

WTRS

3-1-1

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Diary,
1981

DIARY 1981



December 1980

29 Monday

30 Tuesday

31 Wednesday

1981 January

January Thursday 1
NEW YEAR'S DAY

Friday 2

Saturday 3

Sunday 4

January 1981

5 Monday

Fly to UK

6 Tuesday Pesky press at Airport. P looked lovely. Saw MT at 10.00. All affable and unflappable. What should she do about Geoffrey. Who could she promote. No-one. Said come and see me whenever you like. I disavowed program - MBC was important, - but I thought monetary policy had worked, if anything, too well.

7 Wednesday Size of room - I should have a bigger one. I leave big one for secretaries. Nehru seminar - bombshell; monetary policy has been too tight; but I had already said that in my Gilder interview in Nov. - JN, however, very convincing Middleton surprised. JN agreed we should relax money base. I entirely agree - but do not like his further suggestion of using direct intervention to bring Exch Rate down. Very risky - but better than running much of the export industry

1981 January

8 Thursday Told MT about JN's seminar and his findings. MT very defensive: NO ONE must know about it - especially Bank of England. Why? Frightened of calls for relaxation or sops to the Eels. Am rapidly learning the political game - never admit to an error. PM says C

9 Friday

10 Saturday

11 Sunday

January 1981

12 Monday

13 Tuesday

14 Wednesday

Carrington approached me at chance meeting
and told me that he thought I was right to
advocate an easing of policy - crazy exchange
rate etc.

1981 January

Thursday 15

Friday 16

Saturday 17

Sunday 18

January 1981

19 Monday

20 Tuesday

21 Wednesday

1981 January

Thursday 22

Friday 23

Saturday 24

Sunday 25

January 1981

26 Monday

27 Tuesday

28 Wednesday

1981 January/February

Thursday 29

Friday 30

Saturday 31

February Sunday 1

February 1981

21⁶ Monday

27 Tuesday

28 Wednesday

1981 February

PM comes in over the coal strike Thursday 19⁵
JH joins and so is the NCB - got them
"back to the wall" and then she takes
the wall away.

Friday 20⁶

Saturday 21⁷

Sunday 22⁸

February 1981

WRONG ORDER

~~8~~ Monday 23 Call from IL Mr GH (with Wess) met Dr Budget. M pursued MY line, that we needed an increase in taxes and would agree to a 1 penny rise in standard rate. (I had said a 2 or best a 3 penny rise was right but at least it is something). Have I had a delayed impact? I do not really believe it - nor did Tim. He said PR told GH that he must get the PSBR down or "you are for the chop" - very unlike her. Still waits for Sel. Told Paddie about it and she was also skeptical.

10 Tuesday 24 GH is thinking about it - but all very secret

11 Wednesday 25 M + GH (with Douglas Ward?) met as M was packing. GH said he had thought about Budget and need to reduce PSBR towards what M wanted (i.e. about £10 bn) and best way was No Rooker Wise. M apparently wants NOONE to know (i.e. not DW, JH or me). But DW discovered the results of meeting - JH DW and I think it is stupid politically, indefensible morally, and economically - but at least the PSBR will be about right and we shall avoid funding, sterling crises etc.

1981 February

Biffen

Thursday 12 26

Terry Burns wanted me to agree to - 2 MLR charge. I reiterated that the no Rooker Wise was bad - both economically & morally it was indefensible.

MT very annoyed at DW note saying that with this sort of budget in a firm the directors would be fired - didn't finish it, tore it up.

Dinner with Ambrose (Congreve & French Duchesse de Magenta, John & Rosemary Partridge etc)

Biffen reported to give big hint in Press that Friday 13 27 MLR was to be cut by 3% (in rest of Press reports of 4% at rampant). Muddleton, writing budget speech, very surprised - arguments whether should be 1% or 2%. Muddleton finding it v. difficult with no Rooker Wise a PSBR estimate rising by the hour, the Governor requiring no money targets but great emphasis on exchange rate - apparently GH did not stand up to Governor at all well. I told Muddleton that I thought still that this budget had all the seeds of disaster, but a lot had been done on the macro level. But no. PR and Bante tax were not defensible. The objection to a std rate increase is wholly political.

Sir John & Lady Tynan - dismissed M - she was still electioneering.

Sunday 15 29

Lunch with Ralph Harris Alfred Sherman Peter Baines

16 Monday

Anatole Kalashky article in FT

Saying I favoured money expansion and reduction in ER
 - travesty of my advice, but I am learning that the
 quality press is an ego trip.

- PM was furious and intimated against me in
 the media meeting (according to DW) and sent
 Clive up to give me a bollocking

17 Tuesday

18 Wednesday

Thursday 19

Friday 20

JH, DW and I prepare a "FACING DISASTER" manuscript
 about budget proposals. Est PSBR now running at
 £13³/₄ Bn and rising fast

Saturday 21

MT came back from Cheekers - called Sunday 22
 me to go over Georgetown Speech. Went to
 No 10 about 4.45 and left at 7.00. She is very
 uncertain of herself. Did not want to discuss budget
 and said of the DW, JH & AW papers, was it about
 Coal? Unbelievable - I told Paddy we must be
 ready to go.

February 1981

~~23~~ Monday 9

~~24~~ Tuesday 10

~~25~~ Wednesday 11

1981 February/March

Nicholas Sennar - very useful discussion, Thursday ~~26~~ 12
No-one seriously disagreed with analysis - although
Patrick might think that goods and factor markets
reacted much faster than JN had supposed.
Sam Brittan hostile because he said a monetary
expansion would always be interpreted in Britain
as permanent - though he gave no evidence. Suspect
that Sam is jealous because he did not see the
points himself. Anthony Harris (not there) says he knew
it all along.

Friday ~~27~~ 13

Saturday ~~28~~ 14

Spoke to Keletski on telephone. He **March** Sunday 15
had been pruned by Sam Brittan. I tried to prevent
his misrepresenting me - and I thought I had
succeeded

2 Monday

Tan Gow apologised for not stopping my talk to House Back Benchers Ctee on Small Business. Very annoying and probably MT's paranoia about Press. Am a bit annoyed.

3 Tuesday

JH's draft note to PM on mess resignation - ~~Cynda for meeting at CPS tomorrow~~
 Niehan giving an interview to BBC for pre-budget program - but OK. Understood.

High Stephenson - very good article in Times on lack of strategic planning etc.

Douglas Warr said that I wanted to take out even more - another £1 Bn - I said yes.

4 Wednesday

High Thones / DW, JH / Terry... AS } What is wrong - failure to face reality - no strategic thinking. We have to persuade MT of all the disasters were avoidable - panic lost number measures a budget - could not be dismissed but Fleet Street is getting wind of what is up.
 Niehan rejected my advice to leave out M & R Refers - doesn't really matter.

Theodore Educating Rats

JH gave me

Thursday 5

Dinner Norman Lamont, Cecil Parkinson, JH, AS + Elizabeth Corbett
 - "shambles" of govt - junior ministers do not know and are increasingly distrustful with whispering campaigns - openly hostile at times. But genuine confusion, especially Lamont, about where we were going.

Friday 6

Founders Feast Nuffield Coll - met Peter Shore and explained about MBC.

Saturday 7

Sunday 8

Alfred Goldstein for lunch

1

March 1981

9 Monday

Postal Workers Strike - rain soaked picket lines at 10

10 Tuesday

Budget speech - all hell breaks loose, the
webs are up in arms - will have a hot summer.

$\frac{w}{B} = \frac{95}{9P}$ Public sector pay - sent J. Verker my rule
for adjustment including quit. rates - tried
this on Whitmore at lunch - a bit dense
- but looks as though it might set someone
Pot Ec Clubs in evening - Lawson defending
Griffiths. Think it is outrageous but great attack by
Green - ± 5 Bn squeeze

11 Wednesday

Sent Geoffrey a note congratulating him on
a "correct" budget. He was v. pleased. JH
did also - it was very congenial politically
Lunch with Sebago. Pettebridge Union Dispute

1981 March

Thursday 12

Favorable comment by Butt + McCree (in Guardian)
My quit rate rule looks as though it is a
runner

Discussed Budget Strategy with JH + D. - promised
to do a paper on (a) Reforms, and (b) General stance
George Brown & Boothby & Jap Amb at Cocktails
for GAT (Tom Griffin & Thompson) at HL

Friday 13

Letter from ^{Habit} Neild to economists

Saturday 14

Sunday 15

March 1981

16 Monday

Budget leak enquiry

Petrol tax revolt continues - really rather silly

Lunch with ~~Capel~~ ^{Capel & Co} ~~Hoag~~ ^{Hoag} (Brokers)

17 Tuesday

PS. lunch.

18 Wednesday

Burns & Middleton - Burns is claiming credit for the switch in budget strategy (new PSBR calendar)

PM met new W Bank Chairman Clausen with Chancellor - but I was not invited. Sent her a memo but too complicated and too late. Am I in the doghouse?

Burns went to great lengths to say how embarrassed they were by my press - Kalensky

1981 March

Thursday 19

Dentish

IEL discussions - Keith got away with it

Wondering what to do

Friday 20

- Apologised for not having seen me

6.30 - Saw PM - very tired and irate about Nibans - thought it would be used to kill GH. DW and I argued but she would not yield

Saturday 21

Went to DW for lunch; dinner & night with TH

Dismissed PM's diary - hopeless. Nibans - what to do?

Sunday 22

GH dinner - Elspeth clearly peeved at me being in No.10 and not under GH. Told her that many chaps were wonderful etc

March 1981

23 Monday

Quiet day - but Railway Electrification is a dreadful mess - silly assumptions
Phone Alfred Goldstein + Christopher Foster
JH sent GH a letter (personal) suggesting that Treasury Officials (Ryrie) were dredging my technical points on BTelecon financing - very strong stuff - apparently upset GH.
Interviews (non att) with Fortune Magazine
Inst of Adminis - dinner - bore

24 Tuesday

Saw Chris Forte - very convincing arguments against massive electrification plan for BR. No warrant for this near fl BR programme. Play by Posner to bounce it through cabinet

Esra - chatted about World Bank

25 Wednesday

Peter Tapsell lunch - Terence Becket still gloom + disaster - but Patrick Sargeant said shares were going up - how come?

Rob Hanson at No 10

Dinner with Graham + Mungy Hutton

1981 March

Thursday 26

lunch John Borcham (CSO) - rather like
- smooth character - I think I should have killed the Input-Output matrix, if Cambridge Ectnes want it let 'em pay for it
Alfred Goldstein with Elec Review - many doubts

BR meeting - Michael Posner chaired ^{Friday}
Palmer (DOT). Little or no substantive work to support their elasticity (0.65) assumption
- when I asked for "small network" plans, they Hobart lunch said they were in the vaults (and locked up).

BR meeting all that I feared

Dinner with Louis

Saturday 28

Sunday 29

March/April 1981

30 Monday

April 6th

Ruby Elex - I rebut arguments by Treacy & GDA's son Humphrey Cole. - a real

Impious Defense of Wages Councils - AWPOL

31 Tuesday

April 7th

10.00 PM Armstrong etc on Energy Pricing
PM shouts at me when I protest at subsidizing
big oil users. She thinks that she will solve
unemployment by such devices. We disagree!
But seems to be moving in right direction - 5th of DEK
Cohen, ~~and~~ (foundry) - 15% + SRMC pricing in electricity
16.45 Railway Electrification etc - thoroughly confusing

Very Good Reply "to 364 by Patrick Miford TIMES.

1 Wednesday

April 8

Lunch - Terry Buns - now an
MCR out - I agree - the Economy is going right.
Wanted me about reduction Jeremy BRAY
E CHee & Efy - DER/OK, but rest are deferred

PM very good - talked about
SRMC pricing!

Wages Councils - Jim "slowly slowly"
- a v. silly paper, but supported by KT!
Chancellor very good - wants to send

im parking
Rail - postponed a strike likely 2

Saw Anatole Kolesky at Reform - told him that he misrepresents
me in his article

1981 April

Paddie gets car today

Thursday 9

Jim Amnerman - told him that we had got budget
right and a sporting chance for success.

Lawrence Roos - Pres of Fed Str House

Dinner with Jeremy BRAY - he tried to induce me to criticize
the Exchange Rate.

Friday 10

KPRS and D/Industry have tried to calculate
new assumptions (fixed unemployment) for closures
- but got into great difficulties. They do not
(D/I) want to adopt my methods

Committed to Existing type of BR - D/I says PM
said so in H/C 7 Nov 79, letter to Women's Lib 8 Dec 79
and in Election Campaign. Prepared a memo to PM

Selsdon Group Dinner which said the most
regard is very conditional on efficiency etc
Dinner with Richard Hares

Very good article on 364 in
Spectator by F. Mount.

Saturday 11

Paddie's First Dance

Reports of Buxton Riots

Sunday 12

Lunchtime - saw Caroline Kealey

Alfred's S. for dinner

April 1981

WHONG PAGE

Monday 30

The letter from 365 economists. Very good reception

Luck Norman Payne - poss of privacy BAA

GH + Treasury meeting on Treasury BT. Cist iron
argument for v. prop. BT investment - GH. smoke screen
Ryrie very good

~~Monday~~ ~~Wednesday~~ ~~1~~ Leak Investigators Summit
B/Rail DOT Review - my memo for F. Chel
DqT very nervous about leaks of my asking for
low level (3,000 mile) rail plan.

Luck the drinks with P.M. and some doubtful
backbenches. ~~PM~~ PM very bossy - she would
be much more effective if she was more relaxed
Tony Drant there - forgot I wrote No More Ticks

Letter to GH explaining why Keynes was useful now!
Saw Rothschild re 60 year bond frame for Nas

~~Wednesday~~ ~~31~~ Carlton Club lunch ^{Tom Briggs Towns}
^{and Jenny Wicks}
DW and I agree that we must attack Treasury
position

Rail paper crime - no argument at all for
clonidine or trends

Nigel Lawson - drinks - rather pleased with
budget and my line on it - worried about DW
& latest Keynesianism. I agreed that simple
Keynesianism would not do - BUT →

1981 April

Thursday

D. Energy raise again this Energy prices for Electricity
Review

D.T. Stones - fumed at news of Nigeria PM political speed
- threw away Kleenex with PM's brace for tooth
- a snifter while waiting for the lift....

Friday

Memo for PM on Energy Pricing
- she is becoming Mercantilist

David W. says PM asked him what I was doing
about MBC! - got hold of Middleton and
asked him what had been done.

Seldon Group Dinner at St James Church

Terrence Gorman came for weekend
Very evening. I was v. tired

Saturday

Seagull - the Kilray "Irish" version at
Royal Court

Sunday

April 1981

13 Monday

Finished Railways Memo for PM. She did count herself to present size of passenger network - quite stupidly - with no conditions. Asking to be taken for ride lunch at Lloyds - Morse - Bernard Scott there and he appears to be genuine idiot - he wanted fuel prices down because of our indigenous energy sources

Moya & boyfriend for dinner - Very tired

14 Tuesday

11.30 F. Ctee on Railways - nothing decided except to refer it to CPRS for report - suggest to CPRS that they get Christopher Foster on to it - meeting will be assessed by impending strike

~~Time with Antony Fisher & wife & Mr Read~~
~~What can they do? etc Give support~~

15 Wednesday

Quiet day - spent it composing the
Text of Directors Speech

GH + JH cooking up a program to get TV reform going without Tim Prior getting upset.

Paddy in Coventry - very worried about car coming up on Monday

1981 April

Thursday 16

Off to Cornwall

- easy journey

X

Friday 17
GOOD FRIDAY

Saturday 18

Sunday 19

X

April 1981

20 Monday
EASTER MONDAY

X

21 Tuesday

Lunch with David Wolfson + M.H. McAlpine
Chairman of CBI Working Party on government spending

Paddy very worried about job
~~Don~~

22 Wednesday

Lunch with Tim Congdon at auction - he is
keen on controlling interest rates

Dinner with Anthony Risher + Mr Read
Where can they

1981 April

Thursday 23

Quiet day
Just a Director's speech preparing

GH + JH cooking up a policy to get
TV reform without J.P.

P. in covering and covering about
Case on Monday next

Friday 24

Julian Cease (Janet Baker + Valerie Maskell)
at ENO with Ruth Runciman

Saturday 25

Sunday 26

April 1981

27 Monday

10.00 Chancellor Burns + Middleton on
- 11.30 M3C GH still very reluctant to
go ahead - willing to see bands on M3R enforced
and abolition of M3R. Burns very cautious -
still put his faith in M3 in the hope that it will.
GH attacked me for "trumpeting" the uselessness of M3
in spite of his recantation in budget etc
He is in difficult political position

28 Tuesday

V. cool letter from GH's Private Sec re my
suggestions for Brit Telecom pricing - does
not deal with the substantive points - stonewalling

hears John Flenny (B/E)

Dinner with Walker Salomon

29 Wednesday

with
San Ed Frelmer - Dhs - told us how Heritage
had misunderstood the reduction of public
spending - 17 experts reported in 6 months and
put a program together "everyone's ox is
gored" - identified programs to be cut (eg TRA
Cut is supported by Howard Baker!) - but also
by a corporate spirit in cabinet.

1981 April/May

Thursday 30

Chartered Institute of Public Finance + A/c
Dinner

May Friday 1

Saturday 2

Ananya Sen to dinner at home
Alfred Goldstein

Sunday 3

May 1981

4 Monday
MAY DAY BANK HOLIDAY

Don

5 Tuesday

Wrote memo on Chancellors Exp Control Paper

- all Penn Secs up in arms about it
- inflation assumptions to 1983/4

lunch with JH &

Niels Thygesen (Danish) - good contact
Esra

Dinner with Gumerus Tilney Lord Orr-Ewing
and Craig of Christie

6 Wednesday
Memo.

lunch Sir Emmanuel Kaye - wants a devaluation
à la 1931 - but I told him then there was a
deflation not a 10% inflation as today.

Rolf Hudec etc to drinks

1981 May

Thursday 7

Brown Secretary lunch

Friday 8

Saturday 9

Sunday 10

May 1981

11 Monday

Teeth in the morning - drilling for bridge

- DW came to talk about Gas pipeline £2 Bn - in or out of the PSBR - I suggested a leasing arrangement - owned by private corp
- Allan Meltzer & Brian Griffiths - set up an attack on B/E in Telegraph (3 weeks)
- Arthur Burns worried about all the new monetary instruments

12 Tuesday

Morning meeting to discuss strategy for election and after - essential 1st Pub. Sp. TV reform Civil Service Reform

Lunch - with Victor Price of Massey Ferguson
He told me how right I had been over effects of budget - nice to hear flattery!

Paddy very depressed about jobs - paying wages!

13 Wednesday

Wass & Byrne were v. much against the £1 Bn extra tax in the budget (according to Middleton)
- thought it would be very deflationary

Leon Brittan + GH + DWass + Byrne all agreed that you must not put interest rates down if you had to put them up again!!

1981 May

Thursday 14

Walter Salomon visited No 10. TH. very impressed - bank profit tax is retrospective and immoral. TH. convinced - but there is likely to be no going back on this. Walter also impressed by Norman Strauss

Friday 15

Dine

Dinner with Frank Taylor

Saturday 16

Sunday 17

May 1981

18 Monday

19 Tuesday

20 Wednesday

Aix en Provence

Dinner with Jacques Riboud - very
solid character

1981 May

Thursday 21

Aix

French economists are quite awful
but Pascal ~ (in IEA type of thing) seems
good.

Friday 22

Saw Dick - Mireaux in Aix.
Amiable but clearly does not really
trust the Strategy.

Saturday 23

Return from Aix en Provence

Sunday 24

Coldham Hall

May 1981

25 Monday
SPRING BANK HOLIDAY

Went to David Hart's house Coldham Hall

26 Tuesday

Railways Electrification with Christopher Foster
and John Richard (CPRS) - they are revising everything
downwards - All my conjectures were correct

27 Wednesday

1981 May

Thursday 28

Civil Service College - gave lecture to a very
unresponsive lot of civil servants. Martin (Bill?)
there from CPRS - quite hostile to the very idea
of military control - really wants an incomes
policy

Friday 29

Cancelled →
10.00 - Gatham - Muffield College
Checkers - argued about M.B.C. - mainly
that (a) it can be controlled (b) it would free our
financing policy (we could sell anything to
anyone) and could follow a minimum cost rule

Arthur Selden down

Saturday 30

Sunday 31

1 Monday

Preparing letter to Chancellor and
Progress Report on MBE

2 Tuesday

3 Wednesday

MBE meeting with Tilsa (of Dual Central Bank)
Great supporter - stresses quantity
can

Called to Flat to say what to be done about
£ falling - below £2.00. She is being advised
that some intervention may be worthwhile
I say none. She has great ideas then.

Thursday 4

for using the foreign exchange reserves
to buy Treasuries etc.
She was attracted by the idea of intervention
because it would reduce £ M3 - but
I pointed out it would only be very
transitory - and she would lose her shirt.
We win - no intervention - I hope we can
hold this. But she relents and
Gives Governor £1 Bn to 'play with'
Cabinet equally divided on 7% to Govt
service - looks like there will be

Friday 5

9.30 meeting on Int Rate 4.30.
Targets for moves to MBE

Prepared a short memo for PM on Saturday 6
June 18th meeting of Cabinet. Treasury
Paper is a good one - but silly about
N. Sea Oil and Sterling appreciation
- humbling down now

a leak and so the thing will Sunday 7
be encouraged to be mild etc.
The End?
General view on BBC and most Press is that
Govt is firm and will win

June 1981

8 Monday

Saw PM again about fall in £
wrote note on interest rates and said
that market had pushed them up, but
still only 11% on 7 day money
New measures seem to be working well

Saudi Int Bank for lunch - heard about
the new "Prudential Requirements" of B/E
- capital reserves against loans to banks

9 Tuesday far smaller than to corporations
whatever the reputation.

Gordon Pepper - he thinks we are pushing
the Bank as fast as is humanly possible
I suggest he write to PM. I need some
support.

10 Wednesday

Alfred Sherman lunch with Pierce of Telegraph

Paddy very gloomy about her job

Dinner with Louise - saw house she wants me
to buy 45 Arthur Rd

1981 June

Thursday 11

Paddy very glum about buying 45 Arthur Rd

Lunch with Harold Lever, Knight (Ed Economist)
American State Dept Econ, Editor of Canadian, & DW.
Lever wants to manage exchange rates as he did
under Wilson - ~~Calder~~

Knight quite sharp - asked me for economist
like Fred Hersch - who was there? I said none

Friday 12

Nasty reference in Economist to
"a rare burst of effectiveness" on Rail Eled
- probably written by Mark Schweiber

Monetary reform going OK according to Sparrow
- interest rate movements were right

P.T. Bauer in evening - discussed got speedy
He clearly thinks it is quite out of control and
I have no counter argument. It is. He thinks
Student Grants are A/D are prime targets

to

Saturday 13

Sunday 14

Went to Brighton + South Downs
- lovely walk over Cliffs Down
PM tried to get hold of me & failed

June 1981

15 Monday

Foster accepts my (CPRS) arguments about Railway. Electrification on a line by line basis. But I suspect that he is preparing a fall back position - says it is what he always advocated. Goldbergers for lunch - Julia Avery liase. Panic preparation of speech for CBI. PM 4.30 8.30 and gave her - DT offered me a drink! She ask me for a conclusion for GH's memo to 12.00 midday Cabinet of Econ Strategy.

16

Tuesday

- D. Hart & N. Straus to dine. Scaphoned in the conclusion. They were up until 3.30 am. Milford wrote very good piece on unemployment showing that high PSBR gave only transitory relief. PT Bane & David Hart at lunch.

Signs of recovery in order in all industries. Wrote a note on Richard Hayward's employment subsidies - it seems designed to promote systematic unemployment. 6 m. on dole.

17

Wednesday

12 m at work

9.30 Cabinet on Econ Strategy (Notes) PM handled it brilliantly - All agreed on strategy, the only debate was about SHADINGS. Summarised brilliantly by PM. But main results in the Standard Machine edn - Obviously by someone who was there.

4.00 E on Railway Block - I.P. on about rate of return on level Xings, and Rail could not find money even with 50% return - idiot.
7.00 PM at house meeting with Alex Fletcher about his crazy idea.
8.00 Concert Janet Baker Der Kudehstatedes

PM asked me to prepare her for employment debate. - ideas on what course ed. 1981 June

Cabinet - PM very annoyed at leaks. Thursday 18 defends No. 10 staff. Pounced on Soames who suggested it might be No. 10 staff. Guardian got a very "wet" version. Tim thinks from Prior who met Ian Aitken. PM clearly thinks that too!

Defence & Nott gave a very confused account to cabinet 3% for 6 years. GH said only 3% for two. Willie compromised with 4% ^{2 years} And Nott got a special RPE effect!

Friday 19

Saturday 20

Saw PM at 7.00 - 12.30 am on chat Sunday 21

She is to say in winding up employment debate. Ronnie (Pulle), Tom, etc. She is very confused - finds all sorts of faults especially with John's Ronnie's ideas. Likes Ken Munro's piece (he gave it at Athens)

June 1981

22 Monday MBC meeting with B/E (Ffonde etc) and Middleton. Preparing for PM's seminar. Looks like we will have to use M₁ for interest rate band movements. Andrew Brittain wanted to use "forecasts" of exchange rate income etc to fix band - but I countered with the experience of such rates in 1980! Won that point except with Ffonde & Middleton. We should base the movement only on history.

Worked on draft for PM's speech: "Regulation not the cure, etc". Tom & Ronnie producing a draft while

23 Tuesday we produce "gobbets" - finished at 12.30 am. PM very worried that she will not have enough. Thinks Foot may sit down early. Possible that Opposition will hear her out in silence (very unlikely). Lunch with Wyldhouse Smith, King (BA) & Lawson. {Rumours about my leaving due to no progress on MBC in Press (Financial Weekly & Guardian) - Denied and they are certainly NOT true - making reasonable progress}

PM very rude about J & R's speech 2.30 am.

24 Wednesday which I thought was very good

Working on PM's speech from 7.00 pm in house

PM's reception at No 10 - but she was in H/C and Lady Tynney took over. Talked to Peter Tapsell and told him I had written about his Economic Club address to Keith - he is a nice man. Debates. Prior & Verley great boxes. St John Stevas found every cliché in the book. Foot funny & stylish but said nothing about policy except "inflation". She strengthened him - house v. rowdy 10.30

1981 June

Very tired after all this tension
Sun.

Thursday 25

Beckett + VC
1.00 lunch with Em Kaye, Terrence (CBI) + TI
Chairman. Beckett is not very bright. Back from Ottawa where he is telling the Taps to trade fair. Kaye is now a protectionist.
2.45 Geoffrey saw me - wants me to help with B. Layton
- I tell him my idea about subsidies to young who earn less than £40 a week

Friday 26

12.00 Nigel Lawson - says he is anxious to attack the Health Service spending - enlists my aid
lunch at IPA with Ian Gow.

Saturday 27

Sunday 28

June/July 1981

29 Monday

11.00 Redvers Opie

CPS Transport Group - convinced that Rail Elec was great
Victory - they were on about Concessions to road,

30 Tuesday

Tax dodgers - PM against GH's proposal to chase
the large & medium PAYE dodgers. She is very
sympathetic to small tax dodgers - thinks it will
increase unemployment. TL very upset. I write
a memo supporting GH. But why should not the
Chancellor be allowed to deploy his resources
Malabre (WST) interview - went well
Lunch with Geoffrey Wood - still wishing that
inflation would balloon to 15%+ in 1981/2

1 Wednesday July

Lunch at County Bank (Narwest)

Nigel Vinson, Carlyle MP.

- very vigorous - cutting expenditure and privatising
but really v. keen on getting it down

1981 July

Thursday 2

Brian Griffiths - Penber & Boyle - still predicting
rapid inflation due to M_3 expansion - I said
"not so", and I guessed that by the election inflation
would be above 5%. Brian clearly thought I was
quite wrong (as did Geoff Wood last Tuesday)

Friday 3

Off to Nice

and Walter Salomon's yacht

Saturday 4

Sunday 5

July 1981

6 Monday

Nice

Returned at 4.00 pm

7 Tuesday

Spent most of day developing objections to Prior's
employer's package - analyses, unemployment
without mentioning wages!

Met with French Ambassador - Sam Brittan
probing

Sold \$50,000 for £26,000 (not too bad)

Dinner with Miguel Schweitzer (Chile Amb). Eldon
Griffiths is a pompous ass. Wants to buy arms but
also wants recognition

8 Wednesday

Look in Times (David Blake) on my proposal for
Reviving NIC. Finish memo on Employer
(helped by Andrew).

PM liked my approach to Employer
much better than Jim Prior's

1981 July

Cabinet meeting went on and excluded
E Committee Thursday 9

Seminar on Indexed Pension at David Harte's
Harold Rose under pressure - because of Scott
Report, defensive. Said he had too little time (3 months)
and that Scott had written disastrous introduction.
Agreement in Seminar on transferability, voluntary
index linking.
Dinner with Anthony Riles

Friday 10

Redoing my piece on Youth Unemployment - DW
liked it but wanted it packaged with early
retirement (which the TV's have been after)
JH wrote a foreword - I changed it and Tim
Lawless has sent it to E Cttee - Prior's ideas
leaked to press. GH said to be opposed.

More bloody riots - usual excuse (but none in Glasgow)

No leak on my ideas

Saturday 11

Bought Paddy a hat for party

Met Read (of MSC) Grahame

Sunday 12

- he says Yor is no good at all. MSC being
sidetracked by Prior

Anatya Sen, Sherwin Rosen, etc all at
Richards lunch party

13 Monday Prior on radio - "The Chancellors must find the money"! Meeting with GH and Leon Britton on Unemployment measures. Civil Servants (Dixon) anxious for cosmetic solutions. Britton keen on my package. (also Robin Ibbot supported it but thought TV's could oppose). Talk of Compulsion - recruiting youths in Liverpool etc to clean up the city (I said it was silly & v. expensive in managment & administration). Saw Ralph Howells (MP) - splendid honest fellow - he wants to help - suggested he talk to PM about Reagan's budget cutting measures.

14 Tuesday

My paper leaked to GUARDIAN (Ian Aitken on back page) E cancelled AGAIN - long meeting with PM and Brian Griffiths. He complains about Press being against him (especially David Blake the Hampstead Thinker). Agree that I write an intellectual defence of the policy soon. Crocodile Party with MP's & house

Dinner with David Hart.

15 Wednesday E at Commons 9.15-11.00 on Prior Package etc. All E (except J.P. and Walker) thought my scheme splendid "or brilliant" or "imaginative" etc. PM KJ etc emphasised real jobs. Biffen - YOP not a success, Cosmetic. GH & Leon v. much saw it as first PESC bid. JP tried particularly to get a quench (because of leak) 1/5 but - no support at all. He appealed for a U turn on public spending. E agreed to his 1/90 in or so for 1981-2 and 1/130 for 1982/3 for YOP, Apprenticeship, etc. But expansion to COSX and my scheme etc remained to Ministerial Ctee.

Some telephone calls about my scheme Thursday 16

lunch with Sarah Hogg (Economist → Sunday Times) with J. Haskings at David Hart's

D. Wolfson - been on early retirement - and on cosmetics of YOP type schemes

Friday 17

Hon D Litt ceremony at Leazes

Saw Frank & Connie Carr - Gordon on holiday. Small demonstration but I did not even see any of it - they kept it

Saw Whitmore - very tired and off to Ottawa with PM to summit

Saturday 18

Sunday 19

Dinner with KJ at Ian Gow's home. Both v. honest, loyal and straightforward. Anxious about SDP. KJ thinks I had great influence on outcome especially budget. He clearly represented my views strongly to the PM

July 1981

20 Monday

That bloody Pipeline again - but she has said
CPRS should look at it. I will drop it gently
- it is merely a squabble but BGC should be kept
out and their dreadful monopoly abolished

Lunch at deLoock & Bevan with M Hughes, Scott of Shell
and Alan Budd - very strange affair, not satisfactory
Anri Gut 30th used to advise Healy & Callaghan

Jsu Verker about PM's major speech in September

21 Tuesday

11.15 Misc 59 chaired by Pym. little structure in
meeting. JP made impassioned speech supported by
Lord Dex. Said he always paid lads above the going
rate in order to get the best and give 'em motivation
lunch with Russell Lewis & Michael Gregg of Mail

5.00 Civil Servants (Gordon Downie) meeting on Employment Measures
Munk

22 Wednesday

in saying they cannot recruit NIC for
16+17 year olds under £40 a week
told GH & LB they must - got 550,000 employed etc
cannot stand JP's £1.5 Bn - would ruin strategy
GH & LB are thinking about £200m (TOTAL incl JP's £13m)

1.30 - 2.45 PM meeting on Employment Measures (GH & LB)
PM said Jim Prior thinks he is going to Ireland - but not so
keen on my scheme and mad at DTS intransigence

3.00 Bill Poeton - attack on clearing bank lending
(too short) - his advisor was pursuing a free lunch
argument.

Party for Jim
5.00 Def Employment meeting (David S) Both economists old
students. Chosen "cost per job" so that all about same

1981 July

Thursday 23

1.00 lunch at CPS with Adam Rafael

4.00 Downie's group -

6.30 Ray Whitney's group at House - suggested letter to PM
supporting my scheme and opposing Priors

9.40 Employment meeting - ITEE adopted Friday 24
Waller's scheme at £15 (PM's suggestion) for amendment
on Monday. Many other v. expensive items JKS also
in package. £698m total of which £400m ~ new

1.00 lunch with Miguel Seiwitz - he wants Sergio
de Castro to see PM. I offered to help, but what?

4.00 PTB at No. 10. We talked about AID etc.

Home & Kate to dinner

FT Article about me & Prior.

Saturday 25

Lunch with Walter Salomon

Lunch with Goldsteins at Kent Edge & Tony Hooper Sunday 26

KJ phoned about speed - "unemployment not
due to lack of demand" - I made usual
arguments about 10% + inflation - but I agreed
it would be OK if confined to non-competitive
competitive sector

July 1981

27 Monday ^{with Whitelaw, V. much approval of my measures}
He said Brixton is where "Enoch" is right.
It is the only place "Railton Road" should be bulldozed.

1.15 lunch with Gower, Orr Ewing, Bateman, Waldegrave

3.30 Employment debate - Foot degenerated after 15 minutes
into an inflationary fueled by hot air. My
measure £40 / 15 accepted quietly by opposition

28 Tuesday Excellent reception to my 15/40 - FT ecstatic
First genuinely radical and progressive measure

JH very worried about PM - "bad way she talks
behind men's backs etc" Thorneycroft also worried
We must tell her to mind her ways
Prepared monetary seminar paper for PM - main
problem is to give E/E short term discretion but insist
on then delivering on long run targets. Peter Middleton
is with me all the way to MBC in a year or so

29 Wednesday

Wedding Day - went to Palace and oggled
with the crowds. Very good natural lov

Dinner

1981 July/August

Thursday 30

11.00 Seminar with Adelman

Howell accepts that depletion policy is economic
nonsense, but asks how (politically) carrying put
it across. Says Ministers of Egypt are against it

E Nat Producty Grids for £2.5 Bn Friday 31

Leon Brittan suggested £750m to be done on an individual
basis, not across board. JP confused by figures
JP "arrail nonsense" about crowding out. Leon
answered him with sensible response.

Monetary Seminar - agreement - PM concerned with twice
(how to say MLR is no more) and got very confused about
interest rate bands and money supply bands

Thorneycroft + Pym attacking August Saturday 1
Gestrey - great pressure to increase spending
and reduce fuel prices.

Ralph Harri at Chequers (Enoch also) Sunday 2

August 1981

3 Monday PM met Sadar but cancelled her meeting with me on Trade Policy. JH thinks she wants therapy and Bonnie Riller may be best.

Advised J Venkes on "income" for PESC - we need to induce dep to shed direct labor so 0% 15% for wages & materials respectively seems right

Champagne for Rose's welcome back party
I missed her a lot

4 Tuesday "Many go round" is critical to combat coal strike. But BR management will not train 200 soldiers to operate the trains (special trng needed because of grades etc) since this would be regarded as strike breaking

2.30 Hospital (Cheshill Clinic)

5 Wednesday

operation - OK

1981 August

Thursday 6

Friday 7

Released from Hospital - but very miserable - still cannot get rid of blockage

Saturday 8

Sunday 9

V. miserable

August 1981

10 Monday

Return to hospital

11 Tuesday

12 Wednesday

1981 August

Thursday 13

Saw Bill McCulloch
David Herb

Friday 14

Released

Saturday 15

John Wood's Cottage

Sunday 16

August 1981

17 Monday

Very restful walk.

18 Tuesday

Tried a long walk - OK

19 Wednesday

1981 August

Thursday 20

PM phoned me at John Woods Cottage
- said I should have a good rest because
she wanted me "fit and well" for the
enormous job we have to do in the next
few months "

Friday 21

Saturday 22

Sunday 23

August 1981

24 Monday 1st day after operation
10.15 Doctor's appt.

25 Tuesday Heseltine's piece on Toxteth "It took a Riot" is quite dreadful. No analysis at all. Very secret but apparently leaked by Heseltine to press to get PM on his side against Toxteth. JH sent note to PM - saying OK on some issues (e.g. eliminating the GLC & metropolitan councils) but very poor shift she agreed - but what is to be done. M.H. a very vain man - sees Toxteth as a basis for projecting himself. Merseyside as a tourist attraction

26 Wednesday

JH & DW saw PM until 11.30. She was very shaken - realises she has to change - V. tired and needed hotchky - MUST (1) organise her time & deal with planning (2) Bold and decisive move to fire Thompson & Andrews Alexander's article in Mail "treachery" etc (3) Being on the young not Eton & Gds etc

1981 August

Reshuffle being discussed on previous day Thursday 27

JH agrees now about Pym - Pym tells everyone what they want to hear & changing favour as "good man" Teddy Taylor (MP for Southend) apparently spiked Pym's guns when P said how interested he was in TT's ideas etc. TT said "am I the 17th you've said that to this week" etc

Friday 28

Saturday 29

Sunday 30

31 Monday
SUMMER BANK HOLIDAY

GGP an awful mess - most likely against
- but main case is the BGC monopsony
- we must win this one.

1 Tuesday September 1 → said it was like Steel

11.00 GGP meeting PM + CE + Hamish Gray (Egy) + Subir Oza
PM got cold feet - thinks it is like the Steel industry
wanted me as support in meeting. The economic
case was not made at all. Great misapprehension on Egy's part
Anyone could tell that oil companies would not put
their money into such a scheme. But Egy had no
contingency plan at all. Rookes (BGC) also said that
he wanted guaranteed monopsony if he had majority
interest in pipeline - PM persuaded by Nigel Wickes
and so on
5.00 Egy people - Terrible say they know more about
location of gas than oil cos. And they cannot trust the
oil cos to get all profitable gas etc

2 Wednesday
Started PM's speech to Australia - great difficulty
in finding a start

Bank of Scotland for finance of 700m for pipeline - but
wanted completion guarantee and a guarantee on
throughput ('bankable' gas)

Thursday 3

Seems that Howell must be fired - but what to
do with him.

DW thinks we must get Politically Attractive alt to GGP

GGP meeting - Egy Officials believe that Friday 4
oil companies deliberately throw money away!
Many of arguments (eg that Multiple will ignore some
profitable small pockets of gas) hinge on the fact that
oil companies do not act in their own interests
GGP ensure 'ethane' - but who wants it and why
would it not be built if profitable

Robin Ibb's essentially said that GGP was not worth
the money involved in so much money

Saturday 5

"Anyone for Dennis" - not good.

Sunday 6

September 1981

7 Monday

D. Wolfson - suggest the better politically if David Howell were to publicly change his mind
- "new front of oil cos" etc
- Present multiple dev in positive way
GGP meeting - much the same except Peter Middleton was back

8 Tuesday

10.30 Dreadful PM meeting on Trade - finding ways of "cheating" - complaints about beastly French - free trade had a rough ride - hardly mentioned lunch with PM & DT and private xcs

2.00 pm GGP meeting with PM - she's against it strongly

4.50 KJ - but both are politically naive - K.J. says the argument will be elimination of monopsony of BGC as she says oilcos will not do it - neither ex-

8 Wednesday will set well with public - who have the oilcos. And monopsony? - will the public will regard BGC as their protector against high oil prices

6.00 - 8.00 DW and I saw David Howell at 21 Victoria Square - he started retreating on the economic arguments - more marginal etc but emphasized polit arguments "shopper in the bottle" but I think it is likely to be the beginning of the flood

9. Wed spoke to DW and Peter Middleton - get the political act together - PM advised to see David Howell but

does not seem ready to do so

1981 September

Thursday 10

11.00 GGP Meeting - decision - all went well. Peter Dicks change of mind + K.J. quite critical. Waffle from Carrington says BP don't want it

2.30 Drafting statement ^{KJ} ^{GH} ^{DH} DW's brilliant suggestion that oilcos have refused the GGP (not Gov)

4.00 Fred Attoli advisor to Mitterand - interested in gas to get away from Algeria or Russia

DH saw PM and persuaded her to modify press release - only delay - but killed it off

Friday 11

Burns Middleton Rally on Ec. - threatened interest rate rise - already signs of rate falling. M & B used exchange rate as main criterion. M3 shooting up due to ~~personal~~ sector borrowing exp (£1,200 - Sept) - but I argued no effect on house prices or stock market.

Saturday 12

Turn P. let it be known that he would not accept Sunday 13

September 1981

14 Monday Reshuffle Day

JP has been taken to task by Whitelaw for being disloyal and holding a pistol to PM's head. It was wrong, said W.W.

Lunch at "Economics" - all fairly enthusiastic for my wage cutting scheme.

Finished Melbourne speech for PM (World Economy)
- made a fine commitment to free trade

15 Tuesday

CPRS paper on Pay - not good (John Ruckard's work)
proposes study of Wage Increase Tax WIT

7.00 Ian McGregor on GGP - He wants to sell steel from Ravenscroft. He could get oil cos only if

16 Wednesday there is a good price for gas

Norman Strans did naughty things on TV - Criticised Pym and Thorneycroft entirely justified! But he must give up his No. 10 job, I think, since how can John get cooperation from Pym etc?

12.30 lunch with Bob Bee and Adam Smith Director (Eamon Butler) - launching the Public Expenditure Study.

Dreadful job trying to finish Trust of Directors speech

1981 September

Thursday 17

10.30 Walter Scholten to see PM - I pined him on EMS

Finishing Trust of Directors Speech

B/E. - W.S. said Scholten would be a good man. (John Baring does not want the job)

Florida, George & Goodhead - background of interest rates
Very worried about Sept/Oct since £2 Bn + will be required to finance the VAT refunds. Should be OK after that - problem of convincing the markets
Note to PM on this issue

Lunch at Grahams Discount House - very enthusiastic about our leader - increased contributions to

2.45 - 4.15 Speech for Melbourne - PM liked it v much
Did not like Nigel Lawson's draft
(Chancellor etc followed me in to room - but Tim left)

Note to PM on distinction between money and credit

Saturday 19

Sunday 20

September 1981

21 Monday

PM's Blackpool speech - finding it very difficult to reconcile the election promises of low taxes with present reality. Will she be prepared to go on record saying that all will be well in 1983 etc.?

3.30 Minister Mtg on Pay (CPRS paper) - badly organised PM very disorganised - mainly about propaganda (TV John Cleese etc) - but did reject fairly the WIT proposal - No bloody concessions

22 Tuesday

PM very upset about Water War - but not prepared to face a showdown
10.30 Interview with Business Week - rather a stupid journalist

Finishing Blackpool speech - v. difficult - JH thought it was not suitable, and I agree. She needs theatre as Shirley Williams catching the wrong train

met with Allan Melzer

Ke Sheng Shew (Taiwan)

Unemployment at near 3m

23 Wednesday

took Bruce Gerdye - Agitated about expansion of bank credit to personal sector - I pointed out that there had been no effect on house prices or on stock market (which went into an enormous slump for below 500 - yet Phillips and Drew gave bullish views for September!)

Derestricting indexed gilts to cover £2 Bn for October. I am very much in favour - but stock nervous about foreign buyers (OPEC) being given unfair advantage

1981 September

JH & DW - want to know about economy Thursday 24
On course - but we must DO something about unemployment. I say abolition of planning controls would give housing boom

met with PM - farewell to Tim - she had v. bad interview on Aust TV
Telegraph rumour that PM is about to be deposed while visiting Melbourne

Stock Market Crash but back again FT 487 close - Bounced back in last hour trading

Letter to Peter Middleton about meeting with Jack Bruce Gerdye

Friday 25

Washington 200

Saturday 26

Sunday 27

September 1981

28 Monday

Saw GH about monetary situation

29 Tuesday

Saw H van de Tak - he knew about poss of
my being VP - I told him that DPS
should be disbanded - and distribute
personnel to other operating depts.

30 Wednesday

Guy Pfefferman
Richard Webb
Paul Meo

1981 October

Thursday 1

Saw

Friday 2

Saturday 3

Sunday 4

October 1981

5 Monday

Inst of Directors Annual Dinner Address - very quiet
and had to dodge a lot of pointed questions
- mad at interest rates rise - many bankruptcies
yet public sector gets away with it

6 Tuesday

Heath speech - but obscured by Sadat assassination

Got off a comment to PM in Melbourne - Heath
speech is awful - ring fence around Europe etc

IEA with Nigel Vinson - he is v. worried about high
interest rates - wants something done about it
- Same mistakes as 1980 etc - similar view from

7 Wednesday

Alfred Sherman

Howe tells me that Heath has letter in Tomorrow's
Times - I suggest Edmund Goldberger replies

back at BBC with Fischer (head of talks etc)

4.30 Congdon + Goldsmith + Alfred - worried about
impending U.S. depression due to high interest rates
Urged them to wait + see if it comes down.

1981 October

Thursday 8

Gordon Pepper - Sprinkled believes expectations
determines market - not flow of credit etc - afraid that people
will keep money on deposit and not move into stock markets

Russell Secreston back

Explain to J.H. J.V. AD why we should not
join EMS

The

Burns Middleton Ridley re Econ Forecast Friday 9

(a) How to get off the £M3 "targets" - they are bound to
rise at 15% - mostly due to new Bank competition
(b) Interest rates - the final twist to 16%.

Reflection - I am SURE ^{16%} will be too high. We are
in danger of squeezing just like we did in 1980
but now there is the excuse that we do not have the
statistics of M3 etc. What can I say?

Saturday 10

Writing new part of speech for Blackpool
- delivered to No 10

Bombs in Elvington

Sunday 11

PM phoned to say she would like me to
produce more to give intellectual basis for
policy

- She returned to No 10 at 8.30 or so
but was too tired

October 1981

12 Monday

9.45 PM - discussed what she wanted in speech
Putting the pieces together all day

GGP - we were justified by FT headline
- also good edition

3.30 PM again - have I done it!

13 Tuesday

Blackpool - reported to PM

PM was chasing me all night to help with speech
but Paddy & I were registered at the hotel
in the name of Lord & Lady Thomas!
Chaos - did not get hold of me 'till it
was all over!

14 Wednesday

1981 October

Thursday 15

Talk to Fringe group - very well attended 200 or so
Question time good - but called Heath's policy 1971/2
"Assinine" then withdrew - only Harold in Times
printed it
Dine with Lawson, Denis T. KT, High Thomas, Lady Newe
& Ferdy Mount. Then party ITN. Great argument with
Editor of Daily Mirror and an unknown ITV man
Miranda Haskins witnessed it and said Friday 16
I was devastating - whatever that means

PM Speech - not a good one

High Thomas thought A- - but he was being
polite

Saturday 17

Sunday 18

19 Monday The Pub spending target of £113.5m implies all sorts of cosy assumptions. We will be very lucky if we get agreement to £115.0

Grossman & Grant

20 Tuesday 10.00 Cabinet on Public Expenditure.

PIT wanted to talk about Cabinet mtg - asked Jack to do Census speech

PS lunch - conclusion that all is to be played for Cambridge ~~books~~ only one who took a firm line - social justice etc, and he shut up PIT - but she retaliated

Employment means disc with TH AD DW - new figures show depressing increase in seasonally adjusted of 55,000 or 5.00 Westminster Industrial Brief
Petheridge says City believes that there will be U turn
I tried to advise him

10.00 News - All cabinet disc on - in spite of "no leak" promise
Biffen presented as wet - which he was not

21 Wednesday

Complete misrepresentation of Cabinet meeting in press - see my notes of meeting
PTRS - lunch

News on need for precise PSBR target even though outcome is uncertain

7.15 for 7.30 Savoy Hotel (Rivers) (50)
v. unfulfilling - MAS Charman etc - all in favor of RUST.

EMS paper finished - no entry Thursday 22
Exch. controls - urgent memo to PM to repeal Exch control Act 1947

lunch at IFA Winch & Enders

Meeting on Employment Means YOP → Coby

I have persuaded DW & TH of essential need
JH is living with PTB for wages to REALL
and anything we do
I should have that as a FIRST Aim

Friday 23

Employment meeting - again get price of labor down & increase sweatshops - remove prop for 16 year olds - YOP/School/Work

Rapid rise in short interest rates to high, bad $\frac{1}{16}\%$
Main problem is confidence - all believe exchange rates etc are due to be re-imposed
Political problem mainly

Funding OK because CGBR was much

better than anyone expected due to Saturday 24
first having difficulty turning around the computers

Sunday 25

Gdmow on weekend world - agreed that most
glaciers are against PIT's economic strategy

October 1981

26 Monday. More concerned than ever about need to
stop legislation to enable Bank to block takeovers
like Hongkong Shanghai. Memo to PM.

Lunch Julia Harland, ^{Now High Elizabeth Jones (ST)} Terry Simon Jenkins - excellent
he sees many ways of privatising railways - get wages
down sure everyone wants to drive a train.
British Leyland - what to do. TV reflecting Whitehall
says gov could not tolerate a closure. We must

DW suggested to PM that she see "Changing Gear" group
- she said send her to Treasury!!!

27 Tuesday
JH & DW thinking of putting pressure on PM - AS suggested
she increase CPAS - she said I have got a £50,000 ad budget
JH and DW are v. frustrated - she has aine but her
reactions are awful - does not know how to organise her
time or to deal with meetings & colleagues

- Keynesians all - except

Tuesday Club Dinner: Nield, Higgins, Pepper, Giffiths
Money is means of payment - not credit - made some
progress in pointing out the errors that arise in analysis
David Henderson thought it v. good. Easy to dispose
of arguments

28 Wednesday

C/E paper on Industry Act forecasts - but imagines that
whether we reduce Employee or Employer contribution
makes a difference

Lunch at Tui Corydon (Russells), Varley,

Can we debate - PM's performance B-- . Shopping list
approach - but brilliant speech by Powell - on lines
of the Melbourne speech + v. convincing Foot. Y.

15th marches on to a strike - Govt will not relent
- it would be disastrous for syndicates if they do

Great Screen pledged on E's TV ^{1981 October/November} ~~disaster~~ - but all
out in the forests - Times said leak. was
wrong - IOD - but probably mischief making
Thursday 29
Itai Chan & Prior argued that now persons can be
sued and then Union pays fine - but m.c. type
and v. different if Union is in the dock.

^{Not reached}
E Ctee on Bank Takeovers - TULAs Reform. Immunity
is sticking point. Itai Chan, Prior, Welke do not want
to move at all - unless they can be sure that no gov't
(Labour) will not overturn it - "permanence" etc.
- Elliott v. good and firm - Law would do good if it
passed loose the brakes from the Union. Story of the
Middle Temple Dinner with Ruskell - Union only
contract because of diff of enforcing at 1319 Sites

We need to start new steps on monetary Friday 30
control. - Write Memo to PM saying we should
go towards M. or M. to control for work rates
PM working on speech opening Parliament - cannot see
her at all next week.

Reflecting on monetary reform - I think we can persuade
everyone to go on to an M. or M. target now
Bunce & Middleton have moved - so has Patrick
vanisford and Pepper.

Discussed electricity bill of £400 for quarter.

Dinner with Chilean Ambassador : Eldon Giffiths

Saturday 31

Chapman's "house" at Coliseum - very long
and tedious - typical left wing opera

November Sunday 1

November 1981

2 Monday

F. Cttee on Local Authority - Refused vs rebellion for
misbehaviour - but M.H.'s proposals after caught TORY
Councils where are not over-spenders. CAUTION
preached by W.W. FP + Janet Young.

New Training Initiatives by Tebbitt - COSY got through
but LAYMAN plan dropped - Treasury support

Lunch - D. English (Mail) Douglas Hume (Times) - Mar Schreiber
Yvonne White (Granada) at CPS - Layland - F. said F.

3.00 P.M. caught me for speechwriting - would be pleased if
Chaos - I told her that speechwriting they rejected after
comment was a shopping list - she was surprised

8.30 Return to No 10 to continue speechwriting - S

- 1.00 am Darned tired

3 Tuesday

D.W. & J.H. against YOP & COSY - much
prefer to extend my scheme to all schoolleavers & young
- give an £20 a week and you will get real job & dropout
D.W. says YOP cost is about £40-45 a week - but some
YOP PPEs cost £4,000 a year - on carpentry courses.
cannot possibly expand real training at the rate implied

4 Wednesday

10.30-1200 Ed Goldberger - mainly concerned with putting
across the message

PM agrees to monetary reform - but says "Ted was on M, in 1971"

Opening of Parliament - PM's speech very good - she used most
of my material

Pd Fec Clubs - Fleming on interest rates - nothing new
except Brian Redding thinks inflation will fall to 2-3% in
a year or two

Princess of Wales pregnant!

1981 November

E on local authy rates - Heseltine wants referendum if
founded is exceeded - says he expects 40 or less Thursday 5
Cecil very worried since he sees good Tony commits career
Drys pro M.H. - Welsh (W.W. hate referendum) Pym (definitely
would go through House) M. Taping said "difficult" but thought
it would go through, then changed his mind under Pym's coaxing
and said it would not - but PM supported M.H.

Lunch with PM & Private Secretaries: Still against FEMS
- meeting reported in Fi & Guardian now cancelled
Against also sweeping legislation against Bank Mergers

Papers all said PM's speech was the best she had delivered
- FT headlined by my exported led growth and inexorably
turning - D.W. is frightened of uprisings in 6 months time
if things do not look rosy

J.H. - very nervous about commitment to him it all
around in one year time - did Gummer add that
substance - I did not

→ Very pragmatic on N. Ireland - would cheerfully
give it to Fitzgerald if only he would take it - She!
would save £1 - 1 1/2 Bn or so. Rep. male Irish!

Sar. for lunch - M.F.S. - he agreed get off M. 3 and give
the F.R. some role

Lizard & Thomas's to dinner - Arguments about nuclear
defence. Thomas was hawkish as I am.
Lizard says Tentative is a splendid chairman of
SDP Council - when he speaks, it means next time

Saturday 7

Sunday 8

November 1981

9 Monday

Spies all morning

1200 Saw PM on speech for Lord Mayors Banquet -

Draft of first 5 pages into her box - One Nania → One world

Tan Gow very upset about prospects of de unionisation of N. Ireland -

10 Tuesday Clive thinks PM likes the draft but must check the history with Hugh Thomas: Alfred S. working on it also

on TV Reform: Agreed to section 14 Immunities - only just on. JH's come it was 8 to 7. Even Whitelaw was against it

Battling on with draft of L. Mayor's Banquet speech

JH + DW made no impression on PM. The employment measure and GDP - towards rallied on party, no idea about looming threat of GDP - JH resign on Jan 1st? DW later? I suspect this will focus her mind.

11 Wednesday

Brief 15 min with PM on speech

Gordon Pepper says monetary policy was much better than anyone imagines

Lunch with PM in flat - she wants to do contrast with 1950s - very wild and inconclusive.

Middlebrow Dinner - we agree on mainly M, for target, and not GNP for aggregate targets. No EMS, but agree to talk to Jack and Nick - need to convert them.

Canada Club Dinner - Carington v. gloomy - hang told by Earl of Ardie (Schroder was) that things are very good - except for unemployment

1981 November

qHF

Only Ryne was in favour of the Chancellors Bank Mager legislation - All the others ^{Thursday} 12

Working on speech - she liked my draft - lunch in flat.

Reception at No. 10 - Morecombe + Wise, Harry Ferns Bill Peckham etc. Very funny conversation with M + W

Dinner at CPS with Norman Fowler and Gerald Vaughan CSD abolition bombshell

Friday 13

Lunch in PM's flat - still working on speech. She is getting more and more scattered

6.00 Cocktails with Norman Lanout - he is worried about unemployment

Carington has been talking about resigning - will not allow and to be touched at all. More budget cuts to be born by Norman Fowler.

Danced Irish troubles - mended with MP

PM been reading Peel - found he was against the Corn laws only at the end - ^{Snyders} "Lion enmeshed" ^{Churchill painted mouse growing away at ropes} Dennis at lunch very anti free trade with Japs too much total commitment to production laser beam etc

Sunday 15

Working Speech at Chequers for Guildhall PM very tired and irate - esp with me for opposing the view that because all countries were putting into action policies like ours, we should not follow them blindly Bacon and eggs working supper

LATER - returned to my room and found 'Gene' there Gummer said let's leave it till tomorrow

November 1981

16 Monday 10.30 - 3.00 Finished speech with PM and lunch in flat. She accepted my arguments and said flattering things, which were not quite true i.e. that I was always right in predicting sharp complaints about my sending

To Leeds: sat next to Fenlon chairman of Speedstream Committee of W. Yorks - very anti YOP - they want jobs

Gowrie gave a speech - not good - but I met a lot

17 Tuesday of protectionists. B/R big back - 14 1/2 14 5/8
Speech went well - Offer went down to 13 -
G.H. - said PM3 has still power, but not very much
- warmer towards M3 and to EMS than he should
- Mansion House speech - did not mention M3

Tommy Thomson's lunch - talked about causes of unemployment - Halstead Chairman of Beecham's good cheap and solid Thorchester - some more protectionists

8.00 Bill Poebon's for dinner with the Sowers.

Very tired

18 Wednesday

Bills at 14/14 1/2

If on M1, or exchange rate (some tightening needed)

Base Rates buy up a bit - will come down

Uncovered differential = + gone for -3.

Expecting Base Rates to come down

Lunch with Yenc (Taiwan) at Bucks - oysters - talked about the MFA - Taiwan Hong Kong and Korea are being squeezed to move to India and poor countries. He said they auction quotas in Taiwan -

Dinner with S de la Cuadra Miguel Kast at 21 VS.

W. G. G. Smith + J. H. there - fascinated by labor laws. Keith had supply debate in H/C

1981 November

Full in M1 shows responsiveness to rates of interest
M3 expands very fast > PSL2 - structural change
and expanding of Bank Copenhagen Thursday 19

PM has asked for all people who have seen my memo on NIS getting nervous about the budget - but NIS memo of G.H. was only secret and not Budget secret - so I am guiltless - but she did not confirm this in memo of Scholas!
E(NI) meeting - mainly push ahead with CAPS

Keith F. concerned with low standards at British Universities - wants to get some outside assessors (Herbert, Fellner)

Friday 20

Not feeling very well today.

Saturday 21

Sunday 22

*Day seems to
be right as the
or Kellner!*

LETTERS TO

Disbanding Civil Service Department

From the Head of the Home Civil Service and the Second Permanent Secretary, Civil Service Department

Sir, May we offer a brief comment on your leading article, "Madame Guillotine", of Friday, November 13, on behalf of our former colleagues, who are not free to speak for themselves.

Devising satisfactory measures of efficiency over much of the work of the Civil Service has not proved easy and perhaps the best general indicator is the number employed. As to that, you say that the Civil Service Department came to symbolize over-manning. What are the facts?

In its early months of office the Government set a target of 630,000 for Civil Service numbers by April 1, 1984, representing a reduction of 102,000 from the strength on April 1, 1979. On October 1 last, the midpoint of the period, numbers were down by 52,000. In other words we were exactly on course, one of the few economic objectives set by the Government in its early days of which that can be claimed.

Moreover, this has been achieved in spite of the need to absorb about 7,000 additional staff to pay unemployment benefit and over 2,000 to man the prison service.

As to the quality of the staff who have served in the CSD, it is perhaps relevant to point out that in its 13 years' existence nine of them have gone on to attain the rank of Permanent Secretary in a variety of departments.

Finally there is the suggestion that the CSD has been more concerned to look after its own than to protect the taxpayer's interests, particularly in the determination of pay. It is perhaps worth observing that in the last 10 years the real worth of the pay of a Permanent Secretary has declined by 38 per cent, of an Under Secretary by 15 per cent and of a Principal by 11 per cent. If self-interest was our motivation, here we must admit the charge of incompetence sticks.

Yours faithfully,

IAN BANCROFT,
JOHN HERBECQ,
4 Melrose Road,
West Hill, SW18.
November 14.

From Mr Peter Jay

Sir, I have seldom read an article less deserving of publication in *The Times* than that by Mr Peter Kellner (November 13) on the abolition of the Civil Service Department. It is in sad contrast with your own serious and fair-minded leader.

The central theme of the article appears to have been that the Civil Service Department (CSD) was an excellent innovation, integral to the whole reform programme recommended in the Fulton report, which miscarried disastrously as a result of the resistance or incompetence of successive archetypal "amateurs" as official Heads of the Civil Service, namely Sir William Armstrong, Sir Douglas Allen and Sir Ian Bancroft. The truth has been precisely the reverse.

In 1968 the Civil Service indeed stood in need of substantial

reform; and the Fulton committee rightly diagnosed the need for a recruiting, training and posting policy which recognised the growing importance of relevant professional skills and academic disciplines. The recommendations for the creation of a CSD, far from flowing logically from the analysis, still further from being "paramount", was a destructive irrelevance, spatchcocked into the general design of reform at the specific and arbitrary stipulation of the then Prime Minister.

My evidence for this is quite simply — and it is time now to record it — that Lord Fulton told me so on the day of the publication of the report, in reply to my astonished inquiry as to how such a misbegotten notion had found its way into such an otherwise valuable report. His exact words, as I recall them, were: "Because Harold Wilson told us to."

The eventual failure of the CSD to serve the public interest, rather than the vested and mandarin interests of its clients, flowed inevitably and predictably from the very nature of such an institution. My evidence, at least for its predictability, lies equally simply in the fact that it was predicted (in fact by myself) with awful precision in your own columns on July 1, 1968, as soon as the Fulton report was published.

It was, moreover, predicted on the grounds that it was bound, like all Ministries of Agriculture, to degenerate into a lobby for its clients' interests, unalloyed by the Treasury's practical concerns for economy and efficiency in aid of the policies of the Government of the day. These are precisely the causes which have led to the failure and have led the current Prime Minister, very wisely, to restore the only kind of organization that can provide unified and purposive responsibility for the management of public sector resources, namely the Treasury.

Space does not permit an extended contradiction of Mr Kellner's extraordinary, unjustified and despicable sneers at the late Lord Armstrong, to say nothing of sundry other manifestations of Mr Kellner's debt to the gossip writer school of political journalism directed at Lord Croham and Sir Ian Bancroft. Suffice it to say that, if there was any man alive in 1968 who could have made — and did make — any kind of workable sense, as an instrument for thoroughgoing reform, of Harold Wilson's thoughtless ransom to the Civil Service unions, it was William Armstrong, the most reflective, innovative, professional and courageous of postwar civil servants.

For Mr Kellner to deduce from Sir William's wish "to preserve what was best in the old system" a secret intention to "sabotage reform" shows only that Mr Kellner owes as little to the Aristotle school of logic as he apparently does to knowledge or understanding of Whitehall then or since.

Yours etc,
PETER JAY,
Garrick Club,
Garrick Street, WC2.
November 13.

November 1981

23 Monday

Came in at 9.30 but feeling very poorly
Saw Keith briefly

24 Tuesday

Ill all day

E Committee on Banking Mergers & T/Os
- went my way - no legislation

Asked to dine at Chequers on Sunday with
JH (+ Miranda), KS ~~etc~~.

25 Wednesday Alan Bailes

Burns vs CPRS - great confusion over MTFs and
whether our policy is to "nip the recovery in the bud"
I prepared a paper showing that MTFs does no
harm thing. Burns seems to regard inflation
rate as exogenous and therefore any squeeze
applies to real output - and so lays himself open
to this charge by William Keegan of Observer
Bentham Ingham very worried about what to say!
Ian Gow says I must stay longer than 2 years

1981 November

9.30 Cabinet on Public Expenditure

Thursday 26

Ill all day after v. sick night

Public Spending held to £114.9 bn. - not too bad

SIP Victory in Crosby - though not so large as predicted Friday 27

PM.

Dinner at Chequers PM + DT + KS + JH (and Miranda) Saturday 28
PM, hours of us seeing that strategy for SIP
is needed. KS splendid in bringing her back to
this central point. PM sanctioned Task Force (but
do not call it that). KS said that we were right in
getting the 1981 Budget tightened - credit due to AG + JH

DT fell asleep - PM said "Dennis" "Are you asleep?" Sunday 29
- no reply - "ah let him snooze"

Told PM that all HF (except Ryrie) were against
the ban on Bank T/Os. She waived poker and said
Why did G Mallon himself to be dragged by Gus
JH + Governor + John Tiley to dinner at 21

30 Monday

Richard
 CPRS about reducing benefits by 10% = 150,000 off register
 - putting them up to 250,000 - 500,000 so that it is consistent
 with Mifflin's figure

DW worried about PM's response to interest rate question (said she wanted £ at 2.00, at too much borrowing etc). M3 is the excuse of B/E - frightened of PM's wrath when M3 appears

New York Times (Rattner) interview - young brash man

Memo to PM - should NOT target M3, but look at M1, M2 etc instead - agree with Peter M that interest rates should be cleared to fall rapidly.

Dinner with Christopher Bailey (Bristol Channel Ship Repairs) + JH.

1 Tuesday December JH saw PM and she thinks he has accepted to stay on. Who is to do share etc were questions she was asking. But JH did not agree. PM agrees to give JH budget papers but said (+ KJ agreed) DW could not see them since he was POLITICAL and not a civil servant.

PM saw my memo on interest rates - but wants to wait until GH returns tomorrow. Memo from FST urges decrease in r and do not overfund

Michael SANDBERG, from Hongkong Shanghai - suggested he gets on to Banking Correspondence and fill them what is going to hit them. Thought that 9% cost of current accounts was very high

Dinner Ferdinand MOUNT, David Haul? Peter Bauer and Shirley L ETWIN

2 Wednesday

Memo to PM on why work syndrome and effect on real wages

1.00 lunch at Finance Houses Association - gave short talk - they complained about PRESENTATION

2.30 Treasury GH+ all on EMS - GH being edged towards it but most officials in Treasury still against it. I suspect that GH will not reduce interest rates - too heavy? While they were discussing it, Natwest reduced Base Rates

6.00 Cocktails at US Amb Residence

PM spent 1/2 hour looking out dolls for

JH is clear that PM is not really interested in strategy Thursday 3

Lunch with FHA

Sent PM a note on the Why Work Syndrome - explains difference between 50's & 70's

FT Article by Sam - bully for Walker's subsidies

JH + DW - both very fed up with her. Friday 4

Interest Rates - Why was I not invited to C/E mtg
 PM says I should have been there
 MS concerned about her saying she wants £2 pound.
 Lunch with Frank Williams of Times - quite good
 (Note on Monday)

Economist - bully for Walker's subsidies → PM

Westwick

Saturday 5

I presented need for interest rate fall as a precursor to election

PM phoned about my interest rate paper + Gordon Pepper's letter - very annoyed at thought of Bank holding up rates - but leave GH to get on with his speech Sunday 6

7 Monday Saw PM at 10:00 - 1200 on interest rates. she got Terry & Peter M to come in at 11:30 she wanted me to help GtH do his speech for debate
Gordon Peppers for Govt of Bank - PM's suggestion
Note to PM on dangers of £2.00 - any effect on RPM is dissipated by the return to PPP.

Analysis of Clave Group proposals
Talked to JH & DW about my being next Governor of BIR
BBC many Ian McIntyre
Dinner with Anna Schwartz. upset at Alfred Alexander
not getting DG of BBC

8 Tuesday JH told by RJ that the PM's Dept and offered CPRS - but JH needs a free hand to use CPRS for strategy (a la Rothschild)

Alfred Sherman complained about Governor's bad mouthing HK's BC in press - threatening to "not cooperate" with Press (Times Bernard Donohue)

I suggested he should see PM and tell her
Lunch with Barclay free

J. Wolfson to approach WW about DG of BBC
and warn that MINE has around that he is

9 Wednesday Stupid MTFs draft by Burns showing M₂ as primary target.
Nissan - PM & PJ want 80% British content
But this is a QUOTA restriction and BTD

Lunch with PM for Michael Alexander - great argument about expending by Foreign Office on Paris and Washington embassies - defence was weak

5.30 GtH lambasted by PM about interest rates and indexed gilts. GtH still does not want to issue indexed gilts

Thursday 10

Dreadful meeting with Chancellor et al on MTFs. Very confused about money GDP guidelines

MTFS meeting - Nick Ridley & Jork wanted to political stall - no targets etc - Showables - Terry presented in cost of GNP (money) trend rates. GtH on about getting off M₂
Jork very wary of banks landing - but Terry is going towards Rate target with money on sidelines
IMF - again M₁ better than M₂

Friday 11

Smitters - wanted to set up Nat Mortgage Corp which would buy L.R. mortgages

Mowkhor (Christopher) - reduce frank - cooling of conventional mortgages

Saturday 12

Sunday 13



10 DOWNING STREET

FRIDAY, 11 DECEMBER 1981

- 10.30: Mr. Hans Schmitt and
Mr. Bert Knobl (of IMF)
(At No. 10)
- 1.00: Savoy Grill Room,
Strand.
(Stephen Harrison and Ribaud)
- 3.00: Tim Lankester and Andrew
Smithers (At No. 10)
- ?4.00: Mr. Monckton, JH DW
Index-linked mortgages.
- ?5.00: Professor Bauer (At No 10)

December 1981

14 Monday PM stupid - wants to suppress the article by David Howard (Red) showing M3 is better than M1 - I begin memo

David W.'s memo on sound of YOP - in context of revolt over the 1/10 payment only 1/2 of the YOP's are on tray yet average cost is £50 pw.

hus Edmund Goldberger, Julian Amery etc - nice old butter JA - hopelessly romantic but also very shrewd

Dennis Simon Jenkins Posner & BR - clearly designed to mend fences - "could I see any case for subsidy" Jenkins said he wanted to split up BR - sell off Southern

15 Tuesday Memo pointing out that we cannot suppress the reports of the bad performance of M3 "We have nothing to fear from the truth" Will I be fired?

hus Peter Tapsell - pompous man and quite unable to stand up to my arguments that PSBR in 1980/81 was expansionary (13 1/2 Bn) yet economy collapsed whereas PSBR in 1981/82 was 10 1/2 yet economy recovered.

Dinner Aaron & Sue Gellman

16 Wednesday Middelton - says of stronger and interest rates moving down - he agrees to write memo to C/E recommending that they engineer a 1 1/2% reduction by Christmas
Set up lunch - Michael Boyd Carpenter rather depressed by selection chances

Wass & B/E (George MacRethen) - Bank want to stop auction system - argue that it depresses the prices - Wass Graham Hutton for dinner // seemed persuaded but we agreed on more auction

1981 December

Notes on MTFs sent to Burns & Middelton
plus for M1 guide (with M. & rekind M.)
and M3 as subsid - 3 year growth

Peter Wiles & Matthew Simons (new ec ed D Tel)
- a bit wet especially on M10
- said SDP were against WIT Meade & Tinson
- John Horan says econ pol is same as Thatcher

Party at No. 10 (late night cabinet on Ian McGregors
crazy idea for buying Kaizer. PM
had great rows with him)
David Harts for dinner - He had his book accepted by Anthony Blondin David Porthos (ex Energy)

Notes for PM on Redundancy Payments in Universities
£200m vs £100m - they do it on offer
- I suggest red freeing incomes for 3 years

1.00 lunch with Alfred

4.00 Bank Horde v. worried about PM putting pressure on to reduce interest rates. They are OK operationally
86 > ER > 92.

Nick Rids & Toke complain that GH has to approve of everything. GH no good at all at speech making - no structure. Prepare an agenda for meeting
6.15 PM
Jill & Brian to dine

MTFS Saturday 19

Indexed Gilts

- PM very annoyed that Bank is trying to sell indexed gilts by tender

PM now convinced that M3 is no good
Objection to Howard article is that opposition will beat him
with it (as Shore did with the Budd
concession!)

PM wishes she should have asked Jenkins to be C/E
SDP Horan said Ec Pol the same.

Sunday 20

December 1981

21 Monday

Gambina!

22 Tuesday

23 Wednesday

1981 December

Thursday 24

Friday 25
CHRISTMAS DAY

Saturday 26
BOXING DAY

Sunday 27

December 1981

28 Monday

29 Tuesday

30 Wednesday

1981 December/1982 January

Thursday 31

January Friday 1
NEW YEAR'S DAY

Saturday 2

Sunday 3

Ret

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