should therefore get over this message early in May). This message would emphasise:

- (i) every reason why we can have a high standard of living - but we must provide the means;
- (ii) only people who provide the means in the end are those who produce the goods profitably;
- (iii) no future in producing goods no one wants to buy - design, price, quality and delivery must be right;
- (iv) ergo - no future in restrictive practices, non-existent jobs for the sake of keeping people in work, obstruction and strikes; bright future in flexibility, realistic manning, positive effort and keeping at work;
- (v) role of profit;
- (vi) need to match pay increases with genuine productivity improvements; no prizes for the bogus, sham productivity deal;

/(vii) only

- (vii) only reasons we have a low European standard of living is our own attitude; remedy in our hands;
- (viii) no bottomless pit on which we can draw our pay cheques; all got to be earned; Government provided early incentive to improved efforts - tax cuts.

Management in the real world (preferably latching on to a major management conference or declaration which we might orchestrate with the CBI and possibly divided into two campaigns - general and small firms):

- (i) Management has responsibility for managing its business in all its aspects; don't rely on Government;
- (ii) Government can, however, create a better entrepreneurial environment - what it has done by way of incentives and reduced burdens (good news);
- (iii) need to motivate work people and keep them in positive frame of mind;
- (iv) Government no excuse for failure; Government cannot run businesses and will not try to do so: it aims to encourage self-reliance, reward, enterprise;
- (v) rewards are available; get up and go and get them.

/Welfare

Welfare in the real world - (the obligatory and very necessary slot for compassion):

- (i) the Government is concerned about the poor, sick, the aged, the infirm - and what it has done for them;
- (ii) Government determined to halt our economic decline and improve our fortunes - only basis for giving real help to deprived;
- (iii) Government recognises responsibility for the worst off; but so must others by their behaviour, actions and ambitions - fair shares;
- (iv) no substitute in real world for community recognising extent to which it can help or hinder under-privileged; Government's help can be undermined and rendered valueless by rapacious pay claims, spendthrift public servants, incompetent managers.

Britain in the real world (perhaps in the run up to Eurocouncil or Summit in Venice mid-June):

- achievements on world stage - Rhodesia; ? Iran; Afghanistan;
- great residue of recognised expertise and influence;
- but need to improve economic performance and build up our strength if we are to punch our weight;

- (as necessary) the Eurobudget in perspective;
- real opportunity against background of international successes and reliability to exercise greater influence for good in world if only we sort ourselves out economically.

British resources and the real world (perhaps against background of fifth anniversary of first North Sea oil ashore - mid June):

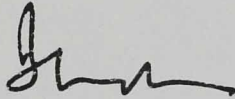
- opportunity provided by North Sea oil (and gas);
- but put these resources in perspective (2% world's total);
- urgent need to put oil and gas to good and effective use; how this is being done;
- no purpose served in wasting them by underpricing them - i.e. below world price;
- the opportunity these resources create.

Changing course in the real world (the peroration to the campaign immediately before the Recess). The aim of this valedictory message would be to bring out, against all that has gone before, the Government's main objectives and means of achieving them and the opportunities they create for the years ahead. It is, however, important in the end to bring people back to the reality that only they can really deliver the good times.

10. I am conscious that this is very raw material and that a great deal of refining needs to be done. It is, however,

/inescapable

inescapable that the real shape and quality only emerge in drafting. Are you nonetheless content with the concept, themes and messages?



B. INGHAM

12 March, 1980

PRIME MINISTER

Speech Themes

1. We discussed the above subject when we considered presentation on Wednesday. I intend to put up proposals to you early next week. Meanwhile, you may care to have a note on the work I have done so far.

2. Since the New Year, I have been chairing a meeting of the Heads of Information of the main economic Departments to devise a post-Budget economic education campaign. The Paymaster General has been kept closely informed.

3. Our basic concept is to prepare:

- i. speaking notes on particular themes which can be slotted into speeches just as you put in the crucial, newsy economic bit in the Airey Neave speech;
- ii. background factsheets on which Ministers and others can readily draw;
- iii. to allot a particular theme for a week or a fortnight during a three month campaign from mid-April to the Recess; and to bang over each related theme at every opportunity - i.e. in speeches, radio slots, TV appearances, etc. - even to the extent of Ministers saying, for example, that if there is one point I want to leave you with tonight it is the theme;

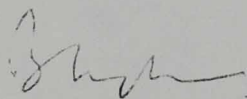
/iv. to

- iv. to launch the campaign with your endorsement; here the Granada interview, now fixed for April 14, is highly convenient, especially as it comes before the local elections;
- v. to engage the discreet support of allies - e.g. the CBI - in getting over economic realities; I am in close touch with them.

4. It follows there are two essentials:

- i. the right concept, themes and messages; and
- ii. systematic follow through; we must not go off with a bang and then, for want of Ministerial support, let the whole thing die. (Here the concept of a theme a week, or a fortnight, is a help, as the campaign can keep coming up fresh.)

5. Our conversation on Wednesday was very helpful in the context of concept, themes and message. I shall now try to sharpen up the concept and themes for your approval. In essence, what we are trying to do is to run a promotional campaign through the free media - speeches, press, radio and television news and magazine coverage. It is very similar in concept to my previous experience in energy conservation and I would aim to get the kind of sharp presentation achieved in the attached advertisements, each of which provides the basis for a speaking note.



B. INGHAM

7 March, 1980

18

17 ECONOMIC APPROACH.

The relationship between state and people is crucial to our economic approach.

Our understanding of economics, our economic philosophy is an extension of our general philosophy.

Airey's philosophy was suffused by a sense of personal responsibility and by a determination not to run away from reality.

The two are inseparable.

For if, during recent years, we have in Britain done so much less well than we might have done, it is not because we are bad or incompetent, but because a layer of illusion has smothered our moral sense.

Let me list a few of the illusions which have blinded us:

The illusion that Government can be a universal provider,
and yet society still stay free and prosperous.

The illusion that Government can print money, and yet
the nation still have sound money.

The illusion that every loss can be covered by a subsidy.

The illusion that we can break the link between reward
and effort, and still get the effort.

The illusion that basic economic laws can somehow be
suspended because we are British.

For years some people have harboured these illusions which have prevented us from facing the realities of the world in which we live.

It is time we abandoned them so that we can tackle our problems.

Government and people both have a part to play.

For Government, facing our national problems entails, above all, keeping the growth in the amount of money in line with the growth in the amount of goods and services.

After years of printing too much money, to which the economy has become addicted, this will take time: but it must be done.

But it is not only the total amount of money that matters. It is how that money is distributed between on the one hand the public sector, which produces little real wealth, and on the other hand industry and commerce, the mainstays of our economy.

At present too much is spent on the public sector. It follows that the Government's second most important task is to reduce state spending, so that more resources can be put to investment in industry and commerce. This too takes time but it must be done.

Too much money spent by Government has gone to support industries which have made and are continuing to make heavy losses. The future requires that industry adapt to produce goods that will sell in tomorrow's world. Older industries that can't change must be slimmed down and their skills transferred to new products if they are to serve the nation.

This too takes time but it must be done.

Economics means harnessing change instead of being dominated by it. But Government cannot do it alone. These policies are a necessary but not a sufficient condition for recovery. The British economy is the British people at work - their efforts and their attitudes. Success will only be achieved

in so far as - people relate the rewards they receive to the efforts they make

in so far as - managers, freed from restrictions ~~previously~~ imposed by previous Governments, respond to their new found freedom to manage.

They and their companies are responsible to those who invest.

They are responsible for their fellow employees and responsible to the customer for the quality, delivery and price of their goods.

I believe that they are welcoming this new challenge.

Among management and wage-earners alike, there is a widespread sense of relief that the potential of this great people is now matched by the resolve of the Government.

This was Airey's dream, of a people not dependent on Government, but a people exercising initiative independently of Government.

This is a daunting but exhilarating mission.

One which requires men and women of courage and conviction.

We shall see it through. We owe that to our people.

We owe it to Airey.

Spence
PA.

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Mr. Whitmore

PAYMASTER GENERAL

*Give - 1 agree: damaging
if it was to get
out.*

Tybi
Info + Publicity
to see.

MIO (E)

It
5/3
*must to be seen so plainly to
be teaming up with the CBI on
publicity.*

*I would wonder if it
is*

1. This note brings you up to date with the planning of a post-Budget campaign which you mentioned to the Prime Minister for the first time yesterday.
2. We are now proceeding to draft for discussion:
 - (i) the basic policy messages we wish to put over during the campaign; and
 - (ii) the good news we can give to the people as a result of the contributions made by Departments to your appeal for information.
3. Our aim is to prepare campaign material for your consideration immediately before the Budget, with a view to editing it in the light of the Budget and launching mid-April when the Prime Minister has a standing invitation to take part in a Granada programme (April 14).
4. Meanwhile, I have established working contact with the CBI who are disposed to be supportive and helpful. They are going into the current range of effort on economic education with a view to preparing a checklist of action by a large number of organisations and examining how, if at all, it is co-ordinated and mutually reinforcing. MIO (E) hopes to have a discussion this month with the CBI, at their invitation.
5. It is clear that we cannot expect any direct help from the TUC, though some of their actions may be unwittingly and involuntarily helpful. The meeting emphasised, however, the desirability, in drafting the campaign copy, of anticipating, if possible, events next winter.
6. On a more general point, the meeting expressed its concern about the way in which decisions, taken by the Government, were

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/being

being leaked detrimentally. This, it felt, came from the practice of delaying announcements, decisions having been reached. It was highly desirable for Government to exercise control over presentation and, in practice, this was only to be achieved if the gap between decisions and announcement were minimised. It was, however, recognised that rounded decisions needed to be taken; a heavy public relations penalty had been paid for neglecting the social dimension of gas and electricity price increases.

J. Wamsley
pp B. INGHAM

4 March, 1980

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PAYMASTER GENERAL

Mr. Whitmore
Info + Publicity
Jan
To su.

Economic Presentation (MIO (E))

HL
15

1. We had a further meeting of MIO (E) last evening under my chairmanship.
2. At the outset Ian Gillis, Department of Energy, helpfully expressed his concern about the leaks taking place about the work of MIO and MIO (E). He said he had serious reservations about trying to develop policy and programmes with the press, in effect, sitting in on the meeting. I said that you and I, with John Groves concurring, shared his concern and this would be raised at MIO this evening. In the meantime, I felt I should make it clear that neither you nor I could continue to defend the integrity of the Information Service if leaks continued. This lack of loyalty was sad. The fact that there was daily evidence of substantial Ministerial briefing provided no excuse for Civil Servants.
3. On the substance of the Committee, we have now made good progress in clearing out of the way many of the mechanical questions - e.g. media available; contribution of COI, whose resources in the regions could be of considerable benefit in identifying and promoting Ministerial platforms to get over campaign messages.
4. Two main tasks are now outstanding:
 - the identification of writing resources; it is felt these should be found in-house and No. 10, COI and Treasury are to seek to clarify the position by next week;
 - the preparation of a tighter set of themes that has so far been set out in the papers; I have undertaken to produce a paper for next week's meeting.

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/5. With

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-2-

5. With a bit of luck, we should be in a position after next week's meeting to start putting together material and a campaign plan for your approval. We have not finally resolved the launch date but I think that soon after Easter is emerging as a consensus.

6. It is, of course, important that we should dovetail neatly with the Conservative Party's projected campaign and I would appreciate a briefing from you on this matter.

B. INGHAM

19 February, 1980

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*He c for letter
✓ AM 21*

Ref: MIO(E)(80)3rd Meeting

COPY NO: 13

ECONOMIC PRESENTATION

Note of meeting of Chief Information Officers held on Monday
18 February 1980 in Conference Room "E", Cabinet Office.

PRESENT

In the Chair	- Mr B Ingham (Prime Minister's Office)
Mr J A Colmer	- Ministry of Agriculture, Fisheries and Food
Mr M Butcher	- Dept of Employment
Mr I Gillis	- Dept of Energy
Mr R Westbrook	- Foreign and Commonwealth Office
Mr J Bolitho	- Dept of Health and Social Security
Mr J Woodrow	- Dept of Industry
Mr J Groves	- Central Office of Information
Mr N Gaffin	- Prime Minister's Office
Mr A H Sutherland	- Scottish Office
Mr M Garrod	- Dept of Trade
Mr P G Davies	- HM Treasury
Miss J Luke	- Secretary

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1. The meeting discussed the leaks taking place on the work of MIO(E). The Chairman said that the Paymaster General was very concerned about these leaks and would raise it at MIO on 19 February. It was particularly disturbing since it made it very difficult for either the Paymaster General or the Chairman to continue to defend the integrity of the Information Group in the face of leaks which obviously emanated from that Group.
2. The meeting considered the timing of the post-Budget campaign. The general feeling was that there were grave difficulties in trying to devise a detailed campaign before the Budget. It was recognised that the debate on the Budget would continue in the media for about a week. In addition, the outcome of the Government's efforts to reduce its European Budget contribution would not be known until just before Easter. It seemed, therefore, that the most convenient date to begin the campaign would be about mid-April.
3. The meeting agreed that there was a clear need to explain terminology. To talk about monetarism and the need to control the money supply did not explain the real significance of the Government's economic policy. The consequences of changing the economic policies followed by Governments for many years meant that a hard road had to be followed before the benefits of this Government's policy would be felt. It was agreed, therefore, that a tighter set of themes had to be identified which Ministers could use and/or inject into their speeches.
4. CIOs felt that fact sheets setting out basic economic information in easily understandable terms, and other papers for Ministerial use, should be prepared in-house. This gave rise, however, to the question of the resources available and the timescale - given that Treasury staff would be deeply involved in preparation for the Budget and related briefing papers. The Chairman said that he, the Treasury and COI would report back at the next meeting.

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5. The COI Regional Offices could make a very useful contribution in the dissemination of information, including the advance text of Ministerial speeches, to local newspapers and opinion-formers. They could also help identify and promote Ministerial platforms. In this context, it would be helpful if COI Regional Offices were informed as a matter of course when a Minister was in their areas. In addition, it would be useful to brief Chief Regional Officers before the campaign was launched. Ministers should also be made aware of the need to allow time in their programmes to meet and brief the regional media. Full use should also be made of departmental publications such as 'Employment News' and 'British Business'.

6. Summing up the Chairman said he would prepare a paper on themes for discussion at the next meeting. He would try before the next meeting to resolve the question of a secretary for the sub-committee. He also invited the Treasury and COI to report on the availability of writing resources. At the next meeting the Chairman hoped that it would be possible to agree an outline for the campaign.

7. Date of Next Meeting:

Monday 25 February 1980 at 5.00 pm in the 7th Floor Conference Room, Central Office of Information, Hercules Road, London SE1.

SIGNED

Jan Luke
10 Downing Street

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21 FEB 1960



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Mr. Whitmore

HW

Ref: MIO (E) 2/80

Information & Publicity.

ECONOMIC PRESENTATION

Meeting of MIO (E) to be held in Conference Room "E", Cabinet Office, on February 11, 1980, at 1700 hours

A G E N D A

1. Minutes of previous meeting (MIO (E) 1/80).
2. Business arising:
 - i. Briefing paper from the Treasury;
 - ii. Departmental papers.
3. Post-Budget campaign - Chairman's paper.

JAN LUKE,
10 Downing Street

8 February, 1980

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ECONOMIC PRESENTATION

A Post-Budget Campaign

Introduction

1. This paper sets out preliminary considerations for the development of a post-Budget campaign, starting in April, to promote a wider understanding and support for the Government's economic policies.

Background

2. The Committee has analysed in MIO (E) 1/80, as supplemented by the record of the meeting, the current presentational problem. It is not at present possible to devise a detached post-Budget campaign because a number of unresolved issues - notably, the steel dispute, Employment Bill, public expenditure and EEC Budget - and the contents of the Budget are not, of course, known.

3. We must, however, use the time between now and the Budget (March 26) to enable us to put proposals to the Paymaster General immediately after the Budget. To be able to do this we need to clarify our minds on:

- i. the kind of messages which need to be conveyed to the public;
- ii. how those messages might be conveyed and the financial and other implications of our proposals;

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- iii. how people might best be persuaded to act positively and helpfully on the messages they receive and understand; and
- iv. the period over which the campaign should be conducted and the arrangements required to maintain the effort.

Messages

4. Economic presentation is bedevilled with jargon. Often too much is attempted - i.e. the point gets lost in too much verbiage and complication. Most people can, however, grasp simple concepts simply expressed, especially when they are related to their own everyday experience. It is, therefore, necessary to devise a series of simple messages which are calculated to improve people's understanding of the problems confronting the country and support for the Government's measures to solve them.

5. It is suggested that the following messages need to be conveyed:

- Government economic objectives; halt decline; begin climb back; control inflation, create genuine new jobs; raise prosperity; allow people to decide how to spend more of the money they earn;
- why we must earn before we spend - why it is necessary to cut our coat according to our cloth;
- where the Government gets its money from - the taxpayer - and why there is no bottomless pit;

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- why it is necessary to use all resources efficiently - and not least in public sector whose losses have to be financed by the taxpayer;
- why the Government is being cruel to be kind - compassion starts with creating the resources to help the poor; and what is being done to help the worst off;
- what are the consequences of excessive pay settlements which are not covered by increased efficiency; how you can earn a lot more but not put up prices; and explain "monetarism";
- what is the link between inflation and unemployment and how individuals can help themselves;
- why we cannot expect to recover all the rise in inflation through pay settlements, especially when they are not matched by higher efficiency, in view of major increases in oil prices;
- how the whole package adds up to good housekeeping and common sense.

6. The above list is not exhaustive and comments are sought. Such messages would be put over against the background of a consistent exposition of individual facets of policy - i.e. Employment Bill, public expenditure, EEC Budget and lessons to be drawn from steel strike.

7. It is for consideration whether we ought to devise a unifying theme - e.g. getting Britain into the black; good housekeeping; balancing our Budget, etc.

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Method

8. A campaign can be conducted in a variety of ways and at different levels. These range from a largely uncoordinated exhortation to Ministers to speak on specific themes to an extensively planned campaign. It seems likely that, taking account of the time factor and limited resources, any initial campaign will fall between the two.

9. It is argued, however, that the key ingredient should be a systematic approach which is sustained over the period of the campaign. Accordingly, it is suggested that in the first instance we should not contemplate the paid media and concentrate on the preparation of:

- i. fact sheets setting out basic economic information in simple terms; and
- ii. speaking notes, concentrating on a series of interlinked themes.

10. It is further suggested that over a period Ministers and officials should devote, say, a week to putting over each message.

11. The material to be employed would be:

- factsheets for issue both internally and externally;
- speaking notes for similar distribution;
- economic notes which Ministers might contribute to their local newspapers.

The series should be planned as a composite whole. It is for consideration whether we should recruit external resources to prepare the material. Are funds available to employ external

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expertise? Or is the manpower/expertise available internally?

Media

12. It is suggested that the media to be employed might be:

- a Prime Ministerial launch, including radio and TV tapes;
- a Cabinet-led drive in which individual Ministers accept a spearhead role for specific weeks of the campaign;
- a systematic exploitation of radio and television with junior Ministers being invited particularly to exploit local and regional press, radio and television; the aim should be to ensure that each constituency carries each individual message in press and on radio and television;
- Government publications - e.g. British Business, Employment News, etc.

Timing/Duration

13. It is suggested that the campaign should be launched against the background of the Budget. It is, however, for consideration whether the launching should be delayed until the first anniversary of the Government (May 3) so that the first anniversary 'celebrations' might be used as a launching pad. This would provide a focus for putting the Government's first year's work in perspective and then building on that perspective the individual themes which would go to make up the proposed total campaign. On the other hand, more than a month will have elapsed since the Budget. Given the

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intrusion of Easter, the launch options would seem to be

- mid-April;
- early-May.

14. It is suggested that the campaign should run for roughly three months - from mid-April to mid-July or May-July. Further campaigns are envisaged. These will need to be devised in the light of experience gained in the initial exercise.

15. Comments are invited on timing and duration.

Monitoring

16. An important part of the planning of any campaign will be the need to establish some means of assessing the

- i. extent of the campaign and its success in terms of the use of the material by the media; and
- ii. impact on the public, preferably both in terms of understanding of and response to the messages.

17. Comments are invited from the COI on these aspects of the proposed exercise.

Summary

18. This paper proposes a three month free media campaign in the spring/summer to put over a series of linked messages on the Government's economic policies with the objective of creating a wider understanding and support for these policies. The Committee is invited to comment and participate in the development of such a campaign.

BI

8 February, 1980

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Mr Whitmore
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PAYMASTER GENERAL

MIO (E) - FIRST FORMAL MEETING

1. I chaired the first formal meeting of the official Committee on Economic Presentation last evening. Departments represented were: COI, Energy, MAFF, Treasury, Industry, DHSS, Trade, Employment and Scottish Office.

2. The meeting broadly endorsed the attached paper MIO (E) 1/80 (which you have seen) as a sound background for a continuing review of presentation. In discussion, the following points were made:

- the two fundamental problems are inflation and unemployment;
- too little emphasis was being placed in speeches, etc. on the Government's need for time to put things right; an entire post-war trend cannot be reversed in six months;
- the Government is presenting a harder face than it need do so; compassion is not its strong point;
- it was disturbing that there was so much evidence of Ministerial controversy in the media; this undermined even the best presentational strategies;
- any presentational strategy needed to take account of the different motives of, for example, nationalised industries (recently gas and Post Office) and local authorities; hence the importance of taking control of presentation;

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- too little was perhaps being made in the public expenditure debate of the need for and opportunities before local authorities, health authorities and nationalised industries for improvements in efficiency;
- on the other hand, too much should not be made of the Civil Service Manpower/Rayner/Pliatzky exercises in the context of central government public expenditure economies;
- it was important not to duck one essential for economic recovery: namely, the need to work harder and more effectively;
- Departmental Ministers needed to do more public speaking on general economic themes and to help out on touchy problems - e.g. gas prices;
- the four major presentational problems confronting the Government at present were:
 - steel strike;
 - public expenditure;
 - EEC budget; and
 - Employment Bill.

3. The meeting felt that to a large extent public judgment on the Government was being reserved pending the outcomes of the four issues identified immediately above and, more particularly, the steel strike and the EEC budget.

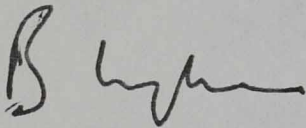
4. Turning to the work programme, it was agreed to meet initially on a weekly basis. The next meeting on Monday will tackle:

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- i. the period between now and the Budget; Treasury and FCO are being invited to submit papers on events/publications/announcements leading up to the Budget and the European Council at the end of March;
- ii. the outline of a post Budget campaign to get over the Government's economic message; I have undertaken to write a think piece preparatory to the next meeting.

5. This approach will take account of the issues identified in Paras 11-13 of MIO (E) 1/80.

6. I propose to report to you immediately after each meeting and, wherever possible, before the regular Tuesday meetings of MIO.



B. INGHAM

5 February, 1980

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Ref: MIO (E) 1/80

ECONOMIC PRESENTATION

PURPOSE

1. The purpose of this paper is to provide basic background to a continuing examination of the presentation of Government economic policy. It is intended to form the basis for systematic presentational advice to Ministers, through the Paymaster General.

POLICY

2. Economic presentation needs to be seen first against the five tasks which the Government set itself in its manifesto. These are:

- " (1) To restore the health of our economic and social life, by controlling inflation and striking a fair balance between the rights and duties of the trade union movement.
- (2) To restore incentives so that hard work pays, success is rewarded and genuine new jobs are created in an expanding economy.
- (3) To uphold Parliament and the rule of law.
- (4) To support family life, by helping people to become home-owners, raising the standards of their children's education, and concentrating welfare services on the effective support of the old, the sick, the disabled and those who are in real need.
- (5) To strengthen Britain's defences and work with our allies to protect our interests in an

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increasingly threatening world."

3. Within this strategy it is important to recognise that the Government resolved to reduce the role of government and to promote individual responsibility and self-reliance. It is, therefore, pledged to reverse the post-war trend towards an increasingly corporatist society and to encourage people - or those capable of taking care of themselves - to rely more on their own resources. This is a radical and not a comfortable approach. It is unrealistic to suppose that such a policy can be implemented painlessly.

ECONOMIC BACKGROUND

4. The attempt to reverse the country's long decline and to bring about economic recovery is being conducted in a depressing economic climate. Inflation is soaring and is for the present being fuelled by Government action as well as by oil price rises and excessive pay settlements. Unemployment is on the increase. Controlling money supply and reducing public expenditure are proving difficult. The world economic outlook is bleak. And the UK trade union movement is confirming its traditional resistance to change.

POLITICAL BACKGROUND

5. There can be no doubt that economic policy is crucial to the Government's overall performance. After the traditional honeymoon, marked by a shift from direct to indirect taxation to increase incentives, it is now facing hard choices and is increasingly under fire for its economic policies. The main criticisms are:

- in the light of events in the steel dispute, too little is being done too slowly to curb trade union power;
- similarly, performance is inadequate in cutting public expenditure (or too much is being cut out of the wrong things);

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- ground is being given in the battle to reduce our huge budget contribution to the EEC;
- action, notably on nationalised industry prices, is incompatible with the Government's counter inflationary policies;
- the social consequences of the Government's determination to cut public expenditure and control money supply are being neglected; and
- too much reliance is placed on monetary policy.

6. The trade union movement is in a sullen, resentful and menacing mood but Parliamentary opposition is weak and ineffective.

7. The public is probably by now bewildered, disappointed and feeling hurt. It expects the Government to sort things out but may have little faith in its doing so and would, in any case, prefer it if the pain were borne by someone else.

OUTLOOK

8. It follows that life is going to get worse before it gets better. It is also clear that economic policy needs a top level re-representation as soon as possible after the steel strike. The various threads need to be drawn together and the public made to feel that:

- i. the Government is pursuing a coherent strategy at the appropriate pace;
- ii. if persevered with, that strategy will achieve the objective of reversing the national economic decline; but that
- iii. nothing will be achieved without a determination on the part of individual citizens to work their way out of the mess.

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9. The Prime Minister is planning a broadcast in mid-March. It is expected it will be directed to these ends. Similarly, a longer term strategy is expected soon from the No. 10 Policy Unit.

ACTION REQUIRED

10. The prime need is first to reach agreement on the above analysis of the position to date. The Committee is invited to discuss and report.

11. Second, we need to be clear on the messages - and the consistency of those messages - to be conveyed in the interim on:

- public expenditure and monetary supply;
- EEC budget, as a facet of public expenditure;
- inflation, employment;
- trade union reform and industrial disputes; and
- the social consequences of economic policies.

12. Third, we need to improve anticipation of events and control over the presentation of those events. The leak of gas and electricity price increases through the nationalised industry consultative system is a case in point. What can be done to deal with this problem? Experience suggests that a tightly controlled economic diary is required. We also need to identify good news; this aspect is currently neglected.

13. Fourth, we need to examine whether our presentational weapons, as distinct from ammunition, are adequate and effectively used - for example:

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- fact sheets;
- Ministerial speaking notes;
- communications within Government;
- briefing of journalists;
- arrangements for getting Ministers on radio and television programmes.

14. Finally, we need to decide on a future work programme for the Committee. This will include the development of a post-Budget campaign. It is suggested that the Committee should meet regularly each week for one hour to be agreed. The initial meeting should concentrate on the analysis of the current position and the advice to be given on the envisaged re-presentation of economic policy.

15. It is suggested that future meetings should examine, against an agreed overall background, the presentation of individual components of economic policy as provisionally noted in Para. 11, plus anticipation/diary and adequacy of presentational weapons/performance.

BI

1 February, 1980

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Mr. Whitmore

Ref: MIO (E) 1/80

Info & Pub. Com

ECONOMIC PRESENTATION

Meeting of MIO (E) to be held in No. 12 Downing Street, February 4, 1980, at 1700 hours

A G E N D A

1. Minutes of previous meeting (MIO (E) 1/79).
2. Matters arising:
 - i. Secretary;
 - ii. Departmental papers (see Para. 8, MIO (E) 1/79);
3. Economic Presentation - consideration of MIO (E) 1 /80.

BI

1 February, 1980

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Ref: MIO (E) 1/80

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BI

1 February, 1980

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MIO (E)/1/79

ECONOMIC PRESENTATION

Information & Publicity

NOTE OF A MEETING AT NO. 10 DOWNING STREET, FRIDAY, DECEMBER 21, 1979

Present:

Mr. B. Ingham (Chairman)	
Mr. N. Gaffin	- Prime Minister's Office
Mr. A. Wood	
Mr. J. Groves	- Central Office of Information
Mr. P. Davies	- H.M. Treasury
Mr. R. Seaman	- Dept. of Employment
Mr. I. Gillis	- Dept. of Energy
Mr. T. Dawes	- Min. of Agriculture, Fisheries and Food
Mr. M. Garrod	- Dept. of Trade
Mr. J. Bolitho	- Dept. of Health and Social Security
Mr. J. Gee	- Dept. of Industry
Mr. A. Sutherland	- Scottish Office

1. Mr. Ingham said that the purpose of the meeting was to initiate moves to establish within the MIO machinery a sub-group on the presentation of economic policy. The effective presentation of economic policies was crucial to the Government and the establishment of the group had been approved by the Prime Minister. It would report through the Paymaster General to Ministers as appropriate. The group would be formally constituted as a sub-group of MIO under his chairmanship and with Mr. Gaffin as deputy chairman.

2. He had called a preliminary informal meeting of the Group before Christmas to put the members on warning that the Government Information Service was being required to develop a co-ordinated view on presentation of Government economic policy and plans for a comprehensive campaign to put over the Government's messages.

3. The key first step would be to appoint a Group Secretary who would be responsible for working up papers for the members' approval. Steps were being taken to make such an appointment.

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4. Turning to the subject, Mr. Ingham said there were a number of aspects to presentation:

Immediate issues: the handling of these would arise out of the weekly review of the diary in MIO and the ordinary day-to-day co-ordination of activity through No. 10: it was, however, essential that their handling should fit in with an overall strategy.

Crises: here separate machinery would be established as and when required by the Paymaster General operating through the Civil Contingencies Unit system: it was very important that the work of developing and prosecuting a presentational programme should not be blown off course by short term crises - hence the importance of appointing a Group Secretary who would be free to get on with longer term work.

Presentational policy development: this was the role of the Group. It was important that Ministers should be given an overall view of the presentational problems, opportunities and various means of getting over the message which reconciled the views of the various Departments concerned. It was hoped that the Group would soon have the benefit of a paper on longer term strategy from the No. 10 Policy Unit.

A longer-term campaign: again, responsibility for developing this would fall to the Group. It was impossible at this stage to envisage what might be involved, though due economy would need to be exercised. Subject to that, the Group should not rule out any media or approach. It was important that the Group should have the advice of the COI.

5. Mr. Ingham added that Ministers required top level attendance at Group meetings. He hoped that Heads of Information Divisions would make every effort to attend and would, where their absence was

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unavoidable, ensure that their immediate deputies were present and properly briefed.

6. Mr. Ingham said that he proposed to call a first formal meeting of the Group early in the New Year and intended to put before it a programme of work. In the meantime, it should be borne in mind that there were conflicts of view both within and outside the Government about the success to date of the presentation of the Government's economic policies. While there was evidence of some restiveness, both within Government and the CBI, the Paymaster General took the view that a number of important messages were being received and understood by the public. It should not be assumed that the formation of the Group necessarily reflected dissatisfaction with progress to date. Its establishment was rather evidence of a concern in No. 10 to involve Departments as appropriate in the devising, development and prosecution of an effective overall campaign on a systematic basis.

7. Mr. Ingham left the meeting at this point and Mr. Gaffin took the chair. He sought to focus the attention of those present on three issues:

- the latest state of play on economic policy and the presentational implications;
- specific presentational issues - e.g. moral support for employers - which could be identified as being suitable for Government presentational activity; and
- the need for papers from Departments which would give a feel for the thrust of presentational policy in the period ahead and provide a diary of events and a timetable for major developments.

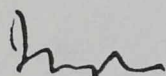
8. On the last point, it was agreed, at the suggestion of the Department of Employment, that each Department should contribute a paper by Friday, Jānūār̄y 11, covering from their angle of vision the following points:

ACTION
DEPARTMENTS

- the presentational thrust of their own Departmental interest;
- their own contributions to the development of strategy options; and
- a diary of forthcoming major events.

9. Points arising from the discussion:

- The Department of Employment took the view that there were a number of straws in the wind - e.g. the BL ballot, miners' settlement - of a change in public attitudes. It was important to bear in mind that the TUC was calling a rally on January 22 to plan a campaign against the Employment Bill.
- the DHSS drew attention to the presentational problems arising from the conflict between the reality and the presentation of public expenditure cuts.
- The Department of Industry suggested that there was a need for keynote speeches on economic policy. to which all senior Ministers contributed. This was recognised as an important requirement.



SIGNED.

B. INGHAM

10 Downing Street.



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

20 December 1979

PRIME MINISTER

I hesitated before adding to your pre-holiday reading, but I felt it might be helpful to summarise our situation as I see it at the end of the year. We have achieved certain advantages on which we should capitalise, and these provide some pointers to the way in which we should confront our difficulties.

1 Thanks to you and Peter Carrington, Britain has regained a world political status which had been slipping away from her. Despite our low economic rating, the global Press coverage of the Rhodesia settlement, the Dublin Summit, TNF discussions and your US visit has made it clear that Britain is still a world power capable of giving a lead and making news. This message has got through to people here at home and encouraged them.

2 Again despite our economic problems, the world energy crisis has focussed attention on Britain's unique energy resources and the advantages they could give us in a recession. This has made those who were prepared to 'write us off' think again.

3 Perhaps even more important, Britain is one of the very few leading countries of the world with a completely stable Government which is not faced with an approaching election. While this may cause us to feel irritation at the vacillations of other Governments with which we have to negotiate, it gives us an immense advantage in being able to take a firm line and stick to it.

4 We should not underestimate the extent to which all these advantages have affected public opinion at home as well as abroad. There is the beginning of a feeling that Britain is not on the way out, and that this is due to the stance of a Government which is determined to reverse the trends of failure with new and distinctive policies - and that it will not be deflected from them. Even the 'centre/radical' media ('Guardian', 'Economist', etc) show signs of getting this message.

5 It seems to me to follow that we should do everything possible now to consolidate what could become a new 'consensus' of opinion in this country. The old 'centre consensus' which consisted of doing nothing but try unavailingly to put the brakes on a steady decline, is almost discredited. Of course the TUC and the spending Department unions continue to scream for a reversion to the old, failed policies, but the screams (eg Stan Orme on pay-beds) seem increasingly divorced from common sense.

/6. We...

PRIME MINISTER (contd.) 20.12.79

6 We should therefore surely intensify our projection of the message that there is no third course open to Britain (or, even advocated) apart from our policies and the failed policies of the last decade.

7 We should go on saying - if we mean it, as I hope to God we do! - that nothing will deflect us from these policies, which hold out the only hope for Britain's recovery.

8 Moreover, I suggest that now is the best time to press ahead with further changes - especially reductions in public spending and borrowing. The fainthearted may say that we have incurred enough unpopularity already and would be unwise to risk more. On the contrary, I believe that the public mood is right for us to get the whole lot out into the open and defend it defiantly as a package.

9 The 'divisions' in our society of which we read and hear so much - 'class', the 'alienation' of workers and so on - are now, I believe, less acute than they were a few years ago. We have a real chance to achieve a new 'consensus' on our terms.

10 There is, of course, still lots to do in re-educating public opinion 'in depth' on the economic facts of life, and plenty of room for improvement in detailed exposition. These matters are being discussed and planned for now. But, if I am right, we can now start (as we couldn't before the Election) from the belief that the tide is beginning to flow our way; that there is a change of mood and a willingness to move towards a new consensus; and that we should cash in on this for all we are worth.

- A.M.

(Approved by the Paymaster General and signed in his absence.)

Mr. Whitmore

LW

PRIME MINISTER

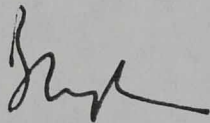
cc. Paymaster General
Mr. Wolfson
Mr. Hoskyns
Mr Lambesley

Economic Presentation

Information + Publicity.

1. Following your meeting on November 13 with Clive, David and myself, we have now, in consultation with the Paymaster General, worked out an official structure for achieving a more systematic development of economic policy presentation.
2. Our approach is conditioned by the need to:
 - i. establish an agreed strategic approach which anticipates developments in policy or events; for example, we need now to be thinking of how to cope presentationally with rising unemployment;
 - ii. identify, for the approval of Ministers, a range of methods by which the Government may get over its messages and motivate the public (and different sections of that public) to act upon those messages; and
 - iii. sustain the effort through short term squalls and problems.
3. It is clear that, if this is to be done, we need to:
 - i. bring together a group of Heads of Information specifically charged by Ministers with developing both a presentational approach and a long term campaign; and
 - ii. provide the back-up by which such a group can attack the problem in a systematic and businesslike way.

4. It is accordingly agreed that:
 - i. I should chair a committee of the Heads of Information of Treasury, Industry, Employment, Trade, Energy, DHSS, Scottish Office and COI; this committee to report to Ministers through the Paymaster General; and
 - ii. we should identify at an early date a suitable secretary, who would combine the qualities of intelligence, drafting skills and information expertise.
5. We need to get on with this work as quickly as possible and I would like to have an informal meeting with the nominated Heads of Information before Christmas, leaving the problem of secretary and where he/she should be located to the New Year.
6. Are you content?



B. INGHAM

14 December, 1979

PRIME MINISTER

LONG-TERM ECONOMIC CAMPAIGN

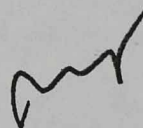
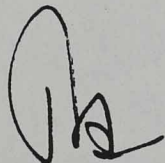
I have seen the minute to you from the Paymaster.

I have explained to Angus that the Long-term campaign is not simply a set of speeches or nuggets, equivalent to the Short-term campaign. It is an attempt to put together a fairly comprehensive strategy for getting us onto a ten-year recovery route and winning the essential mid-term election as part and parcel of that process.

Although I hope that the paper itself will not be too long and what it proposes will be obvious enough, once it's written down, the process of putting it together has taken Norman and me a lot of time, with a good deal of consultation on specific aspects with outside experts (who, of course, do not know to what they are contributing). There is no point in our rushing to produce a lot of guff which tells nobody anything that they couldn't have thought of for themselves.

W We have now got far enough with the paper for me to produce a summary of it on a few pages and I will produce this by the weekend.

I am copying this note to the Paymaster and also to the Chairman, who has recently been asking about progress with the paper.



JOHN HOSKYNS

11 December 1979

070

✓ Mr Hoskyns

David Austin
See The Hoskyns explanation
attached.



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

R.
11/12

10 December 1979

P.A.

PRIME MINISTER

LONG TERM ECONOMIC CAMPAIGN

You will remember that I spoke to you today about the delay in getting the Long Term Campaign on the Economic education of the people under way.

The 'short' campaign on the relationship between pay, prices, and unemployment has had considerable success, and of course Ministers are continuing to ram the message home. But I believe that we should not delay further the preparations for the 'long' campaign.

1 This is being held up solely because the essential background paper from John Hoskyns, which was promised to me last September, has not yet arrived, despite weekly reminders from my Office. I do not understand what has caused this delay in the Number 10 Policy Unit, but I do hope that some progress can be made very quickly.

Am *and*

ANGUS MAUDE

MR. WHITMORE ✓

fm
6xii

cc. Mr. Wolfson
Mr. Lankester

Economic Presentation

1. I am sorry for the delay in preparing this paper which arises, as you will recall, from our meeting with the Prime Minister on November 13. At that meeting the Prime Minister agreed that the presentational effort should be co-ordinated through No. 10. I undertook to set out proposals for injecting purpose and drive into the presentation of economic policy.

2. This paper falls into four parts:

- (i) background;
- (ii) an analysis of the current presentational problem in relation to economic policy, broadly defined;
- (iii) proposals for overcoming the organisational obstacles, taking account of the various forums in which economic policy is considered; and
- (iv) the various forms which a sustained campaign might take.

Background

3. Any approach to the presentation of the Government's economic policy starts with the Election Manifesto. Within the overall aim of restoring self-reliance and self-confidence as the basis for national success, this defined the Government's first job as being to "rebuild our economy and reunite a divided and disillusioned people". And the first two of five tasks for an incoming Government were set out as being to:

/ - restore

- restore the health of our economic and social life, by controlling inflation and striking a fair balance between the rights and duties of the trade union movement; and
- restore incentives so that hard work pays, success is rewarded and genuine new jobs are created in an expanding economy.

4. Economic policy is thus of prime importance and it is agreed that in the end the Government will be judged primarily by its economic performance. It is noteworthy that the cost of living, unemployment and strikes (industrial relations) pretty consistently figure as the top three preoccupations in polls of public opinion.

5. The need for particular attention to presentation of economic policy and measures has been recognised from the outset and concern about an apparent lack of central direction has grown during the autumn as problems have mounted. For example, it was agreed on September 12 that the Chancellor of the Exchequer and the Secretary of State for Industry should consult with the Chief Press Secretary, No. 10 on how Information Departments could do more to help in improving the presentation of industrial disputes. The note of a working dinner on October 29 between the CBI and the Chancellor of the Exchequer and the Secretaries of State for Industry and Trade revealed a great deal of concern about the presentation of policy though few ideas. Soon after that meeting the Chancellor of the Exchequer wrote to the Prime Minister about his worries on the narrow point of balance in the media in their treatment of economic policies. Concern has increased since then in view of the steep increase in MLR and mortgage rates, industrial disputes both threatened and active, the level of wage claims and some settlements and, of course, rising inflation.

6. It is not true to say that nothing has been done presentationally, following the preparation of a short term campaign in the summer. Substantial further effort has been put in, notably by Treasury Ministers. We have initiated speaking notes for Ministers, issued through the Paymaster General's office, which are apparently much appreciated. We have, during November, taken steps to anticipate problems through a more comprehensive weekly diary and there is now probably a stronger central grip on day to day presentation.

7. However, the balance is still wrong. We are more reactive than in command of presentation and we have yet to take a considered look at the presentation of economic policy, broadly defined, and produce a plan for creating a wider (and hopefully sympathetic) understanding of what the Government is trying to do.

8. In practice, the task is falling between a number of stools - notably those of the Paymaster General's Office and the No. 10 Policy Unit. We need to resolve responsibility quickly because the effective presentation of economic policy cannot and must not be neglected for much longer. We should aim to start the New Year with a clear purpose and plan of campaign. By then the Government will have most of its major legislation affecting the economy in Parliament; the time is thus right and ripe for a big effort to bring the strands together and develop a coherent story.

The Current Problem

9. First, in analysing the presentational problem, it is necessary to go back to first base: the objective of Government policy. As stated above, it is to restore self reliance and self confidence - to release individual energy and to roll back the role of the State. After 35 years of increasing State involvement or growing corporatism, this is a major task. Even the staunchest

/disciples

disciples of Samuel Smiles cannot necessarily be relied upon to practice what they preach, especially if it shocks their system. We are, therefore, seeking to change the ingrained outlook and reflexes of people, and not least managers.

10. The second problem is that not many people believe that the Government will stick to its guns. The country is no longer waiting for Godot or even the Second Coming. It is now waiting for the U-turn. Here the presentational problem is much more difficult. By definition events can only correct a false impression. But, assuming real strength of purpose, we can use events to ram home the central message. It goes without saying that the more effective the message is conveyed, the more remarkable will be any U-turn.

11. Third, the Government is widely felt to be pursuing a novel policy - monetarism. It has thereby provided the pundits with a new toy to take apart; as is customary in all such matters, those without responsibility know far more about the subject than those who have and the overall effect is to cast doubt on the validity, not merely of what is but one element of economic policy, but economic policy as a whole.

12. Fourth, as part of the strategic withdrawal of the State from the nation's affairs, we have deprived trade unions of the opportunity of exercising power without responsibility. They are now suffering withdrawal symptoms. They would be in a dangerous mood (and all the more dangerous for being weakly led) were it not for the shame of the silent but thinking majority of trade unionists at events over the last 12 months. We cannot afford, however, to ignore them; a prime task must be to mobilise their commonsense and decency and to convert the movement from a sullen negativism into a positive and much more fruitful approach to life.

13. Fifth, as a further consequence of the withdrawal of the

/State,

State, management is much more exposed. The CBI is anxious and willing to help but management has become demoralised. Another prime task is to restore their morale and will to manage.

14. Sixth, it is vitally important that other policies which have a bearing on economic policy or success are seen to be consistent with overall objectives (though without, at the same time, appearing to be unfeeling). Thus our battle with the EEC is helpful. It is more open to doubt whether the RR/NEB argument has been since the Government has been portrayed as moving into industry rather than out of it.

15. It follows from this that any effective presentation programme needs to be founded on the twin pillars of:

- a broad and consistent view of Government policy;
and
- a series of mutually supportive campaigns aimed at different sections of the public - e.g. management; trade unions; workers; householders and housewives - conducted against the background of a more general educative/persuasive programme.

16. Any effort must, however, be sustained. We wasted a lot of good material in the short campaign during the summer through lack of follow through. If the above analysis is accepted, the immediate requirement now is machinery to draw up and co-ordinate a plan of campaign and ensure that it is carried through.

Organisation

17. It is agreed that the necessary work is not being done because responsibility has not clearly been defined and resources are not available or are not properly employed. The Prime Minister also agrees that the task can only be done effectively within No. 10. We need, therefore, to find a solution within this office.

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18. I am submitting proposals separately to you in respect of Press Office, which is very tightly stretched and, as we have recently discovered, easily disrupted by illness, willing though everyone is to work long hours. The Blunt affair has also demonstrated how one major event can wreck a work programme and cost weeks. We are extremely vulnerable to a major industrial dispute, for example.

19. The question, therefore, is how far the development, co-ordination and effective prosecution of a sustained campaign to educate, inform and influence can be handled with existing resources.

20. The first step is to draw a clear distinction between the handling of emergencies through a Central Press Unit under the chairmanship of the Paymaster General and the longer term work which is the subject of this paper. No. 10 Press Office will be closely concerned with this Unit whenever it is activated but it must not be allowed to get in the way of the development of basic economic presentation.

21. The next step is to secure agreement to the establishment of an official committee under my chairmanship, with Mr. Gaffin designated as vice chairman, requiring the attendance of the Heads of Information Divisions in the selection of key Departments - notably, Treasury, Industry, Employment, Energy, Trade, DHSS, Scottish Office and COI. The responsibility of this Committee should be to report through the Paymaster General to, say, E Committee with proposals. It should initially be charged with the preparation of a campaign plan based on an analysis of the presentational problem and the opportunities it presents.

22. If this is accepted, the only requirement is a secretary who combines intelligence, clarity on paper and a sound knowledge of information techniques. I would judge that this could be met by a high flyer from the Government Information Service,

/probably

probably at no less than PIO level. I need early authority to recruit such a person who would have access to his/her own typing facilities.

23. It is now clear that there is no possibility whatsoever of such a post being accommodated within the manpower ceilings imposed by the need for No. 10 to give a lead on economies. Nor can we forgo putting the staffing of No. 10 Press Office on a sound footing in favour of this post. There are, however, a number of alternatives we might consider:

- ?
- (i) secondment to No. 10 from CSD or COI; this might be an administratively and presentationally useful approach;
 - (ii) an additional post in the No. 10 Policy Unit; this would have the advantage of divorcing the secretary of the committee proposed in Para. 21 from the day-to-day hurly burly but the disadvantage of removing him/her from an information environment;
 - (iii) strengthening the Paymaster General's Office, through whom I suggest we report to E Committee, on the understanding that the occupant of the post would work directly to me.

The Policy Unit is not separate from the complement of No 10 as a whole.

24. On balance, I would favour the first option. You may care to discuss.

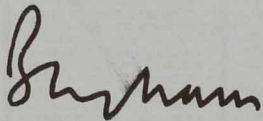
Format

25. It is not possible at this stage to envisage the precise form which any campaign of the kind proposed above would take. It would certainly involve, as a minimum, an intensification of the use of such conventional techniques as Ministerial speeches, broadcasts, etc.; mobilisation of junior members of the Government; speaking notes and fact sheets; press briefings, etc. It must

/include

include the identification of opportunities for getting the message over. Whether, however, it might extend (as with previous governments) to leaflets or advertising is open to argument, taking account of the need for economy. It could, however, include Ministerial regional seminars. In short, we must not at this stage rule out any possibility; we should approach a campaign with an open mind and employ the media required to put over the message, subject to due economy.

26. I would value an early meeting with you and Mr. Wolfson.



B. INGHAM

5 December, 1979

~~Mr. Larkes~~

SPEAKING NOTE

Information
& Publicity

TO ALL MINISTERS

I would like to suggest to you a theme which I feel should run through all Ministers' speeches in the next few months.

It is that, if we are to get inflation down and pave the way for sustainable growth and prosperity, there is in fact no third course of policy open to us between what the Government are now doing and a return to the Labour policies which failed during 1974 to 1979 and against which the electorate voted last May.

Most of the Opposition and trade union criticism of our actions is a straight demand for a return to the failed Labour policies.

But, in addition, the suggestions by 'moderate' media and economic commentators that we should 'modify' our policies to take account of recession, the risk of higher unemployment and so on, are themselves pleas for a return to Labour policies.

'Reflation', a halt to public expenditure savings, more public borrowing, etc - these are all reversions to past failed practices, and excuses for abandoning what we know to be the only way of getting and keeping inflation down in the long run.

Since nobody has yet suggested a viable alternative - except that we should actually intensify our public spending and credit squeeze - we are surely entitled to put the challenge squarely to the public:

"Do you really want to go back to a regime under which prices and unemployment doubled in five years and public spending was subject not to steady retrenchment but to sudden large and unpredictable cuts? If you don't there is no alternative to backing what the Government is doing and accepting the temporary sacrifices involved. If there were an alternative, other than a replay of the last five years' disasters, why has nobody suggested it?"

I believe that only if we all go on saying this, in unison and ad nauseam, will the message get home.

Paymaster General's Office
Privy Council Office
68 Whitehall
SW1

Angus Maude

ANGUS MAUDE

22 November 1979

PAYMASTER GENERAL

Economic Presentation

1. This note records the outcome of a meeting I held last evening on the above subject with:

Neville Gaffin)	No. 10
Andy Wood)	
Peter Davies)	Treasury
Brian Mower)	
John Woodrow	Dept. of Industry
Mike Garrod	Dept. of Trade
Fred Burtles	Dept. of the Environment
Mike Butcher	Dept. of Employment.

2. Against the background of the speeches by the Prime Minister and the Chancellor, we considered the following events/publications during the coming 7 days:

Monday - Index of Industrial Production
Retail Sales

Tuesday - Building Society receipts/loans

Wednesday - Average earnings and basic rates
Trade figures
Cyclical indicators

Thursday - Government expenditure
UK bank assets and liabilities
MLR

Friday - IRP/TPI
Preliminary Third Quarter GDP
Rate Support Grant (and possibly limits on nationalised industry external financing requirements).

Tuesday of
next week - "Bray" economic forecasts
Unemployment figures.

3. It was made plain that the coming picture was one of unrelieved gloom and that, while the ESG was to be maintained at 61%, the pay assumptions built into increase orders would be seen to be tough and to be applying constraints.

4. In the light of all this, we reached three broad conclusions about presentation:

- the economy is slowing down, partly as a product of world recession and oil price increases and the domestic economy is responding sharply to the Government's objective of squeezing inflation out of the system;
- inflation will get worse before it gets better;
- monetary policy: the figures to be published on Thursday had already been preempted by last week's indicators; what matters now is how the Government measures up to its policy requirements - or is felt to measure up to them - on Thursday.

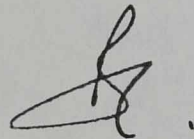
5. We reached the following conclusions:

- (i) Presentation of individual indicators should take account of the overall background;
- (ii) much would depend on the handling of Thursday (Mr. Davies and I were unable to go further);
- (iii) it was important that RSG was seen to be consistent with Thursday's presentation;

- (iv) we needed a background note for Ministers for their Friday boxes bringing economic presentation together for the weekend, taking account of next week's indicators; Treasury are in the lead; and

- (v) the Chancellor is to speak at the Institute of Bankers in Chester on Friday evening; this will be a useful forum for bringing the story together and relating, as required, the individual parts to the overall message.

It is, of course, important that having established a position - as the Chancellor and PM did in successive speeches yesterday - that a resolute front should be maintained. I have mentioned to the Prime Minister this morning and she is aware that the Kremlinologists in the press will be looking for signs of weakness.



B. INGHAM

13 November, 1979

MR. GAFFIN

cc. Mr. Whitmore
Mr. Wolfson

KW
7xi

Briefing for Ministers

I briefed you on the discussion we had yesterday, 6 November, at the Private Secretary Lunch, on the problem of getting over Government policy and my view that three things needed to be done:

1. Preparation of speaking notes for Ministers for their Thursday evening boxes.
2. Identification of the lead Minister for the topic of the weekend.
3. Positive encouragement for all members of the Government to go out and sell their policies in weekend and other speeches.

I think we did rather well with the Public Expenditure White Paper and, as you will know, we have identified Rhodesia as a topic for this week. The FCO has been invited to provide a speaking note for Thursday boxes. We shall need, however, to discuss with the FCO whether a particular Minister should do, for example, "World This Weekend".

There remains the problem of specifically identifying a topic for the week and canvassing our ideas with the Prime Minister in a note to her on Monday evenings. I believe that in many cases we shall be able to hit upon the right topic so early in the week, though we shall need to be flexible. We need to build this action point into our working day on Monday and to ensure that we discuss our ideas before writing a minute to the Prime Minister.

/However,

However, thinking about all this since yesterday's lunch, it does occur to me that we have a substantial backlog to make up. There have, for example, been a number of bills presented since Parliament resumed on which we do not have a speaking note. For the future, we must ensure that Ministers do have such a note on all the major legislation being brought forward. In addition, we shall have to identify problems, as they arise, which require some guidance, if Ministers are adequately to promote and defend their policies. One example is the Protection of Official Information Bill, which is currently getting a rough ride and on which I, through the Paymaster General, have asked the Home Office to deliver a briefing note this week.

I would be grateful if you would identify those topics, e.g. bills, on which we ought to have a speaking note at an early date, so that we may put, in addition to the topic of the week, say, one or two additional short notes into Ministers' boxes over the next few weeks.



B. INGHAM

7 November, 1979

SECRET

Subject file - Econ for
Strategy - Pt 4

2

NOTE FOR THE RECORD

My letter of today's date to Battishill records the conclusions of the Prime Minister's meeting with the Chancellor this afternoon. The following additional points came up in discussion.

- (i) The Prime Minister noted that the monetary prospect was now a great deal worse - as recorded in the Chancellor's minute of today's date, and that it might be necessary to raise MLR either this Thursday or next. The Chancellor said that the reasons for the deterioration in banking October were far from clear except that VAT receipts were coming in much more slowly than had been expected. Added to this, sales of gilts had been negligible. A further fiscal package was unthinkable (the Prime Minister agreed) and therefore the only option for bringing the money supply back within the target seemed likely to be a further increase in MLR. The Prime Minister said that she was most disturbed by this, and said that she was not sure that a further MLR increase would do the trick. So much depended upon psychology, and it was not clear to her that increasing MLR again would have the necessary effect. The Chancellor said that he and the Governor might need to see the Prime Minister on Wednesday to reach a decision on whether or not MLR should be moved this week; if not this week, it would almost certainly have to be considered very seriously next. Hearing that the Governor was planning a trip to China starting on 15 November, the Prime Minister said that - if MLR were to be increased - he ought to cancel this visit. The Chancellor pointed out that if the monetary prospect did not improve in the next month or two it might well be necessary to consider a further "cut" in next year's public spending plans.
- (ii) On the issue of what figure to publish for the RPI forecast, the Chancellor pointed out that Phillips and Drew were forecasting a figure of 15% for the coming year in their latest report. This was higher than the forecast published in the FSBR at the time of the Budget because energy prices had increased and because the earnings out-turn for 1978/79

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and also earnings assumptions for the current year were higher than then assumed. He had decided to shade the Treasury forecast down to 14 or 15%, but he did not believe it was possible to go lower than this. To do so simply would not be credible - and it would also make it difficult to justify an increase in the National Insurance contribution rates which was needed to help finance the PSBR. The Prime Minister said that she was most unhappy to find that the Treasury were still assuming that inflation would be in the mid-teens at the end of 1980. How could this be so if the Government were pursuing a tight monetary policy and when the underlying rate of inflation at present was only 12-13%? She thought that insufficient emphasis was being given to the beneficial effect of the monetarist approach. The Chancellor replied that, in the short term, the crucial factors determining inflation were the earnings assumption and the exchange rate. Monetary stringency would no doubt influence earnings in due course, but the short term effect would be primarily on output. If earnings continued to grow, as seemed likely, over the next 12 months, by 14% plus, then it was hard to see how inflation could be lower than 14%. The Prime Minister reluctantly agreed that 14% should be used for the Bray forecast and the Government Actuary's Report.

- (iii) The Chancellor raised the question again of Mr. Christopher Macmahon's appointment as Deputy Governor of the Bank of England. He had a solid international reputation, and would - in his view - make an excellent appointment. The Prime Minister said that she was still not happy with this proposal. The Chancellor then said that the Governor would want to go back to her on it.
- (iv) The Chancellor said that he was disappointed that the Government strategy was not being adequately put across by Ministers. He felt that he was carrying too much of the burden himself. The Paymaster General had circulated some good material in September, but Ministers were not making enough use of it. This material also needed to be up-dated continuously. The

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Paymaster General had had it in mind to appoint an Assistant Secretary from the Department of Industry to expedite this work; so far no-one had been appointed. (After the meeting the Chancellor told me that he did not wish this to be minuted between No. 10 and Departments; I undertook to take the matter up with Sir Douglas Wass and then with the Paymaster General himself.)

R.

5 November 1979

Distribution: Sir Robert Armstrong, Cabinet Office.
Mr. David Wolfson, No. 10

SECRET

PRIME MINISTER

MEETING WITH THE CHANCELLOR AT 1730 ON MONDAY 5 NOVEMBER

The main purpose of this meeting is to reach decisions on the forecast which has to be published by 20 November, and which is needed very soon for the Government Actuaries' ^{report}. The assumptions in this report provide the basis for the new contribution tables which have to be prepared and distributed to industry in good time in the New Year, and this in turn requires that the Contributions Order be laid by the end of November.

The main issue for discussion is the RPI forecast. The Chancellor offers the option of 15 per cent or 14 per cent for the 12 months ahead. Although there are risks of credibility in choosing the lower figure, I am sure that on confidence and more general political grounds it would be the right choice. The arguments against going for a lower figure still are:

- (i) It would not be credible against the background of higher energy prices and a worse earnings outcome for 1979 than was predicted earlier. The forecast published at the time of the Budget is at Flag B - this shows an RPI forecast for 1980 of 13½-14 per cent. Phillips and Drew will be publishing their forecast on Monday showing 15 per cent for next year.
- (ii) Any figure lower than 14 per cent will make it hard for Mr. Jenkin to justify to Parliament any increase in the contribution rate. Although the National Insurance Fund is in sizeable surplus at the moment, he will need an increase for it to remain in balance next year (unless we are very lucky on the inflation front).

I understand the Chancellor will also wish to discuss the point which you raised last week - that Cabinet might have an economic strategy discussion before too long. You suggested a session at Chequers after Christmas; the Chancellor, I understand, is

/inclined to

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- 2 -

inclined to ask for a discussion before Christmas with a view to lining up more of your colleagues behind the strategy - or at any rate, to elicit more explicit support from some of the waverers or from those who say little in Cabinet.

I think the idea of a general discussion is an excellent one, but it obviously needs careful handling if you are to get the right result. One possibility would be for the Chancellor to circulate a paper to an "inner group" - say, Sir Keith Joseph, Mr. Nott, Mr. Whitelaw and possibly Lord Soames (the latter two might be counted upon to raise some of the arguments of those who are less sympathetic to the strategy and this could be useful as a "trial run").

The other question is whether such a discussion should be linked to any particular decision. One major decision which has to be taken in the next few weeks is whether to announce a medium-term financial plan. Putting together a credible plan raises big questions about the consistency of the Government's fiscal and monetary policies, and there might be advantage in securing the explicit support of colleagues for it. On the otherhand, if this issue is to be specifically put to Cabinet, there will be demands that future decisions on monetary matters should go to Cabinet. I am sure that monetary decisions on a month-to-month basis must be taken by the Chancellor, in consultation with you as necessary.

Finally, the Chancellor may raise the question of publicity. I understand he is unhappy with the lack of progress which is being made with the campaigns to influence public attitudes on pay determination, etc. A good deal of work was done on these in the summer, and Ministers were asked to use speaking material provided by the Paymaster General. But not much has come of this in terms of Ministerial speeches. The Chancellor, I know, feels that he is being left to carry too much of the burden and the general "message" is not getting across sufficiently.

T. P. LANKESTER

2 November 1979

cc: Messrs. Wolfson and Ingham



Mr. Whitmore.

HW

Leadbet.

10 DOWNING STREET

PAYMASTER GENERAL

cc. Mr. James
Mr. Gaffin
Mr. Groves (COI)

PRESENTATION

1. This paper sets out my initial thoughts on the overall presentation of the Government and its policies and how the effort and results might be improved. It is intended in the first instance as a basis for discussion which might most usefully take place this week before Parliament re-assembles.

ANALYSIS

2. Over the last five months the Government has made a workmanlike start on the implementation of its policies. The Prime Minister has emerged as a strong, dominant leader. The Ministerial team has embarked on government in a quiet, unspectacular way. And there have been no noteworthy departures from the Government's central objective of reducing the involvement of Government in the nation's business and of inducing a greater self reliance on the part of its citizens for managing their own affairs.

3. The Government is not coming over as brashly self-confident, in spite of the Chancellor's conference promise that there will be no U-turns. Rather it is seen to be grimly realistic about the enormity of its task of halting and then reversing Britain's long decline. Perhaps the most useful result of Blackpool has been to promote a sense of realism about the future travail.

4. The mood music as the curtain goes up on the first main working session of this Parliament is, therefore, probably about right. No-one doubts that things are going to get a lot

/worse

worse before they get better; or that it will become rougher sooner rather than later. Equally, no-one doubts the rewards of success.

5. Two main queries have emerged about the Government:

- whether its economic policies will work; and
- whether they will be allowed to work - i.e. whether the Government as a whole will prove steadfast in the face of the early consequences?

6. This underlines:

- the extent to which Britain has become demoralised by continuous decline and failure - it doubts whether anyone really has an answer; and
- the widespread conviction that, even if someone might have the answer, the institutional forces ranged against them (or, in the case of management, not ranged effectively with them) will prevent them from implementing it.

7. On the other hand, there seems little doubt that the vast majority of the citizens hope (many perhaps against their political convictions) that this Government will succeed in reforming Britain and in setting it on the road to recovery. There may be little faith or confidence to sustain the Government through the bad times, but the bandwagon will be instantly down on its springs at the first whiff of a break through.

8. All this may seem unduly depressing. It is, however, as well to be realistic in October, 1979. It is certainly important for the Government to recognise how far it is out on its own. It has prescribed very strong medicine, for example, for its own local authorities. It should not necessarily

/suppose

suppose that management's pleasure from tax rebates will outweigh, in motivational terms, the pain of managing in a cold, self-reliant climate.

9. It is also crucial to recognise:

(i) what the Government is trying to do - namely, to bring about a radical change in the post-war national ethos: to change attitudes and habits. Otherwise, given the ingrained nature of existing values, government will become unduly depressed, panicky and irrational. This is a long haul - i.e. of at least three years; and

(ii) presentation/public relations/information - whatever its label - does not lead an independent existence. It has to be related to facts, circumstances, personalities. Too much should not be expected of it. Even less should be expected of it if it has not been brought into the development, as distinct from the execution, of policy.

IMPLICATIONS

10. It follows from this that everything has yet to be fought for, let alone won. We are not yet beyond the skirmishing stage, designed to test the Government's policies and resolve. It is inescapable that the coming winter and conceivably the next 18 months will be largely devoted to diverting the Government from its chosen course. Spot the U-turn is likely to become a national sport, with the inevitable arguments over when the trimming inherent in democratic government constitutes a U-turn.

11. It also follows that if the pundits, critics and opponents cannot come up with a U-turn on the economics front they will look for one elsewhere. This emphasises the importance in presentational terms of the integrity of the Government's

/policies

policies as a whole. The main "non-economic" pressure points can readily be described now:

- Rhodesia (though it probably does not matter much in terms of votes);
- Northern Ireland;
- the EEC, both as a phenomenon which is often at variance with the Government's non-interventionist philosophy and as a sink for our hard earned funds;
- defence, and notably the nuclear element;
- law and order; and
- immigration.

In these cases the presentational effort will be mainly concerned with building up general credit for the Government.

12. It is, however, over the economic field as a whole that the main effort will need to be concentrated. This embraces:

- inflation;
- industrial relations;
- public expenditure;
- employment; and
- tax relief (of which we have perhaps made too little this month)

This complex of related and interactive issues poses

/diverse

diverse presentational problems. In the short run it will be a test of nerve with few successes to parade. It will not be possible to win some arguments: for example, trade union negotiators are unlikely to be impressed with tax reliefs since these are, in effect, something for nothing; they feel they need to be seen to be winning concessions for their members. It will be necessary to bring out the responsibility, notably of management, for a greater effort in return for substantial tax reliefs. It will be absolutely essential to meet allegations of heartlessness as the effects of public expenditure cuts are allocated by others; otherwise support for Government will be rapidly eroded, for while people may support policies in the abstract they soon become hostile to them as they feel their effects.

13. The objectives of Government economic policy are relatively easy to spell out in the abstract, though the message may only now be beginning to trickle through. Relating their effects on the ground to their overall justification is, however, entirely a different matter.

14. Thus economic presentation needs to be conducted at two levels:

(i) spelling out the overall objectives and how each relates to the other; such is the confusion, jargon and lack of sophistication in this area that any exercise needs to be conducted in four letter words. This is best devised centrally; and

(ii) explaining the relevance of events, circumstances, etc. at the micro level to macro policies; this can only be done Departmentally on a day to day basis.

15. The import of this paper so far is that special attention needs to be paid to economic presentation, important though effective presentation of all the Government's policies and

/actions

actions are to its overall well-being. Some ideas on how this might be accomplished are set out below.

REQUIREMENTS

16. The presentational responsibility and opportunity falls into three parts:

- (i) the political PR network, for example, that backbenchers are fully conversant with the Government's line or inducing local authorities to cut with discrimination and sensitivity; you may agree we should have separate discussions with Mr. Howe;
- (ii) the admin. PR network - the exposition of overall and particular policies by Ministers and officials in Governmental meetings and contacts; and
- (iii) the overall Government information effort, conducted mainly through the Government Information Service.

The last two can conveniently be considered together since they are different aspects of our integrated Governmental effort. They can, however, provide useful ammunition for the political PR exercise.

17. The prime requirements in conducting any effective public relations exercise - i.e. an exercise designed to influence public attitudes and behaviour - are:

- anticipation of events; it can reasonably be argued that effective preparation is a major ingredient of success;

/ - monitoring

- monitoring of developments without which much of the benefit of anticipation is dissipated; and
- speed of reaction (for which governments are not noted)

18. In attempting to ensure that these requirements are met it is important to recognise that the Government Information Service is not necessarily the major obstacle. Not all Ministers take the media seriously as a means to a political end. Few administrators bother overmuch about the media unless they themselves come under attack. The Government Information Service will find it difficult to deliver, even where its competence is not in question, unless it is accepted that Ministers and their Departmental machines also need to be moved.

19. It is no less important to bring a sense of proportion to Government reaction. It soon becomes counter-productive to chase every hare. The essential test is not whether an article or broadcast is wrong in detail but whether the overall impression conveyed is likely to inflict continuing damage. The recurrence of detailed errors can be prevented by a telephone call; repairing damaging impressions usually requires a Ministerial statement or broadcast.

20. Finally, before turning to proposals for action, we should consider the Government's stance in its public relations work. Wherever possible, the Government should seek to cast itself in a positive and not a defensive light. This is easier said than done because the Government is a target and as such needs to defend its record. But the more the Government can be seen to be carrying the fight (in a non-combative sense) to the people the better, especially in its circumstances of seeking to change a way of life. As a Government we have the opportunity to select our platforms and often our opportunities - e.g. programmes. Ministers should be encouraged to take advantage of every

/opportunity

opportunity to explain ~~other~~^{their} policies, consistent with their being in charge of the circumstances; this calls for some working guidelines which, while not absolutely forbidding certain practices, exhibit a prejudice, for example, against televised debates with opponents and in favour of the neglected technique of recording positive measures/decisions/initiatives or simply good news by means of an arranged Parliamentary Question supported by a Press Notice. You may feel we should consider such a set of guidelines.

PROPOSED ACTION/ORGANISATION

21. After five months' preparatory work, and reliance on the election Manifesto, the Government is about to embark on its first major working session. It will be bringing forward a stream of measures and decisions which, if they are to be presented both as measures and parts of the overall programme, will need chronicling. There are two basic needs here if the resources of the Government and its Party are to be fully deployed:

- a record of measures which might be published; and
- factual speaking notes for Ministers and others on specific topics; it is usually a simple matter to convert material prepared in any event for briefing purposes into speaking notes.

You may care to consider who should prepare the record of measures. The previous Administration was criticised for the preparation and issue of a Government record; a diary of Government measures, as it could have been styled, might have been more acceptable. I understand there has been some suggestion that Mr. Howe should prepare this and publish through Conservative Central Office; you may care to discuss.

22. The presentation of some aspects of Government policy are likely to be of such continuing importance or of particular

/difficulty

difficulty that they will need separate and more detailed consideration and co-ordination outside MIO which is an unsuitable forum for this. Current examples are economic policy or particular aspects of it - e.g. inflation, industrial relations; and the need drastically to cut our net contribution to the EEC. One example of this is the central press unit proposed under the Civil Contingencies Procedure. There is no merit in meetings for meetings sake; we have all enough to do. But economic policy and its effective presentation are so central to the Government's and the nation's success that you may feel we ought to accord it special attention.

23. Anticipation, monitoring and speed of reaction are, in practice, all of a public relations piece. They are also each essential if the Government Information Service, is to operate with greater professionalism and immediacy. Consequently, I have set in hand the preparation of a forward diary in the first instance for three months ahead, setting out as comprehensively as possible not merely likely dates for Government measures and initiatives but also external events which could bear on Government moves; Departments should be encouraged to contribute, with an assurance that the diary would be internal and merely indicative. We shall need to extend this to the end of the Session as soon as possible. The compilation of this diary should proceed apart from the MIO diary which offers a weekly opportunity

- (a) to update; and
- (b) centrally to identify opportunities for getting over a particular message via a Ministerial platform.

24. If, however, we are to induce a greater immediacy, we need to introduce some of the disciplines of a newspaper office into Government Information work. The Prime Minister's media briefings have two purposes - one, to look back over the media of the last 24 hours; and two, to look forward to the stories of the day. We have an agenda for looking back - the press summary;

/but

but we lack a diary of the day. Accordingly, I propose to introduce shortly:

- (i) a note for the media briefing giving the initiatives, measures and relevant events of the day; and
- (ii) a similar note on Mondays setting out the events of the coming week.

If, however, the daily note is to be produced effectively we need the cooperation of Departments. We need to formalise the practice of telephoning into No. 10 press office by 5 p.m. a news list for the following 24 hours, without prejudice to consultation on slightly longer term matters. A news list is common, indispensable practice in the media; it should become so in Government, especially as it requires minimal effort.

25. Monitoring is a long standing problem since only tone, direction and balance can effectively be done centrally. Responsibility for getting the presentation of their policies right must rest with Departments. We need to encourage them to monitor this more systematically and, taking account of the problems rehearsed in Para. 18 above, to make them feel it will be worthwhile and that they will have Ministerial and official support at the centre in proposing remedial action. Meanwhile, MIO has arranged for the mechanics of monitoring to be examined.

26. With a view to sharpening up the machine, I shall shortly have met the Information Heads of all the main Departments. I am clearly indicating to them:

- (i) I do not propose to do their jobs for them;
- (ii) I do propose to give them every possible help;
- (iii) they should regard my door open to them whenever they feel they have a problem; and

/(iv) I

- (iv) I am anxious to raise the reputation and status of the Government Information Service, but that can only be done by a collective demonstration of effort and competence.

27. I have judged it necessary, as well as desirable, to have this series of meetings with Information Heads because of previous unsatisfactory relationships between No. 10 Press Office and Departments. The meetings have been well received. However, we need to do more to change old attitudes. An early announcement of the appointment of Mr. Groves as professional head of the Government Information Service would help. Subject to any views you may have, I also hope to introduce

- (i) The concept of two year secondments for high flyers to No. 10 Press Office; and
- (ii) if possible, taking account of manpower constraints, the concept of short - i.e. six month - training secondments for high flying Assistant or Information Officers to No. 10.

These ideas will have to be discussed and cleared with CSD but if we are to raise standards we must run the Government Information Service on more businesslike lines - and on no less businesslike lines than the administrative Civil Service.

SUMMARY

28. The Government will soon be running into heavier weather. We need to intensify the effort to get over the essentials of the Government's policies and to organise ourselves more effectively to cope with the presentational demands, notably of economic policy. Measures are proposed for improving the performance and morale of the Government Information Service.

B. INGHAM

15 October, 1979

CONFIDENTIAL



CC Econ Pst, July 79
National
Engineering Pay
R Econ Pst

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Minister of State (C)
Minister of State (L)
Mr Unwin
Miss O'Mara
Mr Rayner
Mr Ridley
Mr Cropper
Mr Cardona
Mr Davies

THE QUICK CAMPAIGN ON PAY

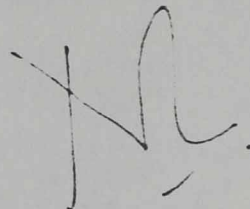
This morning I promised to let you have a note about a thought for this campaign.

I think we could and should be saying more than at present about the current engineers' strike. This has been kept going only by wide spread intimidation at shop steward level: I saw clear evidence of this in my constituency over the weekend. For example, Rolls Royce, which has two plants just outside my constituency, have taken a poll of their workers which showed 70% in favour of working rather than striking; and I believe that a similar poll at the GEC Gas Turbine Plant at Whetstone (which is actually in my constituency) shows a similarly large majority in favour of working. The shop stewards' success relies on a very crude but effective technique: they simply warn that any workers who do not strike will lose their union cards, as a result of which they will get the sack and be unable to find work elsewhere, because virtually all the possible places of employment in engineering in the East Midlands operate a closed shop, de facto if not de jure. Needless to say, the workers are very unwilling - and many cannot afford - to test this threat.

I suggest that we should:

- (i) get the media (if possible the television) to expose this disgraceful state of affairs;
- (ii) call on Duffy to say openly whether union cards will in fact be withdrawn from those of his members who choose not to strike:

this will put him on the spot as I do not believe that withdrawal of cards is strictly union policy. At any rate, it will expose his real methods and intentions.

A handwritten signature in dark ink, appearing to be 'Nigel Lawson', written in a cursive style.

NIGEL LAWSON

18 September 1979

PS We might also point out that the unions have taken unilateral action to restore the 3 day week of which they were themselves so critical under Ted Heath.

CONFIDENTIAL

PRIME MINISTER

2nd copy filed on
Econ Pdt (May 1979),
'National Forum.'

Public Attitudes to Pay Determination -
and of the 'National Forum'
(E(79) 37 and 32)

BACKGROUND

These two papers both follow the discussion of Pay Policy at E on 9th July, and it would probably be convenient to take them together. Both form part of the educational process, designed to talk down expectations without creating a new pay norm. You saw and approved the main lines of the 'quick campaign' earlier in the summer. You have since agreed (7th September) to the Chancellor's modified proposals on the National Forum, embodied in his paper.

2. The Paymaster General will not be at the meeting, but it has been agreed that the Chancellor of the Exchequer will introduce his paper for him.

HANDLING

3. The 'campaign' paper is mainly for noting: no decisions are needed or sought in the paper. You might give the Chancellor a chance to introduce the paper briefly, and then seek comments, notably from the Secretary of State for Employment. (You will remember the problems which arose with him over the Chancellor's speech on the 1st September). The main point to bring out is, perhaps, the need for early decisions by Government on some leading public-sector pay cases, so that the talking is backed up by action. It is a pity, therefore, that discussion of the 'Pay and Cash Limits' papers had to be postponed to next week. But the awkward decisions on 'paying for Clegg' which arise under Item 1, however difficult in other ways, will at least show that the Government means business. Two other questions may arise:-

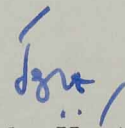
- (i) Is any special action needed following the TUC and ahead of the Party Conference, or is the basic line of the 'quick' campaign still correct?
- (ii) Should the Committee take another look at the 'long' campaign proposals, perhaps at the end of October?

CONFIDENTIAL

4. You might then turn to the 'Forum' paper, which the Chancellor cleared with you in advance. The options are set out in paragraph 7 and the Chancellor's recommendations in paragraph 8 - namely that an expanded meeting of the NEDC should be held, in private and in December, to discuss "economic prospects". The idea of a new and separate forum would be put on ice. The Chancellor also refers in his paper (paragraphs 11 and 12) to the possible role of the new Select Committee on the Treasury but concludes that decisions here must wait till the Select Committee has been established and had a little time to run itself in. There is no reason to dissent from the Chancellor's conclusions and, after inviting him to introduce it and giving other Ministers - especially perhaps the Secretaries of State for Employment and for Industry - a chance to comment, you might steer the Committee to accept the Chancellor's recommendations.

CONCLUSIONS

5. The conclusions under this item might be:-
- (i) to endorse the 'quick' campaign, and to ask all Ministers to continue to use the briefing material already circulated as fully as possible;
 - (ii) to invite the Paymaster General to make any changes to the brief needed as a result of the TUC, and to organise the handling of speeches at the Party Conference on the lines already suggested, in consultation with your Policy Unit;
 - (iii) to agree to resume discussion of the 'long' campaign at another meeting of the Committee at the end of October;
 - (iv) to approve the suggestions in the Chancellor's paper on the 'Forum' and to invite him to set the necessary work in hand.


(John Hunt)

10th September 1979

(CF)

PC/MS.

Leon Pol

R

PAYMASTER GENERAL

cc John Hoskyn

Tim Lankester

R

25/8

The Prime Minister has, of course, asked you to plan the campaigns to influence public attitudes on pay determination and I shall look forward to helping as much as possible.

Obviously on the longer term programme it will be necessary to bring in the Central Office of Information at the earliest possible stage not least in providing some initial assessment of the costs involved. The Department of Industry has in fact drawn John Groves' attention to this, and I know he is waiting in the wings.

The campaigns are described in the papers I have seen as parallel, but I think complementary might be the better description and in my view there must clearly be an overlap.

The so-called short term campaign in fact must continue indefinitely. The object of paid publicity is merely to establish a climate and provide a catalyst: the Government and other organisations will have to keep up this pressure.

Although we have said in these papers that we are not recreating a counter inflation publicity unit, in practice we are. The press is already seized of this and Mr Goodman when I saw him yesterday evening approached it with some wry amusement since he was the last person to be charged with that responsibility.

But that is by the way.

I lunched last week with Sir John Methven who had also read press reports of Government campaigns and told me that he was anxious that the CBI should play a part. Indeed he was under pressure from his members so to do - to the extent that he felt he would have little difficulty in raising funds for paid publicity. I warned him that in practice this was

an expensive business but he seemed undeterred. He was merely anxious that the CBI should not act out of step with Government or should launch its campaign prematurely. He also recognised - as I reminded him - that we should have to try to bring along the TUC with us.

We both felt that it would be a good idea to meet as quickly as possible so that each should be aware of the other's thinking. I have arranged that he will come along accompanied by Mrs Dorothy Drake as Chief Information Officer - tomorrow afternoon, 22 August at 3.30 pm. John Hoskyn has agreed to be present. I shall attend.

I think we can be reasonably frank with him, but I think also we should avoid committing ourselves to paid publicity. Before we can go ahead we need Treasury approval, but even more importantly we need some research in the light of the recommendations of the Working Party at present seeking to define the message. This could only be a preliminary tour d'horizon.

You will know some of my views on the applications of paid publicity. There are inherent political difficulties in the sense that advocacy is called for. Furthermore the mass media are denied to us by the IBA Act. I believe in practice that the money might better be spent in the staging of conferences or seminars designed to stimulate regional publicity in the free media. I have in mind something like the programme organised by the British Overseas Trade Board for the stimulus of exports: here the Chairman of the Board mounted regional conferences - with the benefit of the Duke of Kent's Chairmanship - with audio-visual presentations and local participation. The publicity results were exceptionally good. I prefer this targeted method to the imprecision of general advertising directed at a lay and undefined public. I touched upon these ideas in my conversations with Sir John.

In my view if the CBI is willing to invest moneys in this way, they should go it alone though (not necessarily publicly) they should phase their operation to meet our programme. We shall see

what Sir John Methven has to say.

A handwritten signature in dark ink, consisting of a large, stylized capital letter 'H' with a vertical line extending downwards from its center.

Henry L James
21 August 1979



10
Econ Bd

10 DOWNING STREET

From the Private Secretary

13 August 1979

Thank you for your letter of 10 August regarding the Prime Minister's speaking engagements and the possibility of her touching on the theme of public attitudes on pay determination.

I think the only relevant occasion as far as Mrs. Thatcher is concerned would be the Party Conference and she would be making her speech on Friday, 12 October. Another possibility would be that she might touch on this subject during a Press Conference, perhaps on a regional tour.

CAROLINE STEPHENS

Miss Toni Robson
Privy Council Office



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

10 August 1979

Miss C M Stephens
10 Downing Street
SW1

Dear Caroline

PUBLIC ATTITUDES ON PAY DETERMINATION

I am not sure whether you received a copy of the enclosed letter from Richard Prescott asking for details of Ministers' speaking engagements or visits between 8 August and 2 November.

I should be grateful if you could let me have details of any of the Prime Minister's engagements that might be relevant.

Yours Sincerely

Toni Robson

(Miss) TONI ROBSON
Assistant Private Secretary

Yours sincerely
VP & PMS
to the 6th (Gen) C
Heres from Overseas

CONFIDENTIAL



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

2 August 1979

Dear Private Secretary

PUBLIC ATTITUDES ON PAY DETERMINATION

As you may know, the Paymaster General has been asked by the Prime Minister to plan a short term and a long term campaign aimed at getting across the Government's message to key employers and union representatives in an effort to alter the climate of pay bargaining.

One effective way of getting across the message is through Ministerial speeches and visits to trade associations, Chambers of Commerce, firms and other corporate bodies. I should be grateful, therefore, if you would let me know by mid-day on TUESDAY 7 AUGUST 1979 details of all occasions when your Minister has a speaking engagement or a visit to a firm between 8 August and 2 November. Details should be TYPED overleaf and this letter returned to:

Miss Toni Robson
Assistant Private Secretary
Paymaster General's Office
Room 124
Privy Council Office
68 Whitehall
SW1A 2AT

I am copying this to all Private Secretaries to Members of the Cabinet, the Minister of Transport and Ministers of State.

Yours ever
Richard Prescott

R E S PRESCOTT
Private Secretary

CONFIDENTIAL

NAME:

TITLE:

DEPARTMENT:

DATES:

ENGAGEMENTS:

CONFIDENTIAL

DS

Gen Pol

9 August 1979

Public Attitudes on Pay Determination

The Prime Minister has seen your letter to me of 3 August about the distribution of Ministerial responsibilities within the Treasury in the preparation of the campaigns.

The Prime Minister is entirely content with the arrangements proposed in your letter.

I am copying this letter to Richard Prescott (Paymaster General's Office).

N.J. SANDERS

Tony Battishill, Esq.,
HM Treasury.

CONFIDENTIAL

GB

CONFIDENTIAL

1



PRIME MINISTER

You suggested that Lord
Cockfield might play a part in drawing
up the pay campaigns. Content with
the division of responsibility between
Treasury Ministers set out at X?

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

3 August 1979

MS
318

Dear Sir,

PUBLIC ATTITUDES ON PAY DETERMINATION

Thank you for sending me a copy of your letter of 30 July to Andrew Duguid on this subject. The Chancellor is happy to take responsibility for handling this in Cabinet as the Prime Minister has suggested.

The Chancellor has arranged for briefing for the campaigns to be put in hand by the Treasury and he had a talk yesterday with the Secretary of State for Industry, the Paymaster General and Norman Strauss for a first run over the ground.

X

Your letter indicated that the Prime Minister wished to see Lord Cockfield involved in this work. The Chancellor has discussed this with him and they both feel (if this is acceptable to the Prime Minister) that it would be more consistent with existing divisions of labour at this end if this work was undertaken by the Financial Secretary, in view of his special responsibility for general oversight of Treasury press relations and publicity. The Chancellor has, of course, asked Lord Cockfield (and indeed every Treasury Minister) to let him have ideas for inclusion in the briefing.

I am copying this letter to Andrew Duguid (Department of Industry) and Richard Prescott (Paymaster General's Office).

Yours ever,

A.M.W. Battishill

A.M.W. BATTISHILL

Agreed
MS

N.J. Sanders, Esq.,

CONFIDENTIAL

-3 AUG 1979

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9 8 7 6 5 4



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CONFIDENTIAL

PA (file)
on pay
MS



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

2 August 1979

Econ P27

Dear Private Secretary

PUBLIC ATTITUDES ON PAY DETERMINATION

As you may know, the Paymaster General has been asked by the Prime Minister to plan a short term and a long term campaign aimed at getting across the Government's message to key employers and union representatives in an effort to alter the climate of pay bargaining.

One effective way of getting across the message is through Ministerial speeches and visits to trade associations, Chambers of Commerce, firms and other corporate bodies. I should be grateful, therefore, if you would let me know by mid-day on TUESDAY 7 AUGUST 1979 details of all occasions when your Minister has a speaking engagement or a visit to a firm between 8 August and 2 November. Details should be TYPED overleaf and this letter returned to:

Miss Toni Robson
Assistant Private Secretary
Paymaster General's Office
Room 124
Privy Council Office
68 Whitehall
SW1A 2AT

I am copying this to all Private Secretaries to Members of the Cabinet, the Minister of Transport and Ministers of State.

Yours ever

R E S PRESCOTT
Private Secretary

CONFIDENTIAL

NAME:

TITLE:

DEPARTMENT:

DATES:

ENGAGEMENTS:

CONFIDENTIAL



10 DOWNING STREET

cc: HO
FCO
HMT
LPO
D/M
MAFF
DOT
D/N
CS/HMT
PGO

JS
FS/HMT
CO

Econ. Pol.

From the Private Secretary

30 July 1979

BF 6.9.79

Public Attitudes on Pay Determination

The Prime Minister has seen your Secretary of State's minutes of 23 July and 27 July. She would be grateful if the Chancellor of the Exchequer would take responsibility for handling this matter in Cabinet. She has also asked that the Paymaster General, in consultation with the Press Secretary at 10 Downing Street, should plan the campaigns. They should draw on the assistance of others to the extent that they themselves consider necessary and desirable.

The Prime Minister has also concluded that the briefing for the campaigns should be prepared by the Treasury. She suggests that Lord Cockfield might be involved in this work.

It would be helpful to have a progress report on the work when E Committee next considers pay, on 11 September.

I am copying this letter to the Private Secretaries to the other members of E Committee, Richard Prescott (Paymaster General's Office), Paula Diggle (Financial Secretary's Office) and Martin Vile (Cabinet Office).

N. J. SANDERS

Andrew Duguid, Esq.,
Department of Industry.

CONFIDENTIAL



PRIME MINISTER

Have already
commented on
previous papers. MS

PRIME MINISTER
To see. There are other papers
on this in your box.
MS

PUBLIC ATTITUDES TO PAY

My minute of 23 July reported the findings of the group of Ministers I had consulted on ways of mounting a major publicity campaign. We recommended that a senior Minister should be designated to take responsibility for planning and conducting the campaigns. I would like to add a few further points.

The designation of a Minister to take responsibility for the campaigns is, of course, for you and it would be for the Minister chosen to decide how he wants to run them. But I do feel that it is most important, if the campaigns are not only to be launched successfully but sustained over a lengthy period, that thought needs to be given at the outset to the kind of machinery which will be required. There will need to be analytic and political input from the economic and employment Departments. There will also need to be a quick counter-attack capacity in order that the often fallacious but plausible attacks on economic sense can be rapidly and effectively demolished.

I am not suggesting any elaborate new machinery, but I do recommend that a strong team of officials from the relevant Departments is made available, to provide administrative back-up to the technical job of planning, executing and monitoring the campaigns, plus one or more who can inject the polemical ingredients that will be required.

/We ...



We need an all-out commitment within Government to these campaigns, if they are to be worth running at all. I hope that the arrangements at official level will reflect such a commitment.

I am copying this to the recipients of my earlier minute.

19.

K J

27 July 1979

Department of Industry
Ashdown House
123 Victoria Street



27 JUL 1979



PRIME MINISTER

Prime Minister

You didn't have time to discuss this
with the Chancellor this morning.

cc: Mr. Wolfson
Mr. Hoskyns
Mr. James

2. 26/7

PUBLIC ATTITUDES ON PAY DETERMINATION

This minute ^(Flag A) from Sir Keith Joseph reports on his consultations with other Ministers on the idea of improving publicity on the Government's economic strategy. They propose two types of campaign: a "quick" campaign aimed at pay bargaining in the next round, and a longer-term campaign aimed at creating a wider understanding of the facts of economic life and the reasons for the Government's policies.

The minute was referred to briefly at E. Committee on Tuesday, and given a general blessing. However, decisions are needed on how the campaigns will be implemented.

Sir Keith (page 6) suggests:

- (i) The Treasury should prepare a co-ordinated brief for both campaigns;
- (ii) A senior Minister should be nominated to plan the campaigns and take responsibility for their execution.

Perhaps the obvious choice of senior Minister would be the Paymaster General. Sir Keith does not actually make a recommendation on who the Minister should be, and I understand from his Private Office that he thinks that it might be better to have a Treasury Minister. This is on the grounds that he is proposing that Treasury officials should co-ordinate the briefing; and also that Mr. Maude is not a member of either E or E(EA) Committee.

David Wolfson has suggested that Mr. Maude should be responsible for the campaigns, and that they should be planned by John Hoskyns, Derek Howe and Henry James. He also suggests that John Hoskyns, not the Treasury, should co-ordinate the briefing. David thinks that we would get better briefs, and more quickly, if John Hoskyns does

/them;

Without any disrespect to David and John, I think the Treasury must be involved in preparing the briefs: they are our economic policy-making department, and although they are not too good at presentation, we must rely on them for the ideas. It is also relevant of course that you have directed that the Treasury are responsible for pay matters. I would suggest a compromise: the Treasury should prepare the briefing in consultation with John Hoskyns. I also think the Paymaster General, with the support of John, Derek Howe and Henry James, should plan the campaigns and be responsible for them.

If the campaigns are to be a success, they will need a high level of staff support. The PMG (if you agree that he should be the co-ordinating Ministers) might usefully chair a monitoring committee with officials from each of the main economic departments whose Ministers will be the main participants in the campaigns. We would leave it to him to consider the possibility.

If you are content with this approach, I will send out the necessary instructions. Alternatively, you may wish to discuss this with the Chancellor at your meeting with him tomorrow.

The Treasury must prepare the brief.

Suggest Arthur Cooledge P. does it. - he has a very lucid form of expression.

25 July 1979

The PMG + Henry James must plan the campaign. - who then get to assist in a matter for them. In Cabinet - when John Arthur N. Geoffrey Howe will be responsible. Suggest the letter. AB.



PRIME MINISTER

PUBLIC ATTITUDES ON PAY DETERMINATION

At its fourth meeting on 9 July, E Committee agreed that it was important to alter the climate of pay bargaining by getting the Government's message across to key employers and to union representatives. I was asked to consider, in consultation with the Secretary of State for Employment and the Secretary of State for Trade, ways of mounting a major publicity campaign directed at the chief executives of large companies, and at trade union leaders, and to report our findings to you.

I extended my consultations of Ministers to include the Paymaster General, the Minister of Agriculture, Fisheries and Food and the Financial Secretary to the Treasury. Unfortunately, John Nott was unable to attend the meeting, but he has seen this minute. These are our findings.

We were agreed that it was important to define what kind of message needed putting across before considering ways of doing so. We also agreed that it was necessary not to deal with pay in isolation but to consider the question in the broader context of the Government's economic policies.

There were four prime considerations:

- i) there is an urgent need to take what action we can,

/consistent ...



consistent with the Government's approach to pay, to influence the course of the new round of pay negotiations and to try to lower expectations on pay developing in response to some high individual settlements;

ii) we have to dampen down the deeply entrenched expectations among the public at large that their money incomes should increase each year and that there is an entitlement for pay in line with some concept of a going rate; and we have to substitute an understanding that pay must be based on what each employer can afford and on the value of the goods or services each employee produces;

iii) there are dangers that a high-powered campaign concentrating too much on pay would give the impression that the Government was nervous and preparing for a pay freeze;

iv) we have to take account of deeply ingrained social attitudes and too heavy an assault on such attitudes could engender a spirit of resistance rather than a clear understanding of the issues, which should be our main purpose.

The last two considerations meant that the tone and volume of the campaign needed to be judged with care.

We were led to the conclusion that there should be two parallel campaigns. The first would begin as soon as possible. It would

/be ...



be directed at those concerned in forthcoming pay negotiations with a view to bringing home to them the consequences of settling at levels which cannot be justified. The second campaign would be a longer term programme sustained over years aimed at educating the public on the economic facts of life, in which pay would be only one facet.

The messages of the two campaigns, though consistent, would differ in perspective. The message of the 'quick' campaign would be developed around two points:

- that employers and union leaders would have to negotiate in the knowledge that the Government meant what it said about squeezing inflation out of the system and that the consequent limitations on the money supply and the availability of credit meant that excessive settlements would lead to bankruptcy (or in the case of nationalised industries, a loss of jobs, unless we tolerate increased charges or a poorer service to the customer); against that background they would have freedom and flexibility in bargaining;
- that higher pay unrelated to higher output can only lead to unemployment; that the old concept of 'pay entitlement' irrespective of what is produced (such as by reference to the RPI) must be discarded;

The message of the long term campaign, aimed at the public as a



iv) all Ministers would take the opportunities available to them to put across the message to trade union leaders;

v) Ministers would be prepared to react more quickly in commenting on events, developments and criticisms to underline the lessons to be learnt and to reiterate the message.

In making these planned and co-ordinated contacts, Ministers would need to be provided with a central brief prepared by the Treasury (in consultation with other Departments concerned), adapted as appropriate for the occasion. In the quick campaign the emphasis would be on private approaches to individuals and small groups.

The methods used in the longer term campaign would be the same but supplemented as necessary by more ambitious techniques such as carefully prepared presentations of Government policies to wider groups of businessmen, seminars, the use of direct mail, press briefings, paid advertising, etc. Advice on such techniques would need to be obtained through the Central Office of Information. (The possibility of devoting a special meeting of NEDC to the country's economic prospects, discussed by E Committee at its 5th Meeting, would need to be taken into account.)

Finally, to underline the full commitment to sustain such a campaign it would be necessary to designate a senior Minister to take

/responsibility ...



responsibility for conducting and monitoring the campaign, with appropriate contact with Treasury, Employment, Industry, Trade and other Departments concerned. You may feel that he should make a report to colleagues periodically. John Nott sees advantage in the Paymaster General taking on this role, as this would reduce the risk of the press becoming aware of the existence of a campaign.

My colleagues and I were agreed that there was an urgent need to get such parallel campaigns under way as soon as possible, and we commend it to you. If you agree, it would be necessary:

- i) to instruct the Treasury to prepare a co-ordinated brief for both campaigns;
- ii) to nominate a Senior Minister to plan the campaigns, and take responsibility for their execution and monitoring, with your authority to advise all Ministers to take the steps necessary to participate in the campaign.

I am copying this minute to colleagues on E Committee, to the Paymaster General, to the Financial Secretary to the Treasury and to Sir John Hunt.

pp *AD*
K J

(approved by the Secretary of State
and signed in his absence)

23 July 1979

