

Needs editing

I. Mr. Ingham

live + AA

It's unbalanced  
AH  
4-81

Q. Well, what I would like to ask you first is this. When you - a year ago - would you have expected - did you expect - that unemployment in July 1980 would be nearly 2 million?

A. Err, no. But then I've never myself forecast unemployment. I, a year ago we were starting the increase; we started increasing oil prices. Umm, I knew that if we were to get productivity up unemployment is, was bound together. Err, I knew that we must deal with structural change because for too long we've gone on pouring in money into keeping yesterday's jobs going and we haven't adapted quickly enough; and if we had taken the German view and seen the writing on the wall with steel and instead of, you know having Lord - who was it? - Lord Beswick's report dampening everything down - no we don't take any decisions until given to. If we got this steel industry slimmed down earlier you'd now have a hard, umm, if fit, healthy efficient steel industry rather like the Germans have, and we'd be through that. Umm, we still have British Leyland coming through but still in a difficult position. So I knew that other countries, like the Germans, had dealt with their steel industry and their car industry when the writing signs are on the wall, the writing's on the wall. We had not done that. And I knew therefore <sup>we had a</sup> that <sup>what</sup> I'm trying to say, I knew we had a number of savings coming. Structural change. I knew we was getting up productivity otherwise <sup>we</sup> would not be competitive. I don't think one realized that the depth of the world recession that would come through increasing oil prices because I don't think somehow one could quite foresee - and if one couldn't what would happen about oil prices or the extent to which the Iranian crisis would affect it. Now, if you look back at the last time oil prices went up, there's no way of avoiding that world recession. They went up presumably 5 times over about a year before. They went up fivefold - fourfold - and then this of over the next month. This time they've gone by over 100% and they've gone up tenfold over the whole period. Indeed, when we came in they were about \$13.00 a barrel and now it's about 30 or 32, 33 to 35. And having that amount in that time and having that to pay so much more for oil obviously means you've less to pay for other things. And there is no way of avoiding that world recession. So we are having to take 3 things together: world recession, the structural change, trying to deal with the productivity problems. Now other countries will have to face a world recession, and even the United States unemployment has gone up by 2 million. That is even in the United

States. They've got. We have to face structural change and productivity and making ourselves competitive at the same time. Now we can't avoid those because unless we do those things we're never going to come through. Whereas Germany had done and the continent had done those other 2 things and only has to face world recession.

Q. So you.....

A. Sorry, do you mind if I give you a proper answer and leave you to sort out.

Q. Absolutely.

A. ....How you put it. But what I'm trying to say is, we have to face 3 things together: as a German, as the Ile of France and the United States. United States must face her car. But Germany had sorted out her car industry when Volkswagen was in difficulty. It was sorted out by Germany. She didn't try to avoid what had to be done. And this is what has to be done. Let's try and do it as fast as we can and mitigate the effects of change.

Q. But we therefore, in your view, didn't have the option which some people say we had, that err there being this intense world recession that we should have postponed our structural change ....

A. Oh no, no no.

Q. .... or what it all means

A. It's a combination of 3 things if we did. What's the alternative? You print money. Err, you really can't print money at 19, 20% inflation. If you take off the fact that its actually lower inflation people are assuming its off the ice inflation it isn't. That's the price state that includes your tax and In that sense I must tell you that, umm, it is not an option to add inflation on top of inflation is not an option. Umm fairly soon and it is all you've seen <sup>the thing</sup> many, many times.

Q. Yes

A. Very soon suppose you add another 15% to stimulate on top of 20% you'll be up to 35%. That stipulates you'll not be enough and it will take 18 months to work through. You don't. You're stimulating up to over 50. It's not on.

Q. But you speak of unemployment as one of the consequences - you're very honest.

A. The short term consequence on fighting inflation, getting into fit condition, yes.

Q. And you say, you do speak of it as a therapy, that's not the way ...

A. I have never spoken of unemployment ..

Q. For the economy.

A. I would never use the word. It may be an unpallatable consequence of fighting inflation. It needn't be so bad I might tell you if we weren't spending so much in the public sector and that is why you are constantly hearing me say and why I've put a piece, insisted that we must have a piece in one's censure motion speech about what is the real problem. That you have to fight inflation, that we have bring the amount of printed money down. So we say, all right, upper target will be 11% of printed money. After all that's quite a lot of printed money in the economy. Upper target will be that now. If out of that amount of money you are going to take too much .. the public sector .. the private sectors bearing the burden of your economic policies and it is the private sector where your new jobs will come. And that is why you constantly hear me say you've got to fight the public sector for the sake of getting new jobs, genuine jobs. Fight the public sector down on expenditure and we haven't really succeeded. If you were to ask me I would say we haven't got it down enough.

Q. Why haven't you got it down ..?

A. Because it is very difficult and because it is easier for departments only to go down a certain amount because each going down provides some dislocation and I am the first to say and I would have said - I don't know whether I said to the Sunday Times, I probably did - if we got it down further interest rates would not be as high as they are now. But one has to balance a lot of things.

Q. But are you saying ..

A. And it is not easy. Some of things we have done already appear to have been quite painful to some people. But I still think there is a good deal of waste and when I did the -  
stop me if I am talking too much.

Q. Can I just steer it

A. .. what I generally think and you can fix the questions. When I did the Civil Service statement in the House that we were going to get it down to a smaller Civil Service I said we really must pay more attention in the public service to sound administration, sound management as an objective on its own. Not just the view that you've got to support Ministers, provide supreme service on questions, on debates, regardless of the cost you got to, a triple triple insurance about .....  
the Ombusman. You really have got to get supreme management, real efficiency and we really haven't given enough attention to that.

Q. Does that require a great change of attitude on the part of senior civil servants?

A. Yes, it does.

Q. So are they resisting it?

A. No it is a change of effort. It's not that they are resisting it's looking at things from a different approach. You see throughout the whole of the Labour Government I mean the more they employed the better it suited the Labour Government. I know that we simply cannot go on in that way because every single one of us, including me, depends upon a flourishing productive marketing sector and if you - actually one figure we have not used yet, it really hasn't been used enough. You know those CBI surveys and the charts they did, its the latest CBI thing at the beginning. They did a whole lot of surveys on competitiveness and there is whole lot of tables and bar charts - I've got them

somewhere but they will let you have them, they have been trying to put them out. The most successful industry, the most successful country in the world is Japan. No. 2 is Germany. Japan in the last three years has increased in productivity by 16.2%, increasing pay at 16.3%, indential. Germany increase in productivity considerable, increase in pay only a little more - so she has got a little inflation. France a little bit more so she has got more inflation. United States more increase in pay in relation to productivity. Two countries who have done worst of all - Italy and the United Kingdom. So we have the biggest inflation rate and of course the money supply was expanded to accommodate that in both cases. Now I am afraid this is the message I've got to get home. There is no way around it if you want to be successful. You've got to compete. *Imagine that I am a school leaver*

Q. Imagine that I am a school leaver, not a political editor, and the first experience I have of adult life is that I'm just about to join the dole queue so I don't understand a lot of the stuff you've been saying, this theoretical stuff. I need to be persuaded that this is none the less..I need to be explained to me why it is that this should be my first experience on the dole queue and what future you can offer me?

A. Well first, why sometimes you can't get a job where you are. Now we are still short of skills so the first thing is to try and get a skill. Most youngsters could get a skill and the idea that they couldn't is absurd. Sometimes you will find that they come out of school really without the basics you know and that is a pretty awful reflection on eleven years of compulsory education. That we are not being able to get across some of the basics. I don't know whether you've got the latest Manpower Commission's report. Can you get it - Nick will know. At the back there is a marvellous collection of things that are happening under the Youth Opportunities Scheme. But some companies - GEC is one - ICI is another - and there is another .... employment scheme in London, where they really having to do induction courses to employ them, helping them to get jobs. The one in London is really taking on youngsters but <sup>as</sup> it says, <sup>they</sup> haven't been to school since they were 14 because they've been <sup>playing truant,</sup> they are really having to go back to teach them some of the basics before you can get a job. So

the first thing is to acquire those basics and if you haven't got them then a further education technical college - you better acquire them. They might be the more likely to do so because you know when you are doing it with something specific in mind, a specific objective, work becomes easier than if you have to stay at school and therefore you are doing things you cannot see the purpose of why you are doing them. So the first thing is you've got to get the basics. The second thing is, there is quite a number of skill centres still which are not full, they are just not full. We can do with those skills. They go to skill centres. The third thing is I am anxious that there should be the maximum number of opportunities under the Youth Opportunities Programme and I am sorry it hasn't got a more attractive name. It really has, I think, tremendous potential - there is another book you must look at, its the Anglo-German book as to how they deal ..

Q. I've got it. We publicise that.

A. Its very good. However on the Youth Opportunities Scheme a lot of small businesses - and the letters I have coming in - are just as much concerned about the answers as I am and will take on a youngster - some of them can't - but will take on a youngster to pay just a few pounds more than the unemployment pay. What happens under the Youth Opportunities Scheme they are paid unemployment plus a few pounds more, four/five pounds more. They will take them on because they would much prefer to be able to give them the experience of being in a commercial industrial business. Now I have seen it many times and believe you me this is the best thing they can get, actually to learn on the job. But some of those will say now look they haven't come out of school sufficiently numerate, and sufficiently articulate for us to be able to take them on. So first those youngsters have got to be, whether numerate or it, they have got to have enough of the basics and if they haven't go to further education or technical college to get it. Secondly you will find our schemes all over the place to try to help them to introduction to employment. Now look at that MSC report. Look at some of the schemes. I think it is ICI, that's

right. They have got a thirteen week scheme. They're sending them out to get experience in all sorts of jobs to see where their aptitudes lie. GEC is doing one. And the youngsters are interested.

Q. But that still leaves an awful lot of (interrupted)

A. I know it does but what I am trying to say is there are two hundred and fifty thousand of those opportunities. That is quite a lot. We have this seven hundred thousand leaving school and coming into the labour market. A lot of them will get jobs on their own account. We think that two hundred and fifty thousand will give all of those who leave school who haven't got one a chance of getting onto one of these schemes. If not we will have to expand these schemes. We are spending now four hundred and fifty million altogether this year on training, including Youth Opportunities Scheme. That was larger than was planned, than the last Government was spending. I am a little bit concerned whether we are doing it quite right because it is absolutely ridiculous/<sup>with</sup>the amount of unemployment we've got now we've still got skill shortages. I don't know how many .. permits Neville. I will put an enquiry through to the Home Office. Mr Young will probably get it more quickly than we do. Nick might have got it. I know you heard on the radio yesterday, the staffing in hotels is frequently and people who come neither, who are neither British immigrants nor European Community are still coming in. Now this is ridiculous. I will tell you why it is ridiculous. I know from having been Education Secretary that we do some marvellous hotel and training courses, marvellous ones, and our youngsters should be getting those jobs. So I have to look to see why we are spending so much on training. We are not in fact producing the skills matching the training to the shortage of skills. I do want the youngsters to have training in business and industry. I am convinced that is the best way to do it. And because a group of small businessmen that I had here the other day said to me did I realise that frequently the youngsters come from skill centres and they

certainly will know how to make the engineering parts and they're know and be able to do it beautifully. They might take 2½ hours to do something which you can buy for 30p. And they said they come along with the certificate and they can certainly do it but they've no commercial ideas at all. No idea how you have to fit in and compete with other people who can do that very much more quickly. And they said if we take them in, we could train them. They're much better with the commercial thing as well. Although the skills centres they're training them beautifully as far as doing the work is concerned. It has to be done within a limited time. All of this we've got to look at. So you ask me a youngster, I'm saying please first you must acquire the basic things which if you haven't got when you left school you really ought to be able to provide. Eleven years of compulsory education, they really ought to <sup>be able to</sup> ~~I always~~ had a fear of very big comprehensive schools, always. Because I think you go in to them at the most psychologically vulnerable time really in your life. You're going from a nice smallish primary school where you know your teachers, a most vulnerable period in your life, to a very big school and the great thing about education to my way of thinking is always the contact between teachers and pupil and the kind of security that that gives you, your future matters to your teacher. And this really is how my generation was brought up. Smaller schools, you kept your teachers for longer and therefore you had much more continuity. And I have always been fearful, particularly that the youngsters without the same interest in education as my parents had because they hadn't had it and therefore they were very self educated and you tried to give your children what you hadn't had. So I was brought up in a home passionately interested in education. Now some of them are not - there are not books in their homes. So they've really got to get that wholly from their teachers and I've always thought that I ..... went to smaller schools no matter what the smaller schools are.



Q. Can I just go bit higher up the age level and ask you again on unemployment, how much you can really understand and feel, indeed, have experienced what it means to a community when a factory closes to individual people when that happens.

A. Of course, every time I think what would I have done if my husband had come home and said look we've only got, we've got notice and at the moment there don't seem to be any places to go. Sometimes that factory would not have closed if it hadn't paid so much out in wages without getting extra production. Sometimes that factory would not have closed if other people with their wages had bought British, instead of Japanese. But other people with their wages aren't saying we must buy that because it is British and because it was made in a factory and they paid themselves more than their ..... Other people with their wages are saying we've only got so much to buy our cups and saucers, which is best value?

Q. Sure. It is a free country.

A. And people who have taken out more than they should have done as producers are rejecting the products of their fellow countrymen who've done the same thing. Now, there is nothing I can do about that except to say that that factory that turns out, if you had done like the Japanese had your extra pay related to extra output would you still be in business. Even then some of them wouldn't with world recession. Steel - we would have a much healthier steel industry now if the money poured in in the last five years had been properly used.

Q. What isn't it properly used?

A. You ask me. Go and ask the unions why it took them fourteen months..

Q. Or the management perhaps?

A. Or the management. I totally agree with you. Why it took fourteen, was it fourteen months?, many many months for them to agree to light the latest steel furnaces. And some of the trouble in this country has been when we've invested. They have not been allowed to get the return from it because of overmanning. Now I agree with you. I am very very critical of management. But look for the last five to eight years, even during our time, managers have not been able to determine the pay of their own people, to determine the price of their own products, to pay what they needed to get fresh investment.

Q. You talk about nationalised industries?

A. Oh no. Prices incomes dividends ..... They stream along to somebody else to say can I do it. They haven't been allowed to say look I really must pay my skilled people extra to get them. No, for eight years, just about eight years, they haven't been allowed to manage. All of a sudden they are asking. All of a sudden it is up to them to manage. All of a sudden it is up to them to be enterprising. And some of my union chums tell me that if management are clear and decisive and good and say what they want and make quite clear they are determined to get it and have a rapport with the people whom they are explaining to, they will get it. And the people who work in unions or without unions will be jolly glad that someone is taking a firm, tough line, because in their hearts they know that is the way they're going to get through to profits and that's the way they are going to compete with others. And that's why what I am doing and what I am insisting on doing finds an echo in the hearts of many people and that's why the polls will sometimes say yes we know, we don't like restrictive practices, we don't like overmanning, we don't like some of these stupid demarcations. It is ridiculous that there is an argument about the Isle of Grain on ladders between the unions. It is stupid. It is ridiculous that every power station is late - the Isle of Grain late - then the electricity prices. Ince being late. Is it Ince B or is it, Ince B I think - one of the Ince ones late. Little Brook late. Quite apart from

your Dungeness, eleven years late. That is ridiculous. It is ridiculous. Every one of the Polish ships delivered late. Sealink ordering from British shipyards and they then went and ordered one from a foreign shipyard. Every ship late. Heavily subsidised shipyards. Now in a democracy people have to take some responsibility for their own actions. If they're going to say it is all Government's fault they're going to say right Government will take all the decisions and I have no freedom whatsoever and therefore no responsibility. I really am trying to bring into British life everything which I deeply believe about democracy. Democracy does consist in people being prepared to take responsibility for their own actions and to face the consequences. So if you've got overmanning and restrictive practices, if you take out more than you put in, you must bear the consequences. Now I must make it quite clear it is not true to every one. There are some firms who will suffer because of world recession. People won't buy the luxury goods because they're having to pay too much for them. There are some people who are suffering because of the exchange rate at the moment. Because although they have been very good some of the markets where they traditionally sell they can't get in because of the exchange rate. If you have got highly specialised goods, well designed, delivered on time, then you are not doing it on price but some people to whom price is a major factor are in considerable difficulty. Now I cannot bring the exchange rate down. You cannot resist the market for long. After all Jim Callaghan had to devalue the pound when there were fixed exchange rates because he couldn't resist the market for long. In fact the world exchange rate system has tottered and collapsed because you couldn't resist the market for long. And so some of those one is very considerably worried out. There are also things you do undoubtedly to get, textiles is one of the things which the under-developed world can do. But we have quotas on 95 per cent of the imports of textiles from poverty stricken countries. But you know sometimes in the House of Commons I get two arguments at the same time. Please you've got to give more aid but please you must

stop the trade and they will just have to rectify those two. I'm sorry. Stop me when I'm getting too far.

Q. I'm not going to interrupt you. On television one has to interrupt you but here.

A. I assumed that you wanted to get at what I thought.

Q. Well I do.

A. Now all right, we've started, now all of this. Sometimes the factories will go out of business, overmanning, restrictive practices. Sometimes I accept. Management should not have accepted those things. But you know on the whole the law has been tipped very heavily in the favour of the unions against management. And one mustn't try to duck that. It has. And to some extent it still is. And they say all right we haven't had the authority to manage. But I still think one of the most important things is by sticking out firmly like this as I hope people do realise that we are saying is true.

Q. In the public sector that option is much less available. I mean the public sector involves Government either directly or indirectly. There are two things I would ask you about that. First of all, when you spoke about things being, about the ridiculousness of various ..

A. Laggings.

Q. Laggings, I quite agree. Another ridiculous situation one might say is the one which was reported yesterday about British Railways claiming that they are several thousand men short, the service is deteriorating as a result. There are thousands of people willing to take jobs and yet British Rail can't employ them. I mean that's an absurdity too.

A. Yes, but some of those they are having to get on a productivity basis. You go and ask the overmanning in British Rail. Why is there still a second man in the cab? There used to be the fireman.

Q. Why are there never any attendants in restaurant cars? whenever I go on a train?

A. Because sometimes they have got people doing the wrong jobs. They have got their overmanning in the wrong places. You have still got the fireman in the cab. He is now called the second man in the cab. Restrictive practices. That what puts the fares up. And therefore because they have got their restrictive practices sometimes and have people that are not needed they are short of some others and part of those numbers are actually being brought down because on a productivity basis. Oh yes there are a lot of restrictive practices on British Rail. and they have got to get them down. And if they hadn't got that chap there doing something that ought not to be done they might have a chap there doing something that needs to be done. Is is absolutely restrictive practices and look - go and have a look at the external financing of British Railways, coal 834 - get it from Nick - I think it is about 650, it might be as much as 800 million this year.

Q. We will check.

A. That is already the extent to which they are being subsidised.

Q. In the same area let me ask you about telephones. Why is it that you think that the rate of inflation will come down more, or more easily, by restraint on the borrowing requirement than by restraining the rise in the RPI which is implicit in the reason why the telecommunication ..

A. I haven't got the significance of the question.

Q. Well, I mean, telecommunications are putting up their prices by 25% because they need money, because they can't borrow.

A. They have put up their - oh look, oh absolutely fundamental - we've decided to get down inflation you can't print more than 7-11 per cent of printed money this year. That what the money supply is, 7-11 per cent more than your goods and services. So you've got that amount of money. Now you've got broadly speaking at the moment two demands on your extra money. You've got two demands available. You've got borrowed money by Government which includes nationalised industries and borrowed money by industry and commerce. Those two demands amount to more than those available. So that is why your interest rates are high. The demands of Government for borrowing and commerce for borrowing amount to more than is available to borrow. That is why your interest rate is high. Now you can't then say all right we won't finance you, we will let you go to the market. It is still coming on the same amount of money available. And it wouldn't make any difference. That's why and you say why am I anxious to get the PSBR down. I am for the simple reason that if we pull out of borrowing so much, first the demand will go down, your interest rates will fall, and when you interest rates fall your private industry, your productive industry - it doesn't matter which it is - can come in and take that and that is where it should be going. It is absolutely crucial. Now there would be another way of doing it. First our public spending is too high and therefore our tax is high and even that is not enough and therefore we have to borrow. There would be another way of doing it of reducing the PSBR, namely by putting up tax. Now supposing I did that, I've got two places to do it.- on direct tax, which means that I would rob people in the future of all incentive. Now that is not enough ..

Q. That is questionable?

A. Not I don't think it is over a period of years, I don't think it is. I would rob them of incentive and they would feel deep resentment. I cannot put it up on indirect tax. That means shoving it over to either VAT or Customs and Excise. If I go over to

VAT again, I think we've done as much as we can on VAT at 15%, that goes straight on to the RPI. If I go onto Customs and Excise I go straight onto RPI. Not only does that mean our people use the RPI for wage claims - I think we are now getting out of that - but don't forget I've got a lot of public spending indexed to RPI. All of my pensions, even unemployment and sickness benefit though <sup>its</sup> down below the RPI is still indexed to RPI, although it is indexed at a lower rate. So I have to watch the RPI because it multiplies every time the RPI goes up. It is an automatic multiplier on next year's public spending. That's why. Is that clear?

Q. Perfectly clear.

A. That's why I have to say to telecommunications, look we agreed an external financing limit because I myself would much much much prefer they put it into investment. All the time I would prefer that - that's where our future is. And I think it is absurd of them to take out 22% on pay to put some of their investment in jeopardy because that's Britain's future. But I haven't quite got the message over yet that you are still taking out too much on pay.

Q. And how are you going to get ..

A. Only through people like you and by talking about it the whole time.

Q.. But is it also about ..

A. They are jeopardising their own future and that is why I did say, look you can't take it all off your investment programme.

Q. But is it also about the employer I mean as you an employer are we in the .... question of public sector pay which I know is almost the biggest thing on your mind at the moment.

A. Yes because we are taking out too much. And what do you think people will think when they are fighting for survival some companies, fighting for survival, and they would say 10% is too much. They would say you are jolly lucky to have a reasonable good job, stick to it.

Q. And how are you going to make 10% stick?

A. Only by talking as I do and by saying to the public sector look this is the amount of money available. This is what any business has to do even the Sunday Times. This is what any housewife has to do. This is the amount of money available and I am not going to increase it. I'm not going to go back to the small businessman, to pay more taxes when he is economising to pay more taxes to pay more in Whitehall and town hall than he can possibly get. He is prepared to economise. He has to to survive. What do you think as the result of his economies he pays extra rates, extra taxes to pay extra wages to town hall and Whitehall. And he will bring pressure to bear in communities, oh yes. He will bring pressure to bear in communities, among those who try to take more.

Q. But what pressure is, what price, what value is this pressure going to be this winter when imposing this policy?

A. Can I just finish? Now first I am literally going to say to you. If you take that amount out for fewer of you, you are deliberately maliciously, not maliciously, deliberately, knowingly, creating the unemployment of your neighbour. Don't blame me. It is you who are responsible to your neighbour being out of work. Because you took so much out for yourself at the expense of others, you're creating the unemployment.

Q. But at the end of the day people will blame you, the Government, because the Government carries the can?

A. No. The interesting thing is that they are beginning to realise that. They are knowing that. They are beginning to realise. The message is getting across because they know it.



Q. Will they know it this winter? I mean are you fearful this winter?

A. Every time you take out more into the public sector in pay it deprives a school-leaver of a job.

Q. This winter you are going to have some public sector unions I expect challenging your target figure. Are the unions now so weakened by unemployment that that is not going to matter very much.

A. No. What they are finding is when they have to recoup on prices that the amount of buyers reduces. Now you've seen this morning, at least I think I saw it this morning's press Neville, I never know which days which because I sometimes read the press the night before, CGB are saying to the National Coal Board we are having to subsidise your uneconomic pits, we can't afford to go on buying your coal, we can get it more cheaply. The CGB are having difficulties with selling electricity because it has had to put the price of electricity up, because it is paying too much for fuel. Now CGB has got the two, say, look this can't go on. Because when people have to pay extra for electricity, you saw the last thing I did in there was to switch every light off,

Q. I particularly noticed that.

A. And why do I do it. Firstly I'm on public sector money and therefore I'm bound, because I know that that is what every person has to do when they walk out of a room in their own home. And so the electricity consumption will go and that will put them in trouble. And so they are buying less coal. You know that coal went up last year from 105 to 109 million tonnes output. We're getting big stockpiles that are not being sold.

Q. Can I just change the tape.

A. But don't be so depressed about .... that you can never talk, that people wont realise sound commonsense.

Q. I agree with you and I think that there is a lot of evidence that they are. Whether or not enough of them are doing it quickly enough.

A. And as soon as they do the sooner I can get unemployment down and the sooner I can get the public sector, what the public sector is taking on down and the interest rates down. You're missing all this. I hope you won't forget it.

Q. No I won't.

A. The sooner I can get that down, the sooner the interest rates come down, the sooner small businesses can start to borrow. And they will take on youngsters because they want to because so many of them live in communities where they see the youngsters. They really will.

Q. So this winter, facing these various threatening unions. I mean you sound quite confident really that the general education of the people is such that they now understand that ..

A. There are lots of people out there. No in the end really what I am saying to you, I think, although there are some people who are deeply hostile in everything I believe in because they don't want to work a free enterprise system, they don't want the recovery of industry and commerce under a free enterprise system/<sup>which</sup> I would say is the vital economic back-up to democracy. They want to destroy it. They're out to create anarchy and chaos because they don't want recovery under this system. They want a tight, closed, controlled system run by Government which would mean infinitely less freedom for everyone, because they would have to declare non-Government for their housing, for their jobs, for everything. That way you get an East European kind of state, you don't have any freedom. All right there is nothing I can do about those except try to show them for what they are. But the vast majority of our people don't want that. And the vast majority are prepared to see sense

and they simply won't understand why Government finds it so difficult to cut Government expenditure when they see waste all over. They see enormous increases in pay going to town hall and Whitehall and they say why. And if I might say some people in their instincts they find what I am saying and doing is right and I know it is because this is the way I was brought up and it was jolly useful to be brought up that way.

Q. On public spending can I just ask a little about..

A. I'm sorry. It is deeply a part of me.

Q. At the centre of the public spending programme one might say is defence which is the one sort of area which is .. and ... but the biggest area is defence. Have you ever reconsidered that yourself? I mean is that something you've gone back, after all it does take an enormous, pre-empts enormous ..

A. It has a .. it is absolutely vital and to say you will spend in real terms more on defence also I think is absolutely vital and my goodness the deterioration in international affairs since I have been in have justified that. We just have to do that. But you still whether you're in law and order or whether you're in defence have to see that you are running as economical and as efficient ship as you possibly can. You are not obviated. You're not in any way exempt from the need to run your expenditure economically, very economically. And managerial efficiency is just as important there, just as important. And so you will find I am constantly saying that to them. Don't think that just because you've got extra money I'm not letting the extra money go to extra inefficiency. Don't think I'm a soft touch there. The extra money goes because of the object and the extra money must go to those specific objects and not only that extra money but you ought to be able to get extra out of the way you've been running your own things.

Q. Neville is waiving his arms a bit so I've got one or two more other questions to ask.

(interruption by Neville Gaffin)

Q. One of the things you said in your speech.

A. Because of having .. I am eternally grateful for the way I was brought up in a small town - we knew everyone, we knew what people felt, we knew what the problems were and we tried practically, we knew what our- worries were too.

Q. One of your greatest images is a very strong minded women - which you clearly are - yet one of the things that has struck me is that you are capable of changing your mind.

A. Go on.

Q. Well I'm thinking of Rhodesia. I'm thinking of the trade union.

A. I think you've put it wrong if I might say so. I am always prepared to listen, not merely to listen as a matter of courtesy, but to look at all the facts and to try to reassess on the basis of things as they are now. Always, always, always. And even though I had a very rough ride in education you will still find that true there. One is always prepared to listen to see, well now - the office will tell you one of things I said, first find the facts ..... .- One of the facts is people's reactions to it and how fast you can do it. Now one of the facts in the Rhodesian situation was this, it was a fact and a factor - how are we going to bring that war to an end, how.

Q. But you thought one way before was by recognising Muzorewa. But you changed your mind.

A. I think I always knew that- if we just went ahead and recognised Muzorewa you would not bring that war to an end. He and some of his people would have said that by recognition that will be a factor which in fact people will accept and recognise. I took the view ... and I took the view if we just did that that war would not end, that people who had had

their home in Rhodesia for years and ,.....  
 Rhodesia was prepared to defend them, white folk would go on leaving.  
 By the time we came in they were leaving by a thousand a month.  
 And I must tell you that the ... weigh  
 with me was that if we went the way we had said, indicated we  
 might go in the Manifesto, we would not get that war to end, we  
 would not get a satisfactory Rhodesia. We had in a way recognised  
 that in the Manifesto. You look, to recognise Rhodesia in a way  
 that gives her a good start. I am not .. phrasing and but  
 I remember the phrase very clearly because I put it in. I  
 thought we were honour duty bound for Rhodesia to try to go the  
 way we did. To try to bring an end to violence. We might not have  
 succeeded. In which case I might have been driven back just to  
 recognise him because we couldn't in fact have gone on having  
 responsibility. I in a curious way had more faith - that isn't  
 quite the word I wanted - more inkling that we might get through.  
 A mixture of faith, inkling and instinct, a sixth sense, there  
 was a chance of getting it through and right in the beginning  
 though some people would have said well at least we would have shown  
 that we wanted to go this way and that would help us I just always  
 thought there was a chance of going right through and I cannot  
 tell you why I did. <sup>There is no</sup> reason we had to go that way. By the  
 time I left Lusaka things were very different than when I arrived  
 and it was not an easy ride and it was just a question of day after  
 day, hour after hour, trying to get people's confidence and their  
 trust. By the time I left things were very different. And I had  
 an inkling that we might get through. Well we did. So don't say  
 I changed my mind. I am always prepared to reassess, where there  
 is a good case there is hope. What I will never never do is to  
 compromise on the way of life because that is so deeply ..

I could never do that .....  
 (unclear tape).

in the Labour Party tolerate the things they were doing. I would  
 have left long, long ago if I had ever been in it. I think  
 Shirley Williams and I (unclear)  
 I just don't think they have enough faith in the compassity and  
 ingenuity (unclear)

Q. I have got one question I know you will want to answer. It will round off the interview. Are you very sure by 1984 that there will be something to show for all this in terms of people's own prosperity? After all we are now in the slimming down process and your imposing on the economy.

A. In terms of people's prosperity, I believe there will be quite a lot to show. Whether it will come out in a lot of extra prosperity I don't know. I believe there will be much better prospects but I believe by that time they will hate to go back to (unclear)  
you know sanctions on firms because they couldn't pay for skilled engineers what they wanted to pay. They will know they can buy their own houses and this is the way to becoming a real independent person. When you've got that you can start to build up capital elsewhere with your own financial independence as well. And with less tax I hope they will be able to do it. But they will be able to look forward to a different kind of life, the life they were having at the end of socialism and the life to which they could look forward under socialism. With that greater freedom I believe it will generate a greater prosperity. Whether it will have succeeded in doing it by that time I don't quite know because of these two things that we still have to go through. This is really why I .. we've got to get better, we got to be able to compete with the Japs and Germans, we got to get our nationalised industries with the latest equipment, with the right number of people operating it as a matter of pride, producing as well as those Japs, those Germans, the French and the Italians, as a matter of pride. We will never feel .. if we go on as we were and that is really why I've got to .. and really justifying the reputation of Britain and France and still in a way justifying what other people still have an inkling that we can do it, and still believe we can

(unclear)

Q. It sounds very honest.

A. As long it doesn't sound too arrogant. I don't want it to sound arrogant.

Q. Confident.

A. Oh yes I am (unclear)

You know people will work up to what other people demand of them.

(unclear)