



HOUSE OF COMMONS
LONDON SW1A 0AA

13th October, 1976

We had a discussion at the Finance Committee last night about the coherence of the Party's attitude towards the social contract and the need to establish a bold and consistent line on which all Party spokesmen could agree in public discussion of this issue.

There was general agreement with the case which many of us have put forward to the effect that it has, as such, led to most of the worst features of the Government's economic policy. Your own letter to Callaghan and the speeches made by Margaret, Michael and myself last week all point to the same conclusion.

And yet there persists an understandable hesitation in saying outright that we are "against" the social contract. This is because we all equally recognise the need for pervasive understanding between government and people, most importantly union members, if excessive wage bargains are not to promote unemployment. If we call this, as I do, "concerted action", it is difficult not to recognise that that is simply German for the kind of social contract that is essential in a complicated modern economy.

This means that many of us tend to be driven onto the defensive when asked the question: "What would you put in place of the social contract?"

This leads me to the conclusion that we have an urgent presentational need to devise some new formula with which to answer that question, if only because of Labour speakers - who have now embedded in the public mind the importance of something like the social contract - will continue until Polling Day to go on singing that tune and we need to have a formulation which can be seen as the basis upon which we shall achieve industrial peace instead of confrontation and a sensible acceptance of our policies.

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Clearly the word "contract" should not form part of this. The right phrase should include words like "national" or "people's". "New deal" has some attractions except that it is shop-soiled and "deal" implies some of the corruption of "contract".

I am copying this note to Margaret Thatcher, Jim Prior, Michael Heseltine, John Nott, David Howell, and Christopher Patten, so that they can consider whether there is any substance in my analysis.

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