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Am. Minister

*The Chamber has
sent copies of this
to the Hoskyns and
Sir Keith.*

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PRIME MINISTER

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31/12

GOVERNMENT STRATEGY

It may be useful to let you have my post-holiday-thinking reaction to John Hoskyns' gloomy, but not unhelpful, minute of 22 December. I found it useful to read it alongside the note which Ray Whitney brought back from USA, entitled "Avoiding a GOP economic Dunkirk": you will be disconcerted, as I was, to find the transatlantic commentators referring to "Thatcherisation" as a condition to be avoided, if possible!

2. That is too gloomy a view. So is John Hoskyns - I suspect almost deliberately, and perhaps rightly - with his piece of provocative pessimism. Personally, I am sure we are not off track: but we are less well on track - and less far down the track - than either of us would have wanted. It is no good reacting (as John Hoskyns half invites us to do) by protesting that "we shouldn't be starting from here". We have started; and we're not still "here", we are part of the way towards "there": the question now is how to move further, and faster, in that direction.

3. The problem has various components. Industrially and economically we are a relatively backward nation, and becoming more so. (I am tempted to protest by pointing to "the good bits": but I remember your sense of shock at discovering that Belgium plans to sell more steel next year than BSC, etc. etc.) This backwardness is

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barely realised, and then only by a minority. Those who do realise would like to think it was possible to get things right. From time to time, they try to do so. Not hard enough, not long enough. Because life's still quite comfortable, really. And most people have got used to "lack of success" (more comfortable than "failure"). So "let's try, by all means: but always keep our options open" - and end up (as the American document says) with "parochial fire-fighting as usual, in response to constituency distress".

4. Those are the weaknesses. But there is a strength. And that, basically, is the Thatcher factor. People do have a sense that this Government - more particularly you - does see some of these things, and is possessed of a tenacity, which might just work, if only its sustained. After all it does seem to have worked, after a fashion which is unusual for Britain in recent decades, in Rhodesia, the EEC - even Ulster. But people are slightly scared, many of them, because we haven't convinced enough of them that we know what we're doing, and that we're totally confident of reaching our destination - which anyway is a long way away. And more than a few people think we're quite mad! Yet very few are able or willing to proffer an alternative analysis of Britain's problems, let alone a coherent alternative solution. So we still have a lot more support than we might have expected. And even the sceptics would like to see us doing well.

5. So we do have to renew and strengthen our thrust, and give it greater coherence - by doing two things:

- (a) Ensuring that we concentrate the maximum of talent on the fight for a relatively limited number of objectives;



(b) Consciously planning to broaden the base of committed and active support for the difficult things that will have to be done in pursuit of those limited objectives.

I stress point (b); we cannot take too much trouble over carrying with us those who should be on natural allies - in the city, the civil service and industry, as well as in politics: they want to see us succeed, to see any Government succeed, after so much disappointment.

6. If I was asked to have a first shot at identifying the key issues, the limited objectives, (and I do not differ much from John Hoskyns' section 4.3), I should pick the following:

(a) The whole business of reducing inflationary expectations, the indexation mentality, the cost-plus society;

(b) The removal of those factors - throughout the public sector - which in the American sentence, have made "the federal budget ... an automatic 'coast-to-coast soup line' that dispenses remedial aid with almost reckless abandon;

(c) The further, substantial, curtailment of the impossible power of "organised" labour - alongside a major extension to employee involvement.

(d) A major change in the relative status, rewards and security of innovators, entrepreneurs, risk-takers on the one hand and of coasting, competent, comfortable survivors on the other.

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7. And if I was asked to advise how - differently from what's happened so far - to develop our approach towards these problems, then certainly I should not differ greatly from John Hoskyns. I suggest these stages:

(a) The half-day discussion proposed in John Hoskyns paragraph 6.5.1; I could suggest names; some compact papers would be desirable.

(b) An exercise - perhaps another larger group discussion, perhaps a series of bilaterals, perhaps both - in which you should secure the commitment of all key colleagues to a limited programme, along the lines discussed above.

(c) The execution of the measures proposed - possibly through, or with the help of, a small group of task-forces, comprising outsiders as well as Minister, civil servants. (I am less certain than John Hoskyns about these. If we did go along those lines, then these task-forces should be designed almost as much to maximize support for what was going on as to get it done.)

8. We still face formidable tasks. We have made a start - but only a start. To carry things through to the next stage, we need a considered plan - and soon. The hopes of very many people are still with us.

9. I am copying this minute to Keith Joseph and John Hoskyns.

ibid

for (G.H.)

31 December 1980

(Prepared by the Chancellor & signed in his absence)