

PRIME MINISTER

Information + Publicity
Already in Brief.
Post Budget Campaign

cc. Paymaster General
Mr. Whitmore
Mr. Davies, Treasury

Mr. Lanchester:

1. You have approved the concept of a post-Budget campaign to educate the public in certain economic realities on the lines of the paper submitted to you on March 12 (Flag 2).

Immediate Programme

2. This morning the Paymaster General and I took stock of the Budget's reception and agreed that, while it was on the whole satisfactory, we needed to keep plugging away on:

- fairness; the extent of the help being given to the aged, sick, infirm, etc; and

the enterprise package, with special reference to small firms.

3. In addition, we took the view that we needed to introduce over Easter ebullient speaking notes for Ministers on:

- the education scene, given that Easter is dominated by teachers' union conferences; and
- the lessons to be learned from the steel dispute, taking credit for the Government studied non-intervention; the futility of the strike; and the cost to the workers, which cannot be recovered.

4. This package of speaking notes is more than enough to carry us over Easter. We must avoid giving too many messages at any one time, though we must not miss tricks - i.e. fail to take advantage of the topicality of the steel strike settlement or the Easter education debate.

/April Programme ...

April Programme

5. This conveniently and helpfully carries us over Easter before we change gear. The occasion for this is your 26-minute Granada TV broadcast on Monday, April 14. You will recall that you have accepted that you should use this occasion to launch the "Living in the real world" educational campaign.

6. I attach at Flag 1 a draft speaking note for that occasion. You will see that, as agreed, it develops that well publicised "illusions" passage in your Airey Neave Memorial Lecture (Flag 3).

7. Two questions now arise:

- Are you content with the draft for your own purposes?
- Do you agree to circulate that draft to members of the Cabinet with a personal note setting out the campaign strategy (see Para. 9 below) and urging them to use every opportunity to get over the message, e.g. by inserting the passage in their speeches; using it as a speaking note for radio and TV broadcasts? (I should say that my Information colleagues are adamant about the need for a personal message from you if the campaign is to be given real clout).

Campaign Strategy

8. The Paymaster General and I agree that by April 14 the Government should be returning to fundamentals and seeking to put Budget decisions, plans and proposals into a longer term strategic context. In essence, what the Government ought to be doing after Easter is to relate to specific publics or audiences its overall approach to the advancement of Britain. Put another way, we need to get over to the country what the Government

/is

is generally trying to do through the concerns of specific groups - e.g. ratepayers, managers, trade unionists, consumers,

9. The draft speaking note at Flag 1 sets out the Government's realistic approach to a range of economic issues. We need to follow this up - and reinforce - with messages aimed at specific publics before coming back immediately before the Summer Recess to the Government's overriding objectives. As of now - and there must be an element of tactical calculation - we have in mind the following publics:

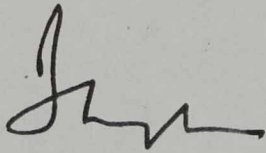
- management (for treatment in your Birmingham Chamber of Commerce speech on April 21);
- local government (pre the May 1 local elections) and to be hit hard over the weekend April 25-28 (when, unfortunately, the nation's eyes are likely to be on the Eurobudget);
- trade unions (a convenient focus would be before the projected Day of Action on May 14, provided it doesn't build up that event);
- British resources (for release just before mid-June which marks the fifth anniversary of the landing of the first North Sea oil); and
- welfare and consumers in the real world (for which focuses have yet to be identified).

10. In essence, we have, if you approve, three tasks in April: to set in the real world the roles of

- i. Government;
- ii. Management; and
- iii. local authorities.

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11. Subject to your views, I intend to get speaking notes to you and the Paymaster General on management and local authorities within a week or so.

A handwritten signature in dark ink, appearing to be 'B. Ingham', written in a cursive style.

B. INGHAM

31 March, 1980

GOVERNMENT IN THE REAL WORLD

The Government has one overriding objective:

to conquer inflation - that is to bring down and hold down the rate of price increases.

It is essential to do this if the national decline is to be reversed and our prosperity restored. Nothing more weakens a country and its people than a relentless fall in the value of money.

Inflation will only be controlled if we face the facts and stop believing in myths. We've been ducking the truth for too long, and look where that has got us.

Over the last 12 months the Government has begun to change the country's thinking - to persuade every individual to face up to some fundamental facts.

We are now, I believe, beginning to come to terms with the real world again. The myths are exploding and reality is breaking through.

The first myth to go is that the Government has money of its own. It hasn't.

Every penny it acquires has to be raised from its citizens, either through taxes or borrowing. It can, of course, borrow abroad but its individual citizens have to repay the debt and meet the interest. So it all comes back to you - the citizen - in the end.

It follows that the more the Government spends and borrows, the more individuals and companies have to find out of their own pockets. And the higher the demand for the available money,

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the greater will be the cost of borrowing it - that is, the interest rate charged. We can't have lower interest rates unless we reduce both the demand for money and the rate of price rises. The Government is determined to minimise its call on your money - and so help to bring down interest rates.

The second myth is that the Government can somehow overcome all the nation's problems by printing money. It can't. Printing money just makes things worse. The only effect of pumping more and more money into the economy is to reduce its value as more and more paper money chases inadequate supplies of goods and services.

That is why the Government is determined to keep a tight hold on the supply of money. We aim to damp down the fire of inflation; not to use the printing press to fuel it.

The third myth is that the Government can somehow spend the country's way out of economic trouble. It can't.

It is nonsense to suppose that spending simply to create or retain jobs regardless of what they produce is a remedy for any ailing economy. In the long run, it just makes the disease worse.

It is even greater nonsense to suppose that retaining people in public service jobs, simply to keep them in work, contributes to our national recovery. All it does is to rob the productive sections of our economy of the people needed to create wealth, not to mention the cost in wages of keeping on those public employees.

That is why we are determined to have a slim and effective public service and to minimise the number of jobs it has to do. We aim for less government rather than more.

The fourth myth, which feeds on the third, is that the Government can do other people's jobs for them. It can't.

There is no way that any Government can do the work of boards of directors, managers or workers. The best decisions are taken by those most directly concerned with the problems.

That is why the Government is ensuring that responsibility rests where it belongs. On boards of directors for the strategic running of our industry and commerce. On managers for the effective operation of their plants and marketing of their products. And on workers for the production and delivery of goods which customers want to buy.

Myth number five is that the Government can protect the country by import controls. It can't.

The Government can - and will - protect particular sections of industry from grossly unfair competition and dumping. That is reasonable.

But there is no escape through wholesale import controls, or a retreat into a seige economy. That would only increase prices, reduce consumer choice and postpone the day when we have to sort out our own inadequacy or inefficiency. It would also cost jobs if other countries retaliated against our exports - and don't forget that roughly a third of our income as a nation comes from overseas trade.

We need to look at overseas competition positively - and produce competitive products which sell the world over because their design, quality, delivery and price are right.

Sixth there is a myth that if only the Government introduced a prices and incomes policy all would be plain sailing. It wouldn't.

We have had prices and incomes policies of one kind or another for nearly two decades and what has happened? We've simply ratcheted up the level of inflation.

The truth is that the efficiency which comes from competition is the best way of putting a brake on prices. As for pay, incomes
/ policies

policies are notorious for rewarding inefficiency, wrecking differentials and discouraging initiative.

The reality about pay is that managers and union negotiators can either take account of a firm's ability to pay, helped or hindered by a willingness or lack of it to improve efficiency, or ignore that ability and bankrupt it.

Myth No. 7 is that the Government can do all it wants to do - and more - for the poor, sick, aged and infirm regardless of the country's economic performance. It can't.

We must earn the money first. And we shall only earn that money - the means to a better life for all our people - if we become efficient producers and sellers of British goods and services.

The ultimate myth is that Governments create wealth. They don't. People do.

Governments can create opportunities but it is people who seize them. And in seizing their opportunities now and in the future the British people know that their efforts and enterprise will be much better rewarded. For the Government's consistent aim is to leave more of the money you earn in your pocket to spend as you choose.

And that, as everyone knows, is no myth. It's an established fact.