



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

20 December 1979

PRIME MINISTER

I hesitated before adding to your pre-holiday reading, but I felt it might be helpful to summarise our situation as I see it at the end of the year. We have achieved certain advantages on which we should capitalise, and these provide some pointers to the way in which we should confront our difficulties.

1 Thanks to you and Peter Carrington, Britain has regained a world political status which had been slipping away from her. Despite our low economic rating, the global Press coverage of the Rhodesia settlement, the Dublin Summit, TNF discussions and your US visit has made it clear that Britain is still a world power capable of giving a lead and making news. This message has got through to people here at home and encouraged them.

2 Again despite our economic problems, the world energy crisis has focussed attention on Britain's unique energy resources and the advantages they could give us in a recession. This has made those who were prepared to 'write us off' think again.

3 Perhaps even more important, Britain is one of the very few leading countries of the world with a completely stable Government which is not faced with an approaching election. While this may cause us to feel irritation at the vacillations of other Governments with which we have to negotiate, it gives us an immense advantage in being able to take a firm line and stick to it.

4 We should not underestimate the extent to which all these advantages have affected public opinion at home as well as abroad. There is the beginning of a feeling that Britain is not on the way out, and that this is due to the stance of a Government which is determined to reverse the trends of failure with new and distinctive policies - and that it will not be deflected from them. Even the 'centre/radical' media ('Guardian', 'Economist', etc) show signs of getting this message.

5 It seems to me to follow that we should do everything possible now to consolidate what could become a new 'consensus' of opinion in this country. The old 'centre consensus' which consisted of doing nothing but try unavailingly to put the brakes on a steady decline, is almost discredited. Of course the TUC and the spending Department unions continue to scream for a reversion to the old, failed policies, but the screams (eg Stan Orme on pay-beds) seem increasingly divorced from common sense.

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PRIME MINISTER (contd.) 20.12.79

6 We should therefore surely intensify our projection of the message that there is no third course open to Britain (or, even advocated) apart from our policies and the failed policies of the last decade.

7 We should go on saying - if we mean it, as I hope to God we do! - that nothing will deflect us from these policies, which hold out the only hope for Britain's recovery.

8 Moreover, I suggest that now is the best time to press ahead with further changes - especially reductions in public spending and borrowing. The fainthearted may say that we have incurred enough unpopularity already and would be unwise to risk more. On the contrary, I believe that the public mood is right for us to get the whole lot out into the open and defend it defiantly as a package.

9 The 'divisions' in our society of which we read and hear so much - 'class', the 'alienation' of workers and so on - are now, I believe, less acute than they were a few years ago. We have a real chance to achieve a new 'consensus' on our terms.

10 There is, of course, still lots to do in re-educating public opinion 'in depth' on the economic facts of life, and plenty of room for improvement in detailed exposition. These matters are being discussed and planned for now. But, if I am right, we can now start (as we couldn't before the Election) from the belief that the tide is beginning to flow our way; that there is a change of mood and a willingness to move towards a new consensus; and that we should cash in on this for all we are worth.

- A.M.

(Approved by the Paymaster General and signed in his absence.)