

PRIME MINISTER

~~M. Ingham~~
C. W. B.

WEEKEND WORLD INTERVIEW

Norman and I have given some thought about what the interview should be trying to achieve and how, in the light of Bernard Ingham's briefing minute.

1. THE SETTING

The general view of Government performance seems to be:

- Still full of determination, but confusing contradictions (eg BL).
- General doubts about this Government's competence to solve very difficult problems.
- Suspicion that the Government does in fact think that monetarism is enough and has not thought much about longer-term problems.

The format Walden is set to follow invites a very long interview on "old data" with the emphasis on defending the record (which never comes across well) and a discussion about sound money, productivity, bureaucracy, competitiveness, profit and investment, unemployment figures etc - all relevant but very stale and well-rehearsed topics.

It is essential, therefore, that you are not restricted to Walden's agenda and that you introduce "new data" not just old data. New data does not mean off-the-cuff announcements of new policy. It means saying things which make people stop and think; make them think afresh about the problems being discussed; and about their previous views of you and this Government. I have marked these passages red in the margin.

2. THE AUDIENCE

Most people in the media are Left of centre. Their sympathies will therefore be for a resurrected Labour Party, free of the Left-wing domination. They have considerable power to give the new grouping a flying start.

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Your target audience is therefore the hostile media man whose views of you, the Government and any centre-ground alternative are shaped by this type of programme among others.

3. OBJECTIVES

The hostile media man should feel the following things after the programme:

- (A) She seemed very calm and confident, seemed to know what she was doing and why.
- (B) She was more sympathetic, open-minded than I had expected.
- (C) She is as determined as ever.
- (D) She's done more thinking about future problems than I had realised.

4. THE KEY ISSUES

We believe that there are five key issues which you should address, whether they are raised or not. According to Bernard's minute, the first two will be raised anyway, the third may be difficult to raise, the last two should flow fairly easily from your answers to other questions. The five issues are:

- (1) Monetary policy, public spending etc (part 1).
- (2) Unemployment and recession (part 2).
- (3) Labour and the new Centre Party (you should raise it if possible).
- (4) The cost of change. (Fits naturally into part 2.)
- (5) Britain's longer-term future (fits at the end of part 2 and leads to a peroration statement).

5. THE POINTS WE THINK YOU SHOULD MAKE

5.1 Monetary Policy and public spending

"There is no doubt that the monetary policy is working. All the signs are there - falling inflation, slowing down of pay increases, strong pound, growing signs of realistic and positive drive by management and work forces for higher efficiency."

"It is not yet easy to run an effective monetary policy in Britain, because we don't have the mechanisms. We've been working on this and plan to introduce the monetary base systems which have worked well in other countries. Meanwhile the main indicators (eg M_3) are not perfect, but the best we've got."

(Walden may point to the volatile interest rates in the United States on an MBC system. Point out that once inflation is down, that problem largely disappears. Interest rates look more volatile when they have to cover the rate of inflation and the real cost of money. So you get fluctuations between 12% and 20% rather than, say, 4% and 8%.)

"I am disappointed that we have not been able to make faster progress on public spending. This was partly due to commitments we had already made for public service pay when we took office. Remember, though, that public spending would be billions higher on the last Government's projected plans. That would have

meant much higher inflation, or interest rates or taxes."

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"We must beware premature optimism, but I believe that the hardest part of the struggle against inflation is now nearly over. The struggle against public spending will take much longer, and we cannot give up that struggle as previous Governments have done."

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"I suspect that in a year or so, all the fuss about 'monetarism' will have largely passed away."

"Remember, too, that everything we have been doing has been done against the background of the biggest world recession since the War and a tripling in oil prices."

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(You will be asked about the damage done by the high pound and you may want to trail the prospect of lower interest rates. If he asks about taxes in the Budget, I presume that the only comment can be that nothing will be allowed to prejudice the reduction of inflation and interest rates. If you have decided to "talk the pound down", you could stress the need to reduce interest rates for exchange rate reasons alone.)

"Before we finish with monetary policy, we should remember that monetarism does not mean a policy of reducing the rate of monetary growth. It means ensuring that you can get the growth of money supply right - ie matching real economic growth. No-one would be happier than I would to see money supply growing in order to match real economic growth."

5.2 Unemployment and recession

Assuming Walden opens the discussion on the lines of paragraph 10 in Bernard's brief:

"I am glad you recognise that a realistic timescale for turning this economy round and getting onto a recovery path is 10 years. We have consistently stressed this since before the Election.

It is essential that people have no illusions about the size of the task. Ten years is the minimum to reverse a process which has been going on for the last 35 years."

"Now, to answer your questions: there is not the remotest possibility of this Government compromising its pursuit of sound money by deliberately allowing inflation to rise or by abandoning control of public spending. This country has been around that course too often."

"Governments cannot create real jobs. That is done by millions of people, hundreds of thousands of companies working together to satisfy each other's needs for goods and services. Government has no place in that."

"Governments cannot create wealth or create jobs. If the people of this country want a Government that will peddle that sort of nonsense, then they are free to elect one in due course. They won't get it from us. But I believe that they know that that was always nonsense and what they now want is the truth."

"I hope that the things we are now doing will begin to show results before the next Election, in terms of lower inflation and the worst of the recession and unemployment over. I can't predict the future, and I can't say more than that. Like any Government, we are learning from our own mistakes as we go and we are ready to alter policies where we think that will make them more effective. But the objectives will not change, election or no election."

"Of course the present unemployment and bankruptcies are painful. But we always knew that they would have to be faced one day, and that the longer we waited, the worse it would be. And of course we are criticised for being vicious and uncaring and so on. But remember, when people lose their jobs they are not being made redundant by the Government. They are not even being made redundant, in reality, by their employers. For the real employer is the customer, the consumer. The people who are building the Metro are not building it for Michael Edwardes and his management. They are building it for as many

people as will buy Metros in preference to some other car. If they stopped buying it, that would be the end of it."

"Even in today's recession, there are plenty of companies whose customers are so satisfied that they are taking people on, not laying them off."

"Even when the recession passes, as it will, this country still has trade unions whose attitudes and practices create unnecessary unemployment. I think most people are beginning to realise now that unions have been destroying businesses and destroying jobs. They have not even increased living standards - they have simply forced previous Governments to print money."

"The trade unions could make a big contribution to freeing-up the economy and to involving their members more closely in creating real wealth. And, of course, most trade union members, and a growing number of trade union leaders, would rather they did so."

No! | "But, as we have sadly seen in recent weeks, the trade union movement as a whole is still more interested in political power and influence than economic recovery. It was for this reason that, long before the Election, we decided that it was just hopeless to try to engage the trade union leadership in constructive discussions. We believed that the trade unions had lost their way, that their power, massively increased under Mr Foot in the previous Government, was doing great damage. And now we see some of the largest unions heavily involved in the Left-wing takeover of the Labour Party." (This would give a cue to Walden to say something about the new Centre Party.)

"The painful process of the last year and a half - beginning to put right the folly of earlier years - has perhaps helped to force the Labour Party and the trade unions to face their own contradictions. As the country has woken up, so have they. We now see increasing divisions within the unions, in particular between those whose members have borne the brunt of the recession in the private sector and those in the public sector who so far have borne much less than their fair share of the

cost. The objectives of these two halves of the union movement are increasingly in conflict."

No /
"We are not against dialogue with the trade unions, but we will not spend time talking to union leaders whose objectives, political and economic, are not those of the electorate."

"However, we have to look further into the future and think hard about the course unemployment is likely to take. Though the recession will lift, and perhaps the trade unions will work with us rather than against us in creating successful businesses and real jobs, there are many who believe that unemployment may remain at higher levels in the future."

"So we will need to give increasing attention to the problems of retraining, developing new skills, and making it easier for people to move, to switch from one job to another, to start small businesses, to become self-employed, to set up co-operatives with their friends."

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"We have no monopoly of wisdom in this new and difficult area. We must listen to all the advice available, encourage thinking, experiment, innovation. We shall need to think afresh about what we mean by work, what other useful and self-fulfilling things people who are unemployed can do."

"But we should not fall into the trap of trying to create work for its own sake. If technical progress is such that people can lead fuller lives with less work, that cannot be bad news! To hear some people talk, you would think that they wanted to do away with all the technical advances of the last hundred years and get back to a 14-hour day and one week's holiday!"

It is unless we change attitudes & give people more money

5.3

Labour and the new Centre Party

See our minute of 29 January.

The cost of change

(This could flow naturally from discussing unemployment and the prospects of recovery.)

Good

"This country is going through the most turbulent period of change and adjustment since the War. We have to squeeze out, for good, the inflation which came close to destroying our economy in 1975; an insistence that individuals take greater responsibility for what they do; the realisation that you can't have a responsible country made up of irresponsible people; that it is individual maturity, determination, pride, energy which decides what happens to a country. And perhaps we are also belatedly recognising that we are a fortunate country - fortunate in the sort of society we have; our potential which has been unexploited for so many years; the recognition that we have perhaps something worth fighting for, something worth defending against those, inside and outside this country, who want to impose something very different."

(Though it's unlikely to come up in the discussion, Zimbabwe is an interesting example of something which the British almost take for granted, but which other countries regard as a near-miracle; the negotiations, the elections, the transfer of power all done with an effortless blend of good humour and efficiency.)

Yes

"This country is slowly waking up to the need for change. Even to wake up a great country is perhaps a 4-year job! But people are now readier to accept the need for change. For example, everyone at British Leyland has made tremendous efforts to launch the new Metro. No-one can guarantee its long-term success because it competes in a race with other car manufacturers in other countries who also accept the need to change. But we have backed BL with its new Metro and its planned mid-car range because the effort is being made and the rewards of success, for the economy as a whole, are substantial."

"If we failed to wake up to what is happening both in this country and abroad - politically, militarily and in technology - we would pay a heavy price. But we have to strike a balance, not going so slowly that we miss the boat, or going so fast that innocent people get hurt."

"Those of us who are not directly affected by change must try to understand what it is like for those who are. We can't stave off change for ever, we have to face it, but we need to manage it, to control it for the best."

"Politicians are always under pressure to adopt popular policies, policies that look 'compassionate and caring', on the one hand; and doing the difficult things which are needed to solve the real problems on the other. We have to take the latter course, because time has been running out for this country in the past 10 years. So we must not worry too much about popularity or expect much in the way of thanks until the results begin to show."

Falls

"In the end, everything will depend on the younger generation. I sometimes think that young people are more realistic about what this country has, what is worth defending, the real meaning of freedom than older generations who have grown up with all the post-War illusions, the belief that unchanged behaviour can somehow produce a better life, that the individual has a right to all the good things, while the state - whatever that may be - solves the problems. The young are still - as they should be - the idealists. But perhaps today they are also the realists too."

5.5

Britain's long-term future

Don't need that last

"Everything we have talked about so far has really been about what I call 'waking up' - indeed, growing up. Getting to the same level of maturity, commonsense and sheer competence that most other Western countries were reaching 20 years ago."

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"But this is still only the beginning. Wherever we look, things are changing. They're changing in technology, and they're changing on the map. Far away countries that many people had scarcely heard of 10 years ago now overtake us in our traditional industries. Suddenly, we are faced with the need to do everything at once - to wake up, to catch up, and then to move forward even though the future has never been harder to predict." /y
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"So we have to look as far into that future as we can, make sure that all the best talents are free to work at full stretch to help lead this country into that future. Nothing could be more dangerous than for politicians to think that they can do this better than all those people who are thinking, inventing, doing ^{new} ~~different~~ things in different and better ways."

"The freer and more diverse and varied a society is, the better it will be at this adjusting and inventing and adapting process. But at the same time, the freer society is, the greater the burden on the individual to show responsibility, maturity, self-discipline."

5.6 Peroration

"We are engaged on a massive task. It is a marathon, not a sprint. We have come some way already. But we still have a long way to go."

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"Attitudes are beginning to change - I wouldn't put it stronger than that, at this stage. Everywhere, the militants and wreckers are being exposed for what they are and for what they have done. The commonsense of ordinary people is beginning to assert itself. People have had enough of seeing their jobs destroyed and their working lives made miserable. They want - like people in other countries - to work well, to produce the things that people want, to earn well and live well."

"Other countries can see that Britain is beginning to come to its senses at last. As we have seen, with the Nissan study, they are prepared to back what they see with action."

"It isn't easy. It is not going to be easy. But we are starting to change course. The long period of transition will be difficult. But I think that there is the beginning - just the beginning - of the feeling in the country that this time we are going to do it."



JOHN HOSKYNS