

PRIME MINISTER

LIAISON COMMITTEE

PRESENTATION ISSUES FOR THE AUTUMN

At its meeting on 29 July, the Committee agreed to discuss further Government presentation of the economic issues most likely to dominate the last quarter of the year. This paper suggests, as a basis for discussion, the main considerations affecting our approach to each of the issues.

Economic Performance/Public Expenditure

In spite of some temporary respite following the Wall Street boom, comment has tended to harden. The bad production and unemployment figures and continuing CBI gloom have offered satisfaction to critics and caused some anxiety among supporters. If indicators of output and activity do not improve through the autumn, we might expect some intensification of this mood as supporters increasingly fear that the trends will not turn before the next election. A media-created crisis could quickly be reflected in opinion polls which would reinforce the trend.

Attention will increasingly focus on the late November statement of forecasts, public expenditure decisions etc with speculative comment about reflationary measures. We need to consider, in the light of what is known of the Chancellor's judgement, whether opinion should be prepared in any way to help avoid suggestions of the Government's being forced or panicked into measures. Alternatively, if the decision is that there is no room for relaxation, then the Government will need to present a resolute and united front in defending the medium-term strategy in terms of the necessary initial process of decelerating prices and falling interest rates.

If the indicators of output and activity begin to improve then of course the sailing will be plainer.

Pay

E Committee has already discussed presentation and a small official information group has been set up to advise on particular issues and commission speaking material as necessary.

We enter the autumn with a number of pluses and minuses. On the positive side there is little doubt that expectations have been sharply lowered. The July Gallup political index suggested that respondents on average expected to get 5.6% increase over the next 12 months (a significant fall even since the May figure of 6.2%). The deceleration of prices ought to help although there is not much evidence from Gallup that this is registering itself very powerfully. Real incomes have not fallen over the past two years - although this is not well understood and individual experience will vary.

A combination of factors including the labour market situation, the perceived Government resolution in dealing with public service groups and the absence of formal incomes policies reduce the likelihood of the "3rd year syndrome" establishing itself. We might hope for a reasonably low national engineering agreement which is psychologically helpful at an early stage in the round.

On the other hand, the lingering NHS dispute may strengthen the hand of those in the public sector seeking combined action. Certainly union leaders see it as a means of raising morale and stiffening resistance. The unions are playing the situation with some skill and there is already some crumbling in media support for the Government's position. This presents a major dilemma. There must be no perceived weakening of Government resolve. The prolongation of the dispute may continue to strengthen the unions' position.

Additionally we have to deal with the Scargill factor and the expectation that some groups may hold back to see what the miners achieve. Finally we are likely to start with no clear signal from a cash limit pay factor.

Employment Legislation

The enactment of the present Bill and speculation about further measures may inevitably become caught up with pay issues. Already some unions are trying to turn the NHS dispute to their advantage. They will seek martyrs and some firms may want to flex their muscles by taking on unions under the new legislation.

The Government has enjoyed wide support so far from the general public in the measures it has introduced. That may well continue but it would be unwise to be complacent. Some widespread disruption over a seemingly trivial incident - attributed by the unions to the new law - and talk of a further round of "anti-union" measures against the background of continuing high unemployment could start to sway working class public opinion against the Government. It has always to be borne in mind that most of the correspondents reporting these affairs are distinctly union orientated in their outlook.

The polls have consistently suggested that people believe the Government's economic policies are "not fair to all concerned". At present the division is 67% to 25%. It is true that the Government has never tried to pretend that it was aiming for "fairness". But the existence of this feeling is pertinent to public understanding of what the Government is trying to do in its general economic policy and on the pay front. It may reflect a crude belief that the Government's policies are class-based policies. To the extent that this is so, it could lend support to any growing view that the Government was confronting the unions through narrow ideology rather than for economic and broadly libertarian reasons.

All of this may be stretching the argument too far. It is important, however, not to take for granted continuing public support on this issue and to continue to argue vigorously that any measures are not directed against unionists and unionism but against ossified and self-defeating institutions.

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EC Budget

The Government has staked a good slice of its credibility on securing an equitable solution to the Budget issue although it is not at all clear what the public would accept as equitable. Anything that were interpreted by the press as "failure", however, would go some way to dissipate the advantages gained by the Falklands victory. The impact would be the greater if it were presented against further apparent trimming of domestic expenditure. It is important that any briefing over the coming months should be carried out with as clear as possible an understanding of where we are prepared finally to settle.

Review

The Committee may feel that it should keep the presentation of these issues under review on the basis of reports, as required, from the Chief Press Secretary.

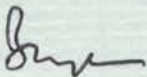
Summary

The four main presentational issues over the rest of this year are likely to be:

- economic performance/public expenditure;
- pay;
- employment legislation; and
- European Community budget.

The paper rehearses the dangers inherent in each issue which are to some extent inter-related. These need to be given close attention, especially against the background of the unresolved NHS pay dispute with the risk that this will become increasingly caught up with campaigns against the Government's economic policy and union legislation.

Particular care is required over handling the lead-up to as well as the actual presentation of the November statement on forecasts and public expenditure decisions; the progress of pay negotiations and the Scargill factor; the need to argue the national case for trade union legislation; and the need to develop a firm posture in our EC negotiations which takes due account of our overall objectives.



B. INGHAM

6 September 1982