

Week End Box Steering

From  
THE CHAIRMAN OF THE PARTY  
The Rt. Hon. The Lord Thorneycroft

CONSERVATIVE & UNIONIST CENTRAL OFFICE,  
32 SMITH SQUARE,  
WESTMINSTER, SW1P 3HH,

Telephone: 01-222 9000  
25th May 1976

PT/JGL

CONFIDENTIAL

TO: MRS. THATCHER  
CC. MR. PATTEN

You asked me to put a few thoughts on paper on the lines I spoke at the Steering Committee today.

My starting point was that the Party while capable of improved performance on many fronts was fundamentally in need of a clear lead from you on the aspect of policy about which it is said to be deeply divided. This aspect of policy is normally couched in economic terms and is said to concern a supposed alternative between what are called monetary policies and incomes policies. I consider that the setting of such a speech should be against the background of Britain's present ills and the lack of confidence which others seem to have in her today. I consider that the approach should be more in patriotic than in Party terms and so far as possible about people rather than about economic dogma. The theme of the speech should be that if we are to extricate ourselves from our present predicament it will not be by the application of some one simple or oversimplified theory such as an "incomes policy" or "monetary techniques". We shall have to accept many methods and have to make sure that all of them are working in the same direction. There is room for a passage on the dangers at such a moment of appeals to envy, malice and bitterness. It is going to be quite uncomfortable enough for everybody without looking around for ways of making it worse. Also at such a moment it is important to consider carefully to what extent it is possible to shelter the weak. We plainly can't shelter everyone and we must therefore consider as a nation far more seriously than we are at present the advantages of helping

①

②

.../

poorer families rather than distributing equal help to all.

At the moment, the Trade Unions are accepting or at least contemplating accepting an incomes policy. The affect of this policy may in some degree at least limit the levels of unemployment which might otherwise reach far higher levels.

3 | All incomes policies are complex, controversial and in general short lived. Their main field of operation lies more in the area of restriction of monopoly power than in wider economic themes. Nevertheless whatever theoretical views may be held about them the fact is that today millions of men are finding their pay restricted and their differentials eroded and are accepting this fact in the national or what they rightly deem their own long term interest. Plenty of them would like to see these restrictions swept away and probably all of us would like to see the moderation of these restraints as early as we could. The debate on how or to what extent incomes demanded, particularly in monopoly conditions, could or should be discussed or settled, lies in the future for in truth no Party and no country has yet solved it. For the moment restraint is there and the nation however reluctantly must accept that it cannot at this stage and against the perils just described simply be removed.

Equally plainly however it won't of itself solve our problems. Indeed it plainly isn't solving them. It could indeed increase them if accompanied as it was disastrously in the days of the Social Contract by demands for other damaging policies.

4 | There is moreover the other side of the equation. It's not just what a man is paid that matters, it's what he produces --- elaborate from Research shortly on steel, etc. --- We are increasing production rather less and increasing wages rather more than our competitors.

The truth is that though we are not by many standards a highly paid nation we have been paying ourselves rather too much and producing rather too little from the assets and equipment which we already possess. Nor have we allowed our industries to

generate the capital to expand and prosper as they should. These factors lie at the root of our exceptional inflation.

3  
b  
Wise men will accept policies for a time even if they dislike them if they can be assured that other even more relevant policies are being introduced. The absence of action in other fields seems however to be fixing most difficult and controversial policies upon us. What will happen if this incomes policy erodes as well it may or if we cease to be able to borrow on the present scale. Public expenditure does matter - expand on lines already used - Any policy carried to excess could obviously cause havoc. Monetary policy as used in the 20's is scarcely likely to appeal to many today. But that does not mean that you discard monetary policy altogether. To try to move away from borrowing £1 for every £5 we spend is not a savage use of monetary policy. Most families would regard it as common sense.

c  
Develop the theme of the need to move quietly and cautiously but not to sit down and not move at all. Start not by dramatic cutting of expenditure in the public sector (impossible in short term anyway) but mainly by not increasing it. Quote examples of plans before Parliament. Recognise that this means some reversal of stated policy. Accept incomes policy at least for a time but start at least as close a debate on how to produce more goods. Try to get the private sector moving. Don't look around for opportunities to add difficulties to middle and top management - they suffer plenty already. See what we can do by concentrating help upon those really in need - for there is growing anxiety at what many regard as the indiscriminate use of social funds in reality at the expense of the really poor and the unfortunate.

These views are none of them such as would be likely to be violently condemned by any large section of the community. Surely there is a basis which could be formed upon which at least for a time men and women of moderate opinion could move forward in some kind of unison while the country finds again the

strength and respect which she seems lately to have been in some danger of losing. The effect of moderate policies of this kind on world confidence in Sterling could be considerable.

Conclude on a note of hope - that this country is not in a desperate situation. It has assets and skills and character that have earned and can still earn the admiration of the world. There is a great central body of opinion that would like to see us move into calmer waters and concentrate upon less controversial issues. The steps that need to be taken are numerous but few of them need engender bitterness or induce undue suffering. What matters is not to achieve an irreversible revolution in any direction but a quiet and steady movement away from the abyss which now confronts us.

This is in your view the path which the nation should follow. It is certainly the path which you would ask your own Party at this moment in our history to accept and follow.

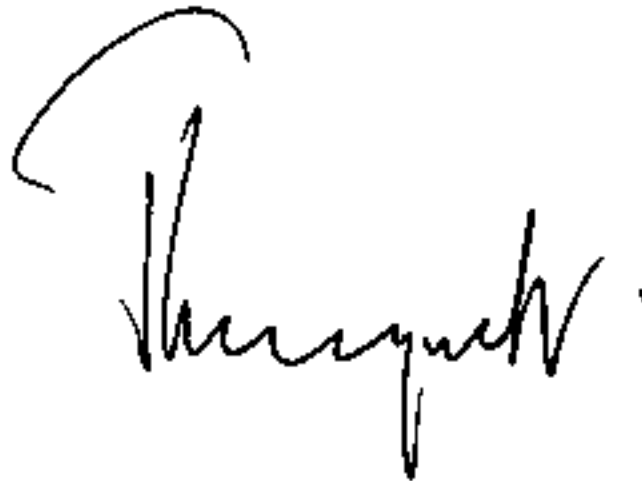
---

I recognise that you have said most of this already or it has been said by Geoffrey or Keith. This is no reason for not saying it again in a measured and carefully presented speech - perhaps outside the House of Commons. It represents basically what many of the financial journalists believe and what most of the country would accept. Its importance is in its basically National rather than Party Appeal and in its timing - a moment when the press and the Party are looking to you for a lead. You might possibly toughen the cuts in public expenditure section but this is a matter of political judgement rather than policy. The important thing is to appeal to the growing moderate central opinion which is against the Left or violent swings to the right.

If you can make a speech broadly on these lines, my judgement is that the Shadow Cabinet and the Party will in general follow you, this particular "theological" issue will fade out and you will be able to concentrate on the other themes of Party policy

more effectively and with much more general support.

This speech is neither a eulogy of Callaghan nor an appeal for a coalition. It should be addressed to the great moderate majority who are sick of bickering, tired of dogma and want to get on with the job.

A handwritten signature in cursive script, appearing to read 'Thorneycroft', with a large, sweeping initial flourish.

THORNEYCROFT