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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

PUBLIC ATTITUDES TO PAY DETERMINATION

Memorandum by the Paymaster General

Following the E Committee meeting on 9 July 1979 (E(79)4th Meeting) at which it was agreed that there should be a major publicity campaign to improve public awareness of the Government's attitude to pay determination, a meeting of Ministers and officials was held on 18 July chaired by the Secretary of State for Industry. It was decided to recommend to the Prime Minister that there should be two campaigns: a 'Quick' campaign, to cover the TUC Conference and run at least until Christmas; and a much more elaborate long-term campaign, carefully prepared in advance and sustained over several years.

The 'Quick' campaign would be directed to influencing pay negotiations in the current round, concentrating on convincing employers that the Government really means business in its attack on inflation, and bringing home to trade unionists and the wider public the dangerous consequences of higher pay unrelated to higher output.

The long campaign, using much more ambitious and varied techniques, would aim at gradual education of the public in the facts of economic life and the relevance of Government policies to the country's recovery.

On 30 July the Prime Minister approved the proposals and asked the Chancellor of the Exchequer to take responsibility for handling this matter in Cabinet and me to plan the campaigns. I have consulted with the Treasury, the Press Secretary at Number 10, the Number 10 Policy Unit, Sir John Methven of the CBI, and the Communications Department at Conservative Central Office.

The 'Quick' campaign was opened by the Chancellor of the Exchequer in a speech on 1 September to coincide with the opening of the TUC Conference. A special effort was made to secure maximum Press and radio coverage (TV coverage was not possible, owing to the nature of the meeting) and this achieved considerable success. In addition to immediate coverage, the speech clearly influenced not only leader-writers during the TUC Conference but at least three major (and very helpful) feature articles. Arrangements were made for other Ministers to follow up with comments after the Conference.

On 6 September a speaking brief, prepared by John Hoskyns and myself and approved by the Chancellor, went out to all Ministers (and some others on a 'need to know' basis), together with a full text of the Chancellor's speech. A copy of the brief is attached.

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It is hoped to keep the momentum up until near Christmas, with a peak during the Party Conference.

Meanwhile planning for the 'Long' campaign is proceeding. The Number 10 Policy Unit will have a detailed planning paper for me by end-September, and arrangements are in hand for the setting up of a small unit to run the campaign.

AM

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6 September 1979

BRIEF FOR THE 'QUICK' CAMPAIGN

This note is intended as a brief for Ministers making speeches, giving interviews, etc, over the next two to three months as part of what we have called the 'Quick' campaign aimed at heading off absurd wage claims by the unions. It is in no sense comparable to the last government's 'counter-inflation' campaign, because we know that inflation cannot be cured by exhortation. In a sense, it is a counter-unemployment campaign, designed to show union members and officials that excessive wage claims can only lead to a loss of jobs.

1 OBJECTIVES

The Quick campaign has three objectives:

- (i) To start the very long-term process of public education in the facts of economic life. (This will be continued in the long-term campaign, which is now being planned.)
- (ii) To show, in contrast, the complete irrelevance of most of the trade unions' posturing and propaganda.
- (iii) To establish as clearly as possible the responsibility of the parties involved - the Government's responsibility for curing inflation; the unions' responsibility for excessive unemployment, if they win excessive wage awards; the employers' responsibility for ensuring their work force understand the position and for resisting excessive wage demands.

2 THE KEY MESSAGES

There are five very simple points we have to get across:

- (i) Britain is heading downhill unless we change our ways.
- (ii) What we're paid depends on what we produce.
- (iii) We can't get rich by printing bank notes.
- (iv) Government can cure inflation if it has the will.
- (v) Government will do its job. You do yours.

Appendix A attached gives some suggested 'nuggets' which could be used, suitably adapted, in speeches or articles.

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## 3 MAKING THE MOST OF OPPORTUNITIES

Speeches will obviously be most effective where they can be hung on the peg of a recent event, for example the closure of a plant following militant union action.

Similarly, whenever a Minister is interviewed, he should make sure that our basic points come over:

- Nothing will deter the Government from ending inflation. Everything else depends on that - not only jobs, but pensions, hospitals, schools, the lot.
- Whether the cure is reasonably fast and painless or long drawn out and painful depends on the trade unions. We'll do our bit. They must do theirs.

If speakers can contrast these facts of life (see Appendix A) with recent nonsensical statements by union leaders or Labour politicians, so much the better.

Boring as it will certainly seem, it is only if all Ministers include the essence of this message in every speech, article, interview, even conversations with managers and workers during visits, that it will get across. There is enough variety in the 'nuggets' to be mined from Appendix A to ensure that Ministers will not always seem to be parroting the same words.

The message has to be got across if employers are to be convinced that the Government means business and will not be deflected from its task. If they are not convinced, they are less likely to stand firm in pay negotiations. The CBI, who are being most helpful and co-operative, attach great importance to this.

The message can be adapted to fit into a speech to almost any audience on almost any occasion: eg there cannot be better defence, pensions, health services, schools, homes, leisure facilities or whatever, without more wealth creation and less inflation. We have to hold back now, to be sure of being able eventually to make the improvements we all want.

Finally, it is most important that the message, suitably adapted, should be included in every Ministerial reply to

debates at the Party Conference. This is our best TV exposure of the year, and the best chance to hammer it home.

(NOTE: Appendix B sets out, for information, those engagements of senior Ministers in the next two months which seem to provide opportunities for advancing the campaign. It would be helpful if Private Offices would let the Paymaster General's office know of any changes or additions.)

COMMUNICATION 'NUGGETS'

## 1 BRITAIN IS HEADING DOWNHILL UNLESS WE CHANGE OUR WAYS

- 1.1 British manufacturing industry today produces no more than it did in 1974. The rest of the world has moved ahead and we're being left behind.
- 1.2 We can't just settle for no growth. How would we look after the old, the young, the sick, the poor in a dying economy? Compassion costs money.
- 1.3 To many people, things may not seem too bad yet. But they're getting worse. Anyone can live reasonably well till their money runs out, just as a car keeps going when there's only a pint of petrol left in the tank. We've still got North Sea oil in the tank, but it won't last for ever.
- 1.4 As a country, we're on our own in the world. All the material things we take for granted depend on our ability to trade. We can drift along for a few years yet without things getting too rough. If we're cowardly, lazy, we can just keep putting it off, keep printing the money to buy other countries' goods and closing down our own factories. That's what's happened since 1974.
- 1.5 If we keep drifting, we're just stealing from the future, stealing from our own children. Leaving them to fight our battles because we haven't got the guts to fight our own. We can either do that or start to pull ourselves up by our own bootstraps. If we start now, we can make it.
- 1.6 Yes, it will be quite hard going for the next two or three years, and it will take us nearer to ten years to rejoin the rest of the industrialised Western world. At the moment we're the odd man out.
- 1.7 Everything this Government has been doing, in reducing direct

taxation, switching to VAT, introducing union reforms, is simply to bring us in line with other more prosperous countries. Unless we can now catch them up on productivity we'll remain the odd man out.

## 2 WHAT WE'RE PAID DEPENDS ON WHAT WE PRODUCE

2.1 Of course we all want a high wage, high investment, high employment economy, producing the wealth to support good social services. But it's no good talking about it if we're not prepared to do anything about it

2.2 If we produce more, in the end we'll earn more. If we produce less, in the end we'll earn less.

2.3 Other countries are better paid than us. This is not because they're better at bargaining, or that their government is more generous. It's because they produce more.

2.4 People in other countries produce more because they do things differently. They use their time and energy, their skills, their equipment, their money, better than we do. Each person produces more, so he is paid more.

2.5 There is no such thing as a free lunch. There is no such thing as a good day's pay for a bad day's work. There is no such thing as a 'just demand' for more pay if there's been no more production.

2.6 If we don't make living profits, we can forget about higher living standards. Profits are simply savings. You save for a new car. A company saves for new equipment. If its employees don't have the latest and best equipment, then they can't produce enough.

2.7 Unions cannot make their members rich by downing tools and demanding bank notes. The only jobs that are created by strikes, restrictive practices, go-slow, are jobs in other countries.

2.8 When big unions use their muscle, they may not immediately export their own members' jobs to other countries, but that will be the end result.

2.9 The only way that unions can 'defend their members' jobs and living standards', let alone improve them, is to help their members to produce more. Bargaining can't create more goods, so it cannot, on its own, make people better off. Striking and overmanning make everyone poorer. The real 'boss' is not the manager, but the customer. If you lose him, you lose your job.

## 3 WE CAN'T GET RICH BY PRINTING MORE BANK NOTES

3.1 More money without more production means higher prices. That means fewer jobs. If government prints money to try to prevent the loss of jobs, then we get inflation.

3.2 When governments print too much money, there are moral as well as economic consequences. Savers are swindled. Borrowers are subsidised. Lenders and investors are cheated. Everyone gets frightened and suspicious. Managers stop investing. People start fiddling their taxes. Big unions use their muscle to protect their members at society's expense.

3.3 High government spending will inevitably lead either to more inflation, or higher taxes, or both.

3.4 This is why holding back public spending and stopping printing too much money is our top priority. To try to rebuild our prosperity without first curing inflation would be like trying to put the roof on a house before you've built the walls.

## 4 GOVERNMENT CAN CURE INFLATION

4.1 Curing inflation means making sure that the amount of money matches the amount of goods. Getting the two to match takes time. If we try to do it too fast, a lot of innocent people (who weren't responsible for causing inflation) would be hurt. If we go too slowly, then we delay Britain's economic recovery.

4.2 But governments can end inflation if they have the will to do so. It requires tough measures - high interest rates, holding back government spending - but it can be done. This Government will do it because we know that there is no alternative.

4.3 The trade unions cannot prevent us curing inflation (nor do they wish to do so). But trade union leaders could, if they do not understand the consequences of their actions, make the curing of inflation much more painful in terms of recession and unemployment.

4.4 Union leaders carry a heavy responsibility here. They should understand that the Government can and will end inflation, and then persuade their members not to try for the impossible - in other words not to try and stay ahead of the present inflation rate. If they try for the impossible, unemployment will rise much higher than it needs to do before inflation is cured.

4.5 Government can ensure that we get back to a stable currency that keeps its value. But no government can wish away real price rises. If oil gets more expensive, then we have to pay more for oil. If miners get pay increases without any output increase, then coal prices will rise. If railwaymen win large awards without any productivity improvement, rail fares will go up. The best way to get prices down is to get productivity up.

5 THE GOVERNMENT WILL DO ITS JOB. YOU DO YOURS

#### Government

Government can cure inflation. This Government willingly accepts that responsibility - and it will not turn back from it.

#### Employees

Think for yourselves. Listen to the moderate union leaders, not the militants. Demand strike ballots.

#### Employers

Make sure the work force knows what is happening, what is at stake, what is the true situation (the financial position in the private sector, the cash limits in the public). You can't ask them to trust you if you don't show you trust them.

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
1	Sir Geoffrey Howe	Chancellor, Treasury	Speech in Constituency
2			
3			
4	Humphrey Atkins	SoS N Ireland Office	Visit to Carreras
5			
6			
7			
8			
9	Timothy Raison	MoS Home Office	Opens International Institute of Communications Conference
10	David Howell	SoS Energy	Visit to BP Forties Field and Sullom Voe Terminal
	Lord Trenchard	MoS Industry	Day trip to Southampton (a) factory visit AC Delco
			(b) factory visit British American Tobacco Company
			(c) Southampton Chamber of Commerce
	James Prior	SoS Employment	Official Visit to Scotland (?)

S E P T E M B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
11	James Prior Humphrey Atkins Sir Geoffrey Howe Patrick Jenkin	SoS Employment SoS N Ireland Office Chancellor, Treasury SoS DIES3	Official Visit to Scotland(?) Visit to Bushmills Distillery Lunch: American Chamber of Commerce Address 16th Annual British Pharmaceutical Conference, Exeter University
12	Peter Walker	M MAFF	Visit to Portsmouth to meet grain merchants
13	The Earl Ferrars Sir Geoffrey Howe	MoS MAFF Chancellor, Treasury	Lunch: Fertiliser Manufacturers' Association Dinner: Institute of Directors
14	James Prior	SoS Employment	Visit to British Leyland plant, Cowley Oxford
15			
16			
17	James Prior George Younger John Biffen	SoS Employment SoS Scottish Office C/Sec Treasury	Open Trainex Exhibition - Fit for work Campaign (speech) Lunch: Glasgow Chamber of Commerce Speaks to NW Women's Conf. (Cyclical Indicators for UK economy)
18	James Prior David Howell Sir Geoffrey Howe Leon Brittan Sir Keith Joseph	SoS Employment SoS Energy Chancellor, Treasury MoS Home Office SoS Industry	Official Visit to Merseyside (?) Visit to a Coal Mine Lunch: Policy Studies Institute Visit to Sheffield or Penistone (?) Rolls Royce, Derby

S E P T E M B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
19	Sir Geoffrey Howe	Chancellor, Treasury	After dinner Speech - Committee on Invisible Exports
20	James Prior	SoS Employment	CBI Conference on Employees Participation (speech)
21	Sir Geoffrey Howe	Chancellor, Treasury	Visit to Ajax Magnothermic (UK) Ltd, Oxted
22			
23			
24	Sir Keith Joseph	SoS Industry	Rolls Royce Motors - Crewe
25			
26	Sally Oppenheim Douglas Hurd Patrick Jenkin	MoS Trade MoS M&CO SoS DIES3	Opening new factory for Hayward's Pickles Ltd Bury St Edmunds Luncheon Committee for Middle East Trade Aldersbrook Young Conservatives
27	Sir Keith Joseph Norman Fowler Reg Prentice	SoS Industry M Transport MoS DIES3	Address Islington Chamber of Commerce Freight Transport Association Conference Constituency Executive Committee
28	John Biffen William Whitelaw	Ch. Sec Treasury H. Sec Home Office	Speak - Oswestry Conservative Women's Conference Shropshire Garston Conservative Association Merseyside
29			
30			



## O C T O B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
1			
2	Patrick Jenkin Peter Walker	SoS DISES M MAFF	Address to AGM of Independent Hospital Group Ltd Presentation BLAT film Trophies Visit to Cheshire - North Western Farmers Ltd
3	Sir Keith Joseph	SoS Industry	British Aerospace (various sites)
4	Reg Prentice	MoS DISES	Lunch: Life Offices' Association
5	Leon Brittan Sir Keith Joseph William Whitelaw Nicholas Edwards	MoS Home Office SoS Industry H.Sec Home Office SoS Welsh Office	Teeside & District Chamber of Commerce & Industry Annual Dinner: Manchester Chamber of Commerce & Industry W Midlands Area Trades Union Advisory Committee, Coventry Address Luncheon Institute of Directors, Cardiff
6			
7			
8			
9			
10			

## O C T O B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
11	Sir Geoffrey Howe James Prior	Chancellor, Treasury SoS Employment	Conservative Party Conference - Economic Debate Annual Dinner: Barrow in Furness Conservative Association (speech)
12	Mrs Thatcher	Prime Minister	Party Conference
13	James Prior	SoS Employment	EMA's Biennial Conference Bournemouth (speech)
14			
15			
16	Sally Oppenheim Nicholas Edwards	MoS Trade SoS Welsh Office	Address Association of Mail Order Publishers London Open new Ferry Terminal, Milford Haven (speech)
17	Peter Walker Michael Heseltine	M MAFF SoS Environment	Address Annual Lunch of Dairy Trade Federation Official Visit to Sheffield (?)
18	Sir Geoffrey Howe David Howell Peter Walker	Chancellor, Treasury SoS Energy M MAFF	Banquet: Mansion House Lunch: Ipswich & District Industrial Advisory Council (speech) Dinner: representatives of United Carbide UK, House of Commons
19	Angus Maude Sir Keith Joseph	Paymaster General SoS Industry	Address Institute of Directors, Birmingham - lunch Computer Systems and Engineering Ltd Rickmansworth Speech - W Yorkshire Society of Chartered Accountants
20			

## O C T O B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
22	John Stanley George Younger	MoS Environment SoS Scottish Office	Address National House Building Council's Housing & Home Warranty Conference Lunch: Institute of Chartered Accountants
23	Peter Walker	M MAFF	Address Annual Luncheon of Cocoa Chocolate and Confectionery Alliance
24	Norman Fowler David Howell	M Transport SoS Energy	Fleet Management Conference Luncheon: Council of British Manufacturers of Petroleum Equipment (speech)
25	Michael Heseltine	SoS Environment	Address Annual Lunch of Establishment Committee of Corporation of London
26	Sir Geoffrey Howe Richard Luce	Chancellor, Treasury PUSS F&CO	Visit Fletcher International Sportsboats Ltd (Burntwood) and Lucas Electrical Ltd (Sutton Coldfield) Visit International Automotive Design factory, Shoreham
27	Sally Oppenheim	HoS Trade	Address Annual General Meeting of Consumer's Association
28			
29	August Haude	Paymaster General	Address Kensington Young Conservatives
30	James Prior August Haude	SoS Employment Paymaster General	Lunch: Policy Studies Institute (speech) Lunch: ICI Directors

## N O V E M B E R

DATE	MINISTER	DEPARTMENT	ENGAGEMENT
1	Peter Walker	M MAFF	Address Annual Luncheon of Cake & Biscuit Alliance
2	Sir Keith Joseph Reg Prentice	SoS Industry HoS DMSE	Norcross Ltd Northampton Politics Association