

12 January 1984
Policy Unit

TIME MINISTER

BRIAN WALDEN INTERVIEW

During the first term of Government, all of the economic policies of the Government were subservient to the great task of reducing inflation. The public and press saw clearly this was the Government's aim, and in the later stages of the Parliament, saw the obvious success. The Government was therefore rightly seen as one of determined consistency.

Recent accusations of drift are based in part on the difficulty the press and public have in deciding what is the prime economic objective of the second term. Inflation is now low enough so that Government statements refer to the need to keep it low, or perhaps to move on to price stability. The Government is known to be concerned about reducing unemployment, but there is no stated clear determination to reduce unemployment by policy means, as we have always argued that it depends on rekindling enterprise and not on direct action of government.

X I wonder whether the right theme would not be to pick up your recent enthusiasm for reducing taxes? If you pledged the Government over the term of this Parliament to make income tax reduction its prime objective, you would rekindle the single-minded sense of purpose. At the same time, you would set an objective which is compatible with reducing unemployment and, if the necessary decisions are made about reducing public expenditure, can also be compatible with the attack on inflation.

The risks are obvious. Unless public expenditure is not only brought under control but also cut substantially, real income tax cuts cannot be delivered. However, the pledge could start to galvanise both the public response to the Government and the internal workings of the Government in favour of further reduction of the public sector.

The issue of local government is also bound to loom large.

In the light of Patrick Jenkin's remarks about the scope for possible compromises, it must be important to get across the Government's clear intention to push through the rate-capping legislation.

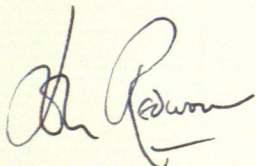
The Manifesto commitment was quite clear. Under the heading "local government saving ratepayers' money", it stated:

"We shall legislate to curb excessive and irresponsible rate increases by high spending councils, and to provide a general scheme for limitation of rate increases for all local authorities to be used if necessary".

The Manifesto went on to pledge that the metropolitan councils and the GLC would be abolished.

The general powers to curb excessive rate increases have not been sprung on the people without prior debate. The appeal of the measure must be widespread. Do people really want their local councils to have the right to increase their rates by 30 or 40 per cent or more at a time when incomes are rising by well under 10 per cent? The answer to this question must be a resounding no, and will evoke a particularly strong favourable response in those inner urban areas where rate increases have been penal in recent years.

There is, however, a danger in only portraying strength of purpose on rate-capping, and not going on to display sympathy for the case of local government as represented by responsible council leaders, often of the Conservative persuasion. Perhaps the way out here is to say that local councils will retain considerable autonomy over the £30 billion of spending on capital and current account which they will be making in 1983/4, and in subsequent years. The Government favours local democracy with councillors deciding how to spend the large sums at their disposal on what their voters want. Only when they indulge in crazy rate increases will national democracy take precedence to defend the citizen.



JOHN REDWOOD

PRIME MINISTER

cc Mr Ingham
Mr Turnbull
Miss Christopherson
Mr. Sherbourne

Weekend World Interview

Attached are speaking notes for the Brian Waldon interview based on the principal points mentioned by Bernard following his discussion with LWT. These covered:-

- Flag A Are you radical enough?
- Flag B What sort of society do you want?
- Flag C Taxation and public expenditure - has the Government failed?
- Flag D The Lord Privy Seal and the Chancellor of the Exchequer on taxation and public expenditure.
- Flag E Social security.
- Flag F Housing benefit.
- Flag G National Health Service.
- Flag H Education.

We will have a chance to discuss these and to provide any additional material you want tomorrow. Also attached is the folder of standard briefing in case you need it.

12 January 1983

NATIONAL HEALTH SERVICE

Speaking Notes

- At a time of increasing demands on the health services by, for example, the increased numbers of elderly people, all governments have found it difficult to fund improvements in the NHS. The last Labour Government reduced spending on the NHS in real terms in two of the five years they were in office and cut capital investment by 35%.

- We have protected the NHS much better. We have increased expenditure in real terms each year we have been in office; what is more, we have increased expenditure per head on those aged over 65, despite the increase in their numbers. Services have grown by 7½%; the number of patients being treated has increased; the number of health visitors and district nurses has increased; waiting lists have declined after rising by 250,000 under the last Labour Government; Britain is well up in the good health league of comparable countries.

- But we cannot simply go on pouring resources into the NHS: after all, the NHS now employs over a million staff, over 200,000 more than ten years ago, and almost double the number twenty years ago. As the Merrison Committee said "We had no difficulty in believing the proposition put to us by one medical witness that we can easily spend the whole of the gross national product." It was the Merrison Committee too, which pointed out that "We do not have a free health service; we have a service to which all taxpayers, employees and employers contribute, regardless of the use they make of it"

- We cannot repeat the massive expansion in NHS resources which has occurred in the past. Greater efficiency must make a bigger contribution to improved services. It is nonsense to suggest there is no scope for greater efficiency: why does it cost one specialist maternity hospital three times as much to deliver a baby than another; why does it cost over 30% more to run the ambulance service in one county than it does in the next county. Both the Merrison and the Griffiths Reports made it clear there was room for

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greater efficiency; that is why Norman Fowler has accepted the Griffiths recommendations for a tighter management structure for the NHS.

- The NHS is safe with us

- because we will ensure that it is run for the benefit of patients, not just its employees

- because we will insist on value for money in health care

- because our record demonstrates that we have protected the NHS better than its self-proclaimed defenders.

- There is another way to improve health care. Britain funds more of its health expenditure from taxation than any other comparable country. Other countries spend more of their national income on health because more is contributed from families own pockets. We are firmly committed - unlike the Labour Party - to the right of families to spend more of their incomes as they wish rather than as the State wishes.



10 DOWNING STREET

Prime Minister

On income tax, both
Chancellor and Chief
Secretary have indicated
that they regard the
threshold as a higher
priority than the rate

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