



HOUSE OF COMMONS
LONDON SW1A 0AA

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Box

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I should like to have a chance of talking with you during the Recess about the development and presentation of our position on a number of issues which straddle the economic and industrial front. There is clearly great importance in our being able, throughout the summer, to present our policies on this front in a coherent way - particularly because of anxiety that we might try to move towards our Social Market Economy objectives at too break-neck a pace, rather than "with all deliberate speed".

You know my own preference for not-so-benign neglect of harmful institutions rather than theatrical overthrow. This seems to me to be important if we are to offer industry the prospect of reasonable stability, with changes made in an acceptable way and at a pace which they can accommodate.

Many companies which have, for example, done their budgeting on the basis that REP would continue, are understandably upset at its disappearance within a matter of weeks, which contrasts with the more gradual approach that we put forward some years ago.

This is the background against which I sent you Ronnie McIntosh's Bow Group speech. Along the same lines, I commend last week's Bow Group pamphlet "Withering Heights".

At the risk of embarrassing all of us, I am enclosing copies of a document and a speech produced by Robert Rhodes James within the last week, which I invited him to send to me because of the way in which he was expressing his concern to me in the Tea Room. I do not share his view about a "sudden upsurge of Labour morale" but I am sure he rightly identifies the way in which we could all too easily be misrepresented.

More hopefully, I think we can reflect on some successes in the last eighteen months:-

1. Getting across the need for spending cuts and making that ground our own.

2. Getting across the case against high direct taxes and making that ground our own.
3. Destroying in advance the value of Healey's direct tax cuts - but thereby making it necessary (and hopefully possible?) for us to do much better.

I fancy the corresponding tasks in the next six months will be:

1. Warning against the danger that a Lib-Lab coalition will take advantage of an improving balance of payments to start reflating in a dangerous fashion.
2. Driving home the message that a move away from an institutionalised incomes policy will require even more pay restraint, on a differential basis, without appearing to be simply restrictive and pessimistic - emphasising the Government's failure to be candid so far and their responsibility for our present plight.
3. Developing a positive and sympathetic approach to the growing problem of unemployment, particularly among young people. A chance conversation with Keith Hampson, Barney Hayhoe and Esmond Bulmer persuades me that they are the kind of people who could do a lot of useful work on this front, identifying the wastefulness of many present programmes and the need for rationalising the work being done in skill centres with the rest of the further education. Adam Ridley is seeking material from the CDU on this topic since it was the main reason for their recent success in capturing young voters. I am sure that our work on small businesses should also be positively useful on this front.

I feel that it would be very worthwhile if we could produce by the end of the summer an economic policy document, drawing all these threads together and, meanwhile, begin developing the themes in major speeches by Margaret, Jim Prior and the two of us. The post-Easter programme of the Economic Reconstruction Group will be very closely geared to the production of material for such a document.

I am sending a copy of this letter and enclosures to Margaret, Jim, Angus, David Howell, Chris Patten and Adam Ridley.

The Rt. Hon. Sir Keith Joseph Bt., M.P.