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Secretary of State for Industry

16 January 1980

Prime Minister

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
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though perhaps
a bit harsh
on the
unions.

This seems on the
right lines, but I think
some more figures would
be useful, and also a
rebuttal of those who say
the figures are bogus.

Dear Tim,

...

I attach a copy of an outline of the core of the speech
which my Secretary of State proposes to make in the steel
debate on Thursday. This supercedes the outline which I
sent to you earlier today under cover of a similar letter.

PL
16/1

My Secretary of State would be most grateful for comments
on the substance of it from the Prime Minister and those
of his colleagues to whom I am circulating the speech.
I would be grateful if at all possible, these could reach
me by the end of the day.

I am copying this letter to the Private Secretaries to
the Chancellor, the Secretary of State for Employment and
to John Hoskyns and David Wolfson at No 10.

Yours ever,
Pete

PETER STREDDER
Private Secretary

I would be
admirable
I want to make it
clear what the
offer is - many people
don't know.

Av. over
£110

+ 12%
on savings
equivalent

= £123. well worth
if an increase of
£13 p. week

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116 JAN 1960



I enclose a copy of the report of the
Committee on the State of the
Economy for the year 1959-60
which was published on 11th January 1960.
I would be grateful if you would
acknowledge the receipt of this report
by return of post.

Yours faithfully,
The Secretary



We are in relative economic decline.

Wage earners; salary earners; pensioners in many other countries have higher standards of living than ours.

This is not because of any lack of talent in this country.

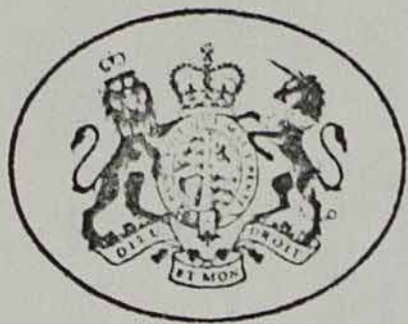
Nor is it because all our economy is uncompetitive - many of our manufacturing firms, large and small, are world-leaders; our commerce, distribution, invisibles, City, agriculture are all excellent.

But the good performance of many is offset by the bad performance of some and our average is less good than that of our rivals - and that is why we are in relative economic decline.

Governments must take much of the blame.

We have relatively low pay, low pensions, and inadequate public services in many fields because too many people have been allowed to ignore the economic reality that jobs and earnings - and the public spending made possible by them - depend upon customers and upon being competitive.

/Nationalisation has ...



Nationalisation has actually helped to breed indifference to the customer and to competitiveness;

Management has been patchy—from the brilliant to the poor;

And unions have not understood the link between jobs and pay and customers and competitiveness.

So unions, in order to obtain higher earnings, tend to threaten their employers, if private, with bankruptcy and their employers, if nationalised or state, with disruption and damage to the public;

and they tend to threaten their employers, regardless of demand for the product or service;

regardless of the demand or lack of it for their labour and skills;

regardless of the profit or loss of their employers;

regardless of the scope for increased productivity;

and regardless of the freedom of their members to move in search of higher pay if they can get it elsewhere.



Unions often force private employers to choose between the immediate disaster of a long strike if they resist, or the deferred disaster of crippled competitiveness and profit if they give way.

What the unions tend to demand - and extract - from employers is all too often something for nothing, and increased earnings regardless -

And the result is higher unit costs and so higher prices, squeezed profits and blunted competitiveness - *and so, face pbs.*

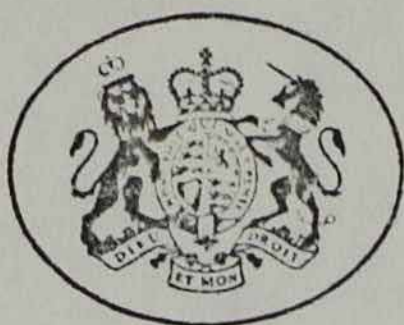
The British disease manifests itself largely in rising unit costs;

Employers - including the Government when it is involved - have tended to give way.

Surrender has been forced upon them by union insistence on something for nothing, enforced by the strike, or the strike threat.

Moreover, the public has come to see giving way as the civilised and normal thing to do.

/The Government is ...



The Government is called upon to "settle it" - meaning to give way - often with the taxpayers' money.

The consequence of innumerable surrenders to union pressure has not been to benefit in general the people of this country.

We have, largely as a result of Something for Nothing, lost competitiveness;

lost jobs;

and lost the better pay,

better pensions

and better public services that we could have had -

and that most of our neighbours have.

We have all too often bought peace at the cost of jobs, pay and pensions.

The steel dispute is a classic example of several aspects of the British disease:

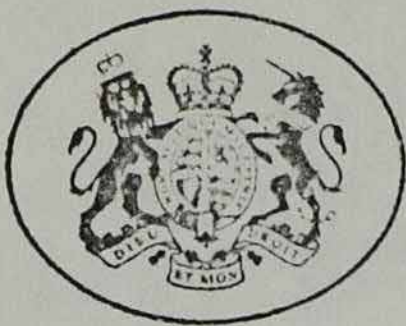
The background is nationalisation;

centralised decision-making;

and therefore maximum error.

Management and successive Governments unite in over-optimism - at the cost of the taxpayer;

/As demand ...



As demand declined far below what was expected -
largely because of British stagnation, the decline
in the British car industry; high prices and
new rivals -

*Not accurate -
Economic
- some
other
side.*

The last Government refused to allow closures, so
that what could have been earlier and less adjustment
accumulates to larger and larger intensity.

And on top of all this the unions insist upon Something for
Nothing - not Something for Absolutely Nothing, no doubt,
but Something very nearly for Nothing - and then,
on top of Something for Very Nearly Nothing, Something
for Something on top! (*productivity? agreements?*)

This way unit costs will rise again.

Steel is an intensely competitive industry;

Customers have a very wide choice. They won't necessarily
buy British;

/And yet steel ...



And yet steel unions and the Labour Party want once again to defer being competitive;

But every year they defer, our rivals move ahead.

Our competitors, our rivals, are increasing their productivity faster than we are;

they are accelerating away from us.

Every year we do not catch up leaves us , not the same distance, but further behind.

Each delay will destroy more steel plants and more steel jobs.

Now pressure to become competitive depends upon steelworkers accepting that it is in their own interests to do so.

If taxpayer find more money - on top of the £4 billion they have already found, and the £450 million for next year already allocated, the steelworkers will be lulled into thinking that they need not become more competitive.



It will be presented - it is being presented - as cruel and stupid not to buy peace yet again.

But it is neither kind nor sensible to buy peace.

It would be another step on the downward path - a big step because ^{particularly} management and union ostriches would think that they could still go on ignoring economic reality.

This is what this strike is about:

ignoring or not ignoring economic reality.

It is not about higher pay.

There was not much difference in money between the figures being discussed when the negotiations broke down.

The difference - (and it was a huge one) - was about where the higher pay was to come from.

Do we want to emphasize the difference?

Please don't say huge

Was it to come from the taxpayer, who will have already found £4 billion for steel by the end of this year and is committed by this Government to finding another £450 million for steel next year?

Or was it to come [from the higher earnings] through higher productivity;

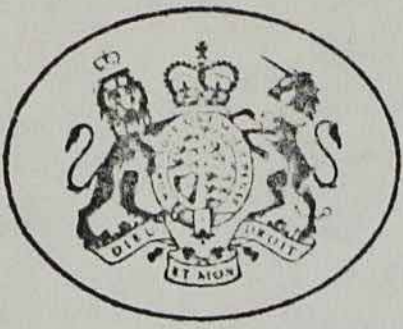
from better work practice;

better management;

taunter ^{manning} manning at all levels?

Also if other was not considered or results only on getting certain equipment

/It will not



*That is what
BSC's
offer has
partly
done -
It is not
dependent on
results*

It will not do to pay lip service to higher productivity,
and then insist on the extra wages regardless - and more
wages for higher productivity on top.

The question is not about higher pay.

The question is whether the higher pay is in return for
Something or for Nothing.

letter work

Should the steelworker get Something for Something, or
Something for Nothing? - that is the question.

It is not enough to promise to achieve higher productivity.

It is a sad fact that there have been agreements before -
like the one in January 1976 - in which managements and unions
promised to collaborate to this end.

Nothing much happened.

*- They still claim it has,
- 15% + some claims. Use figures
for SWP.*

The gap between us and our competitors is wider than ever,
despite all our huge investment and despite the promises.

This time both sides must reach an agreement that will produce
results.

This is not a dispute between the bosses and the unions.

It is a tragic clash between the interests of everyone and
those who, meaning well, seem unable to see this.

/Mr Sirs is ...



*Please don't
personate Bill
you will make him
a hero*

Mr Sirs is a man I like.

He sees his task in the way he has been conditioned to see it.

it would be a mistake to personate this

He doesn't see that his view - Something for Nothing - is at the heart of the British disease, of the ^{relatively} low standards of living for pensioners and wage earners and salary earners in this country.

(don't believe that such a response serves the long-term)
~~He is not serving the interests of his members.~~

There will be fewer steel jobs because of this strike.

He doesn't serve the interest of workers or pensioners.

They are all damaged by this strike.

Where does the Labour Party stand?

Does it stand for everyone - or does it stand just for union members - No - not even for union members, but for union leaders and shop stewards - for the self-destructive idea of Something for Nothing.

for more wages, not because they have been caused but because those who want them can hold the balance to a nation.

I hope it stands where we in the Government stand - for everyone.

Though Labour Members may mock, we stand for the pensioners, for the wage-earners, the salary earners, and in particular for the steelworkers.

"Something for Nothing" is a large part of the British disease.

It has damaged and is damaging all.