

CENTRE FOR POLICY STUDIES

REPORT OF SPEECHES

at the

ANNUAL MEETING

held at

The Hyde Park Hotel, Knightsbridge, London SW1

on

Monday 30th January 1984

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Lord Thomas, in the Chair

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(From the Shorthand Notes of:  
W.B. GURNEY & SONS,  
St. Stephen's House,  
Victoria Embankment,  
Westminster, SW1 2LA)

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8 Wilfred Street  
London S.W.1

**£3.55**

THE CHAIRMAN: Prime Minister, my lords, ladies and gentlemen. As you will be aware, at about this time of the year for a number of years the Centre for Policy Studies has been enabled to move from the primitive, humble, rude circumstances of Wilfred Street to these sumptuous rooms. This miraculous work has been due on every occasion to philanthropy of one or other of our friends, on this occasion the magicians concerned are Lord Forte, Lord Cayzer and Sir Hector Laing, and I think we would like to thank them all very much indeed for this Cinderella-like transformation they have achieved.

This is a private meeting. The press is not here. We have always maintained this reserve and we hope and think we should do so today as in other years.

I have begun with words of thanks and I propose to continue so to do. My first expression of thanks is to those of you in the room who contribute something which Somerset Maugham described as far more important - I hope the donors will not mind - than money, namely time for our work. Dr Elizabeth Cottrell, the Director of Research, is going to talk in detail about the work of the domestic study groups, but I think I must say myself how much we all appreciate what the members of those study groups do. These men and women, I must say, Prime Minister, are restless and impatient people. They are people who do not easily take no for an answer. It is no use saying to them, as I have tried to do on one or two occasions when their ideas have not been put immediately into practice, the words of Milton, "They also serve who stand and wait". They do not believe it. However, their work is the essential part of the Centre for Policy Studies. It has continued over the last year with unabated vigour. This contribution of a voluntary nature is one of the prides of British public life, and I think we all recognise that fact and the fact that a great many of our

activities in the nation would not continue without this unpaid voluntary activity. I express my greatest gratitude to all of them.

I must also thank the donors who have made this and other activities possible. Lord Cayzer, our Treasurer, will, as usual, be addressing those who are donors in a moment or two, but I think I should also add my thanks to the donors. If you look at a list of our donors you will see that many of the best-known and best-regarded names in British manufacturing industry, commerce, banking, insurance are there. There are also names of persons who are not well-known to any of us. Both I say - I am not sure that Lord Cayzer would say it exactly in these terms - are equally dear to us to try to organise the Centre's work. Thank you all very much indeed.

My next expression of thanks is to our new directors. Those of you who have managed to read our colossal, microscopic new writing paper will have observed that we now have the support of a very distinguished core of men and women. They in most cases need no presentation to you, Prime Minister, or indeed to the rest of us, but I shall nevertheless introduce them. Caroline Cox, for example, our most dedicated defender of standards in education. At her side Lord John Vaizey, Economist and Historian, my oldest friend, I think, though he is not here entirely for that reason.

We have also three most distinguished merchants, if I may put it like that, using that not so often employed word: Ronald Halstead, Managing Director of Beecham Products; Derek Palmar, Chairman of Bass; Sir Hector Laing, Chairman of United Biscuits, who, taken jointly, you can be certain we shall dine entirely satisfactorily and healthily! On Derek Palmar's left Shirley Letwin and on the second from the end Kenneth Minogue of the London School of Economics, who are both philosophers and will assist us with our logic! Between Hector Laing

and Ken Minogue is Professor Dashwood, Professor of International Law at the University of Leicester, who will, we hope, lead us through the labyrinths of European Community problems with the knowledge of someone who lives in the heart of it. On the far end Jonathan Gestetner, and on the far end on the other side Peter Bowring, long time contributors to the Centre for Policy Studies. They will bring us the support which the great names of the enterprises with which they are associated naturally convey. Thank you very much all of you for joining us.

We have two other new directors who are not able to be with us: Lord Beloff who is ill, and I am sure you would like me to convey that he soon gets better; and Professor R.V. Jones, a noble survivor from Churchill's group of scientific advisers of the war, who is in the United States. These professors add to the professors we have already: Lord Cayzer and Sir Alfred Sherman, who this year is working on a book and I am sure you would all wish us to express our very best hope that the book may be as entertaining and as stimulating as his conversation.

I should say something about the Centre itself. The Centre is a very well chosen word for an organisation around whose hub there is a great deal of activity radiated. The Centre itself is a tiny organisation; two or three people or very few more, and I think you would all like me to express our gratitude to them, Elizabeth Cottrell, Daniel Johnson, Keith Boyfield and our patient, devoted Secretary, Nathalie Brooke, along with numerous and extremely hard-working secretaries whom I hope you have met on your way in.

My final word of thanks, Prime Minister, is this year, as last, one of gratitude to you for enabling us, as we see it, to try to play a part in the history of our country. We are all aware that the regeneration and the renewal of this nation is possible and that you are

the person to carry this through. It is a great privilege to continue to work for you, as it has been ever since I was, as it were, parachuted into the Centre for Policy Studies five years ago. President Truman wrote in his memoirs, "In Government there can never be an end to study, improvement and the evaluation of new ideas." He added: "I do not believe the President is well-served if he depends on only the recommendations of a few people around him." Prime Minister, that remark is one you might well have made yourself.

In that spirit I should say that in the last year we have not only continued our discussion groups, our seminars, our organisation of our research and advice, but we tried to enter into a new field, that is the field of international relations. We are all aware, I think, that governments can succeed or fail because of international activities, the frame in which our domestic operations are carried out. We are aware that European policy is something more than international policy, though perhaps less than domestic. We are all aware that strong policy requires investment. We know very well the shadow of Soviet relations lies heavily across all domestic operations, and in this spirit we have found study groups on all these matters.

I have asked two members of our Soviet Relations Study Group to begin our discussions today. First, Professor Seton-Watson, who was the Professor of Russian History at the University of London and also Director of the School of Soviet Studies. I believe it was said that his father was so well-known in Czechoslovakia and did so much for freedom and democracy there was some discussion when they were thinking of building a railway station that there should be a third railway station called the Seton-Watson Station. At all events, I am delighted to be able to present him here today.

PROFESSOR SETON-WATSON: Prime Minister, my Lord Chairman, my lords, ladies and gentlemen. It is a bit difficult to say anything in a few minutes on such a vast subject as Soviet foreign policy, so I will pick on one point which seemed, I think, to all members of our small study group of particular importance, and that was how difficult and how necessary it is to look at Soviet reality at the same time at different levels and from different points of view. It is difficult, I think, for the western democratic mind, which likes to think in terms of either-or. This simply will not work in the case of the Soviet Union.

If there is one single point which I should like to stress to you who occupy, if I may say so, a key position between leadership and the general public and can influence and enlighten the general public, then my point is that one about the need simultaneously to think on different levels.

Let me give you some examples. It is often argued whether Soviet policy is motivated by ideology or by security. The answer is both, for one without the other makes no sense. Again, the crises which keep cropping up in the Third World every year, and will no doubt go on cropping up, are not caused either by local social conditions or by Soviet-sponsored subversion, but usually by both at the same time. The western democracies do not have a choice of either maintaining their defences or negotiating with the Soviet Union: they have to do both all the time. We live in the same world and we are going to go on living in the same world as the Soviet Union and we are going to keep on having all sorts of things to talk to them about. All the time these negotiations are going on - and negotiators try to be as polite and calm as they can - the Soviet authorities continue to see us as their enemies and are doing all they can to undermine us and by their propaganda all over the world all the time to create as many enemies

for us as possible. One has to realise these things. They are not sometimes friendly; sometimes hostile. They are always hostile, but sometimes easier to talk to than others.

A few words about ideology and security in turn.

To western minds there is something faintly ridiculous in the spectacle of the Soviet leaders, those highly self-satisfied, self-made men who are enjoying and intend to hang on to the enormous amount of power and privileges they have. There is something ridiculous about them posing as persons spreading revolution throughout the world and reciting incantations of Marxist-Leninist communist ideology. One is inclined to think they do not really believe it, but that, I think, would be wrong. As they see it, their own lives, and still more the growth of the Soviet Union during their life-time to be a world power, are a tremendous success story and this success story has been achieved, as they would put it, "under the banner of Marxism-Leninism". There is another point. The legitimacy of the whole regime depends on this policy. It rests not on popular sovereignty, or monarchical divine right, or sheer naked military power, but the possession of the exact science of Marxism-Leninism, which explains human society past, present and future by the Central Committee of the CPSU. Its exclusive wisdom has been handed down to them from Lenin to successive generations of appointed members of the Central Committee and Secretary General. This is what they have drilled into their people's minds day after day. From this ideology derives their mission to lead the human race to the inevitable culmination of its history, the universal triumph of socialism, and let us be clear, socialism means a Soviet system; no other regime is socialism by definition.

There is no need to hurry in this task and undue risks must never

be taken. Frequent halts may be necessary along the march, and sometimes retreats, but neither retreats nor halts are compromises: the march goes on.

Now, for a moment, security. Throughout Russian history there is obsession with security. Russia in history has suffered from the absence of any natural frontiers to the west and the east, and in both the west and the east Russia for centuries has been threatened by powerful and dangerous enemies, the consequence of which is that the rulers of Russia and their Soviet successors are still obsessed with security. There has always been one answer to the problem, which all Russian rulers have adopted at different times, and that answer is expansion. Muscovy 600 years ago was a small principality which covered the ground between the two biggest rivers, one going north, one going south. It has expanded to the Elbe and to Kamchatka, and today its long arm reaches out to Ethiopia, Angola and Cuba. So if we said the Soviet leaders had an essentially defensive outlook and are security minded, this is absolutely true, but this is not any consolation for us. The difference between the Soviet leaders and all other governments is only this: they have a long-term aim towards which cautiously but relentlessly they march; the rest of us do not.

It is perfectly possible to keep these things in mind when thinking or dealing with the Soviets, but it is very difficult for the public, on whose support western policies depend, to grasp them. To help the public to grasp this many-sided and simultaneous process is extremely difficult. Anti-communist incantations by western statesmen do not help very much. Communism is a concept which has long since ceased to be dangerous, but the military power and subversive skills of the Soviet empire are dangerous. Soviet leaders as individuals, by their own moral standards, are largely upright men. They are not the

incarnation of evil any more than we are of virtue.

I come back to my original point and to them simultaneously on these different levels. One ends on a very dreary and bleak note. Miraculous solutions and catastrophies do not, I think, lie ahead. Certainly not the first and not, I believe, the second either. What does lie ahead is one difficult, necessary task of living in the world with them until their outlook changes. In the end it will change, because nothing in history is immutable, but whether it is in your children's time or not I cannot predict. But until their outlook changes one has to continue this difficult and complicated task. Finally, it is your task, perhaps still more necessary, of making the democratic public understand these bitter truths.

THE CHAIRMAN: Prime Minister, ladies and gentlemen. Our next approach to the Soviet Union is presented by Dr Geroge Urban, who is a most distinguished scholar and writer of Russian affairs and has recently spoken on the much-loved and very important voice of the free world radio, Free Europe.

DR URBAN: Prime Minister, ladies and gentlemen. Our study group has given considerable thought to a question central to our relationship with the USSR and its client states in Eastern Europe: Is the Soviet system what it is because the Russian people have made it so, or is it rather the case that the Russian people themselves regard the system as alien to its character much in the same way as the Ukrainian or Latvian or Uzbek people do? This, in turn, raises the broader issue as to whether Marxism-Leninism is a wholly foreign imposition, or whether it expresses some inborn reluctance or inability on the part of the Russian people to sustain a democratic society.

Each of these views has its eminent spokesmen, as many of you will know, both in the Western world and in the Soviet Union itself.

Alexander Solzhenitsyn holds, and holds with passionate intensity, that the whole Marxist ideology is foreign to the spirit of the Russian people and Russian culture. Professor Richard Pipes, on the other hand, and many of his fellow students of Russian history have shown that the Soviet system is in substantial harmony with the dominant strain in Russian history and political culture, a tradition which might, with only slight exaggeration, be described as a lack of a sense of democratic values and a reluctance to acquiesce in the will of existing authority.

These questions are important because this is the age of instant communication, of the mobilisation of mass opinion over the heads of national governments. Our informed estimate of how much support the Soviet system enjoys by the people of Russia or the Ukraine or Lithuania has, or ought to have, a direct impact on how we identify the ends of our policy vis-a-vis the Soviet Union and how we propose to attain them.

In doing so we are in fact taking a leaf out of the Soviet book. The Soviet Party and Government have long been familiar with the need to identify the adversary correctly, to subject it to pressure at its most vulnerable points and to do so with a great variety of means, both above ground and underground, under the direct supervision of the Communist Party. Their notion of "peaceful coexistence" incorporates the notion of "war-like coexistence".

Fortunately for the Western world, the Soviet leaders have not always been very sophisticated in applying their own doctrine. They tended to get it wrong more often than right. For example, their recent assessment of how much "peace" propaganda the West German public would assimilate on the eve of missile deployment and thus prevent deployment proved to be utterly false.

On other occasions, however, they were successful in reaching deep into our domestic affairs or setting the context for our discomfort by manipulating Third World opinion. It will be enough to recall their masterly exploitation of the fears surrounding the neutron weapon under President Carter and their gradual takeover of the United Nations as a forum of world opinion.

Our study group has reached no dramatic conclusions, but the undramatic ones are important enough. They may be subsumed for my present purpose under a single heading: the need to differentiate. It is, in one sense, still perfectly adequate to talk of the Soviet "bloc" when describing the post-war Soviet empire, because the whole of Eastern Europe continues to be under Soviet rule and still carries the institutional imprint of the Soviet system. In another sense, however, the continuing revolution in Poland, for that is what it is; the creeping dilution of the system in Hungary and its paralysis in Czechoslovakia make it essential that we should recognise the highly individual and indeed idiosyncratic character of each European country and shape our policies accordingly.

We must bear in mind two things: first, that we are dealing with unelected governments which are, in some ways, nevertheless extremely sensitive to the pressures of public opinion; second, that the peoples of Eastern Europe are our allies. They share our sense of freedom, our sense of liberty, democracy and national independence. They constitute in a rather paradoxical manner the "Communist encirclement" of the Soviet Union. If their impact on their governments is necessarily limited, and that of their governments on Moscow more limited still, that should not discourage us from maximising our welcome and popularity in Eastern Europe.

We should stress our solidarity with the peaceful aspirations of the people of Eastern Europe and offer cooperation, especially to those of their governments that render themselves accountable, or shall we say more accountable, to the wishes of the people. Our appeal as Europeans talking to Europeans is very strong. This is not often realised in the Western world. We have much to offer and much to deny. We can add to or lighten the economic burden which the Soviet Union now has to carry in Eastern Europe.

Some East European governments are more conscious of this than others. But they are all aware of the fact that their nations are anxious to be re-admitted to Europe, to which they feel they belong by history, culture and sentiment. We can help them to do so; and we can, if we know our business, help them to do so without jeopardizing essential Soviet security interests. Finland is no threat to the Soviet Union. There is no reason why a reformed Hungary or Czechoslovakia should be.

Differentiation should also guide our policies towards the USSR. Our study group has noted that about half the Soviet population is now non-Russian, and the non-Russian component is growing. It is clearly in our interest to encourage the hopes of those nations - the Ukrainians, the Uzbeks, the Tatars - that find themselves under Soviet tutelage and are anxiously watching whether the free world might help them with the many peaceful means at its disposal. We should be able to live up to those expectations by making full use of the human rights provisions of the Helsinki and Madrid Agreements, the Charter of the United Nations and the Universal Declaration of Human Rights. No-one forced the Soviet Government to sign these treaties and instruments. Both in our Government articulations and in our propaganda we should remind the Soviet Union of its obligations.

Differentiation is a more difficult idea to apply when it comes

to the Russian people. Our study group has noted the passivity of the Russian people, the absence of democratic tradition in Russian culture and the ease with which patriotism can be mobilised in support of autocracy despite gross oppression. These are factors that do not augur well for the self-liberation of the Russian people. We, nevertheless, concluded that there do survive in the Soviet Union, at influential levels, men and women to whom the official ideology is repellent and whose predominant motive for service is genuine patriotism.

It is, in practical terms, to these men and women that we should address our message for a better East-West understanding and the reduction of the fear of war. It is to them that we should stress that we have no enmity with the Russian people, that the fears and suspicions that exist between us are entirely due to Soviet expansionism and the treatment which the Soviet regime imposes on such of its own subjects and subject nations as seek to achieve a measure of freedom, justice and independence.

The principal cause of world anxiety today, we concluded, is not, or not only, the accumulation of nuclear weapons, nor the fears generated by words and rhetoric, but the nature of the Soviet regime itself. While it is not in our power to change the character of that regime, we can, both with our political policies and the skilful use of information policy, support those forces in the Soviet Union and Eastern Europe that are anxious to reform and humanise the Soviet system and so reduce world tension.

There is no contradiction between talking to the Soviet Union and insisting, as the Soviets do, that in matters of ideology and, if you like, propaganda there can be no "peace" between us. Indeed I believe the success of our information policy is the very pre-condition of the

success of any real, meaningful dialogue with the Soviet leaders.

THE CHAIRMAN: Prime Minister, ladies and gentlemen, Dr Elizabeth Cottrell, who is Director of Research and acting Director of Studies and the Centre, will now assure us that some of our feet at any rate are on domestic ground.

DR COTTRELL: Prime Minister, my Lord Chairman, my lords, ladies and gentlemen. We now have 15 study groups concerned with domestic policy; some of them are long-established old friends, some slightly younger and six have been formed since this meeting last year.

The general purpose of our groups is to have ideas and to help turn those ideas into policy to assist the Government in its commitments to roll back the frontiers of socialism, to reduce the role of the state in public life and to increase individual freedom and personal choice. We try to do this by influencing both policy-makers and the public. The detailed reports from our Study Group Chairman are available to you all. I will try to speak briefly about some of the achievements, hopes and problems of our groups.

Restrictions of freedom are the main concern of the Deregulation Group. It is particularly concerned that many of the imaginative and positive policies of this Government, such as those designed to help small business, have their value seriously diminished by the weight of regulation. They brought out this point in their pamphlet "Worried to Death".

Similar threats posed to freedom by the growing weight of legislation will be considered by our new group on the Rationalisation of Law.

This Government has done much to hunt down that insidious creature the QUANGO. His voice is no longer so loud in the land. But his brother the QUALGO is still far too alive and well and busily

promoting the cause of socialism through the local government network. But let the beast beware, the CPS is on his trail and he will soon be telling us how he can be quelled.

These are new groups. Our long-established Education Group, through its many publications and public statements, seeks to raise standards in education, to improve freedom of choice and to guard against those who would use education as a weapon for socialism. Of particular interest this year has been the way the group's advice has been sought by others working for the radical reform of education, including, I am able to say, some local authorities.

This year we look forward to the first publication from one of our newer groups, our Crime Group, on the cost of crime and crime prevention.

Naturally our groups achieve most success when they are working with the tide of popular opinion. There is very general agreement that we need improvement of educational standards and for measures to combat crime. Our health group has a more difficult task. Opposition to reform in the National Health Service is so well organised and articulate and socialist thinking in that field so well imbedded that constructive discussion is difficult. But our group battles on and this year will produce "Health 2000" with its proposed remedies for problems in the Health Service.

The Centre's conviction that radical reform is needed in social policy is mirrored in the "New Beveridge" project which Lord Vaizey is organising for us. This will be a thorough review of the welfare state and proposals for its possible reform.

Our Communications Group too, which works on presentation of policy, is concentrating on social policy, where reform is so essential and opposition to it so well-presented.

A group which would appear to be pushing at an open door is Trade Union Reform. But that group is concerned that the Government should take full advantage of its unprecedented opportunity to complete this reform. This year the Trade Union Reform Group will be re-emphasising the importance of adequate safeguards against the abuse of trade union law which affect life, health and safety

The Nationalised Industries Group too is moving with the tide of public opinion and continues its detailed research work on methods of denationalisation. This year has seen the publication of a very successful study on British Leyland as well as substantial contributions to thinking on Telecommunications. Next year will see studies on the dispersal of the state energy monopolies.

The variety of our work is demonstrated by the Shipping Group, which is producing an analysis of the beleaguered British shipping industry and constructive policies for its revival.

The Centre's duty to think the unthinkable is well illustrated by our Transport Group. Their proposals to convert railways into roads have gained such credence that even British Rail has set up an inquiry - I was going to say "on these lines", but I will say "about this idea"!

Nowhere is freedom better demonstrated than in the ownership and disposition of property. They are large, so the Centre has two groups working in this field. Our Urban Land and Housing Group has just produced a study on the private rented area, suggesting ways of revitalising that sector and thus providing more choice in housing. Our Housing and Local Government Group will suggest the substitution of council landlords by housing management trusts which will further reduce the role of the state.

The group which has perhaps achieved the greatest success this year, and certainly unprecedented press coverage, is Personal Capital Formation. Nigel Vinson, its Chairman, who has done so much for the

Centre for Policy Studies, will be telling you about the work of that group.

I should like to reiterate my Lord Chairman's thanks to the groups which gave so much time to the Centre, and I am sure they would like me to thank all those who make their and our work possible: ministers, Members of Parliament, civil servants, academics, industrialists and all those who give of their time and talents to help the Centre on its way.

Prime Minister, you told us in your speech at Ottawa in September that it is time for freedom to take the initiative. That is what our groups try to do. We know that no government can achieve reform and transform society by legislation alone. We know too that the task of the Centre for Policy Studies is long-term. For if the new economic and social reality which your governments have brought to British life is to be more than an episode, then thought not merely of this generation but of those to come has to be transformed. We at the Centre for Policy Studies believe that we stand in the forefront of this battle of ideas. We hope that we may do our work in such a way that those who come after may say of us and of you our founders: "And their work continueth, Broad and deep continueth, Greater than their knowing".

THE CHAIRMAN: Nigel Vinson was the Treasurer of the Centre. He has achieved a great success with the publication of his pamphlet on pensions, and I think it is that about which he is going to talk to us.

MR VINSON: Prime Minister, Lord Thomas, my lords, ladies and gentlemen. It is my great honour to report on the work of the Personal Capital Formation Group. Ever since the Centre was set up ten years ago one of its central aims has always been to achieve a greater dissemination of economic power, because, as you and Sir Keith so often stress, it is indeed a pre-condition of a free society.

So within this wider aim we set ourselves the task to argue the case for a capital owning democracy, and I welcome this opportunity to thank my colleagues in the group and in particular to pay tribute to Philip Chappell for his tremendous contribution.

Our group believes that the concept of personal ownership, in two words, expresses the politically identifiable alternative to socialism. Ownership is something people can believe in, want and will vote for, and in all sincerity may I say that the Government could make even more of this simple but most powerful concept. You have, of course, introduced many measures that have moved us down the road to wider ownership; not least the sale of council houses has given thousands of people a real stake in the community.

In every way you have stimulated enterprise and encouraged people to invest their capital and start up in business. But obstacles to self-employment remain not least the threat of Inland Revenue re-classification. It would help the labour mobile conditions of our times if the terms under which people choose to sell or buy labour were tax neutral and therefore immaterial to the Revenue. We should actively encourage people to sell their labour as self-employed, not least because such independently-minded people are the ultimate bastion against centralism and socialism.

But, whatever the good intentions, in practice personal ownership is still on the retreat, and in one of the primary markets - the stock market - the growth of institutional ownership continues inexorably; indeed it is accelerating. So without a change of policy within 20 years they could own virtually all the quoted stock of the companies in this country. Currently, all the tax advantages are loaded in favour of the concentration of economic power, and once wealth is institutionalised it can so easily be nationalised. The pension funds

are indeed a socialist Trojan horse.

Prime Minister, this is no doubt why you have given so much support to our major campaign to personalise the wealth in pension funds. We are so grateful to you for encouraging Norman Fowler to set up his Committee to report on the desirability or otherwise of allowing employees to begin to own their pension funds as the self-employed now can. Incidentally, such proposals are cost neutral to the Inland Revenue and industry.

Pensions are thought to be boring and complex, but I wonder how many people realise that the wealth represented by them is worth more than the growth in private housing. I wonder how many people realise that on average each employee is having paid into their pension fund over £1,000 a year. Our aim is to make this cascade of money somebody's money; not nobody's money. Our belief is that no other measure would set us more firmly on the road to a wider share-holding democracy, to a property-owning democracy in its ultimate form, where every man can be a capitalist, a society where people feel part of the system and are motivated by it.

Sadly, I find that arguing the case for pension reform with many fund managers is like arguing the case for agrarian land reform with the French aristocracy in the 18th century. If the Socialists were in power they would not have the slightest hesitation in nationalising the pension funds, and the squeaks and winges from the pension fund managers would never be heard above the demand for so-called social justice. So I do hope that in the same way the Government will be wholly guided by its philosophical and ideological beliefs, so that a start is made to make the money in pension funds the deferred capital of the employees.

Obviously, Prime Minister, you cannot prejudice the findings of

your Committee to which we gave evidence last Tuesday, and we know you are wholly sympathetic to our wider aim. I hope you will forgive us if we take this opportunity to strengthen your resolve in this area to bring about the essential reforms that would widen the choice - that primary freedom - in a free society.

Prime Minister, you are the first this country has had who understands the nature, the essential seriousness, of the threat of socialism, of the threat of the concentration of economic power to our way of life. In a free society it is essential to have multiple patronage from as many sources as possible in order to achieve free expression. Multiple ownership is a pre-requisite.

In this room there is such a pattern of ownership and those here represent the small handful of people in this country who also really understand what the ideological battles of ideas is all about. In you they see the one person who both understands and can do something about it. We hope our commitment - the knowledge that our belief echoes your own conviction - will be a source of strength and comfort to you, will enable you to press on with the essential reforms that are so necessary to complete that change of climate that will keep socialism out forever.

Prime Minister, thank you for your support.

THE CHAIRMAN: Our Treasurer, Lord Cayzer, has worked very hard and very successfully in the Centre. One of the privileges of being in the Centre, certainly for me, has been that of acquiring through it his friendship.

LORD CAYZER: Prime Minister, my Lord Chairman, my lords, ladies and gentlemen. This is our 10th anniversary. It is ten years ago that Mrs Thatcher and Sir Keith Joseph - then in opposition - thought the Centre up. I think it was a wonderful idea, because those of us who

have lived through the years since the war ended were filled with deep dismay that this country should fall into such terrible disrepute and really have little dignity left and very little money. I think that getting together some of the best brains in this country, men and women, and setting out to have a look at all the things that have gone so sadly wrong since the war was a brilliant idea.

Of course Mrs Thatcher soon came to power, thank God! In 1979 she was Prime Minister and in the first period of office clearly, although she had to do some very hard things, the country seemed to understand what she was doing, seemed to realise that here we had someone who was genuine at least, who was sincere, who was not going to listen to a lot of rot and wanted to get this country on its feet again. So in June of this year they sent her back with a thumping majority. It really thrilled us all when that happened. So now she has more time. I remember last year saying, "Yes, more time", and she said, "Yes, there would have to be a third time as well", and no doubt there will.

There are great problems to solve. Some, I think, have been mentioned this afternoon. Problems like the Health Service, the Social Services, all that kind of thing. How on earth are we going to pay for them? This is one of the questions I ask myself, because, you know, up and down the country if you enter people's houses and open their cupboards they are full of pills. They have not taken them, but you would feel cheated if you went along and saw the doctor and he did not give you a bottle of pills. Therefore we have got lots of ways of cutting down the cost of the Health Service.

I also feel that private medicine has an important part to play, and I do not believe that private medicine and public medicine should glare at each other. After all we are always being told about compassion, and compassion, surely to heavens, is working together to one end and

and not worrying too much who does the job. They could do it well together. So often there is waste because private and public do not work together.

The Centre has given its attention to many problems and will continue to do so and I hope will come up with some bright ideas that may be of use to the Prime Minister. I hope also that by dissemination of what is learned from those papers people will become more knowledgeable about what goes on in this country, more realistic about what is possible and what is impossible, more economically literate. But of course we do not want too many economists! We have at the Centre, as I have said, many distinguished economists who have given their time and knowledge without payment to the Working Parties, but I must disagree with our Chairman when he mentioned the question of time and money. I am interested in money! I have not come here this afternoon not to talk about it. We do have a small organisation, as the Chairman has told us, but it is a very necessary organisation.

I became Honorary Treasurer over three years ago, when I took over from Nigel Vinson. Unlike Mother Hubbard, when I went to the cupboard I did find a reasonable bone inside, which Nigel very kindly left behind for me. But you must remember that time moves on and costs move up. However hard the Prime Minister works and however successful - and she has been very successful - in keeping inflation down, nevertheless between ten years ago and today it has moved forward very significantly.

I think that both Sir Keith Joseph and Nigel Vinson when they first started this Centre had to produce far smaller sums of money to keep it going. As time has passed some of our donors have realised that our costs must be rising and have given us progressively more. I hope you will not think me ungrateful, for without your help the

Centre would simply not exist. But I want to appeal to you tonight, to those of you who perhaps can stretch your purses a little wider to meet rising costs, and it would be a tremendous help also if you could try and influence others how important this work is.

We have got to find answers to the questions, and the Centre is one of the most important centres where this can be done. Public opinion is formed through information, and public opinion can be a force for good or for evil. We at the Centre seek to set out the true facts and figures for public digestion. There are signs that realism is beginning to make headway in our national life. So I do appeal to you to help us at the Centre to ensure that information which is so vital to our future continues to flow.

We have a Prime Minister who understands and approves of what we try to do. She has done so much herself to change things and for the better, and in spite of what her critics say they must know full well what a mammoth task she has undertaken. She has come to office at perhaps one of the most crucial points in our history. The point that has been made this evening of freedom is very, very important indeed. We want our freedom in this country. We want to remain free. She is one of the people, perhaps the only person that we have had, who has a grasp not only of what is going on in this country but what is going on elsewhere, and particularly in the EEC, which is so important to us. She carries a very heavy load. She carries this load with courage, with great distinction, and she deserves all the help we can give her. So please help me to help her.

THE CHAIRMAN: Prime Minister, we would all like to know whether you think we are on the right lines.

THE PRIME MINISTER: My Lord Chairman, Lord Cayzer, first can I thank you both and the speakers tonight for giving us an extremely interesting evening and for you all being here to prepare ourselves

for the period ahead.

A lot has been said and I hope I shall not be too long, but I do remember that just ten years ago was very traumatic. We lost two elections in one year, and they were very critical elections. Last year, for the first time in a quarter of a century, we won our second successive election. That just indicates the enormous change between the atmosphere ten years ago and the atmosphere last year.

We did set out on a colossal task, and I am always eternally grateful to Keith Joseph for having the idea and inspiration for setting up this Centre to act as a renaissance of what we needed in politics in Britain, because we had a fundamental task to do. It was to change the whole balance of power in this country, which had become far too heavily weighted on the side of the Government. We had to restore it on to the side of the citizen: not an easy job to do. There are far too many people who have been accustomed to thinking they had a problem, therefore the Government must solve it. They began to think that for every problem there was a subsidy, and then the people who wanted subsidies far exceeded those who could provide subsidies and, as you know, we had a great big crisis in 1976 which took us quite a long time to recover from.

So this was the task: to alter the whole balance of power away from the state back towards the citizen. It means doing rather a lot. It means doing quite a bit in economics. I hesitate to speak on economics at the moment, having taken part in a sketch of about two and a half minutes as a Prime Minister who suggested we abolish them! Not all of them; some of them agreed with me! But of course the ones who agree with me are not the "grand paper" economists, but the ones like Adam Smith who started as a moral philosopher and studied economics as

the custom and base for human beings.

May I divide my comments into three sections? First, the economic side. I am often asked am I still radical enough? I must tell you, yes, we are not even half way yet from what I want to do. My job is to take all of these ideas and try to put them in a form and in a language which is attractive to people and in which they will believe. Then, when we have done that, we have to try and translate them into legislation and policy which will get through the House of Commons. So it is not always just a multiplicity of ideas, because if you are going to get something through you have to get together. So there may be ten ideas for reforming rates, but we are not going to get any of them through unless we can agree on one and combine behind it and get it through. That is where parties come in, and that is why we need to discuss together and combine together to get these things through.

If we are to achieve this tremendous redistribution of power there are a number of things which need doing very urgently indeed. To me the most important of all is to try to reduce the level of direct taxation. It may not sound a terrific objective. Its real purpose is to swing concentration on to the creation of wealth and away from its distribution. I believe we are not going to be able to solve the unemployment problem unless we try to get taxation down, because only by that means shall we be able to get enough money into enterprise, into investment, back into profit, back into success to create the wealth which we so much need.

Right now we are at a very, very difficult period. We still have some of the older industries dying. There will still continue to be some redundancies. We have not fully tackled things like ship building. There will always be structural change, even in a period of growth. But we have new businesses forming quite fast and growing quite fast.

But we have not yet got the new ones supplying enough jobs to take up the number of redundancies, and we are not going to get it unless we have in this country a spirit of enterprise, a spirit of success. So often I hear people talking about success and not fully appreciating that we need doers in our society rather than commentators and spectators. I think the way in which we as governments can help to get that growth, help to get that creation of wealth is by looking carefully at our direct taxation, very carefully at the reform of the taxation system, to see that we get the profits and we get the investment and we get it in the private sector, because it is only there that we shall in fact get sufficient investment.

I have heard too many people who say, "Investment is the thing", as if all investment was efficient. Ten years ago I belonged to a Government which spent a fantastic amount of investment in steel. If you are going to get true productivity investment it has to be done by the rules of the market place, and that can only be done in the private sector. The key to it, I am sure, is to get the incentives into industry for the enterprise and success that we need in this country.

We start with that point. That is one way of redistributing the power between the state and the citizen. It also requires a number of other things. Every Tuesday and Thursday I try to answer questions, the purpose of which is not always to elicit information! I do try to use it for that purpose, but, as many colleagues here know, it is quite possible to have totally contradictory questions, one after the other. First, why have you reduced taxation? Second, why have you not increased public expenditure? I sometimes feel that democracy is in danger, and may be again in danger, of becoming a system under which some Members of Parliament feel their duties are discharged if they provide more and more things through the state. They do not always

express the consequence of that, which is that they would have to put their hands more deeply into their constituents' pockets.

We have had a period where people have tried to think that they could give the impression of a Government that was tough, harsh and lacking in caring merely because they took a whole succession of tricky cases for which there was not enough money. But I myself think that the great body of people in this country are not taken in by that. They know full well that whether you run a household or a business you have got to live within a budget and that if you manage that budget well there is usually enough money for all the things that should reasonable be done. So I think we must pursue our policy of trying to constrain public expenditure so that as we get the growth the extra money is free to reduce taxation and for the greater re-issue of wealth.

We do need your help. Every morning when I listen to the radio from six o'clock there is someone who is complaining that there is not enough public expenditure for something. But we are spending rather more as a Government than we should. Therefore I do constantly need people who are prepared to go on radio or television to ring up these producers and say, "You have got it wrong again. I will come and get it right tomorrow morning", because unless we are as ardent in pursuing our case, then the left-wing gets it all its own way.

We must be able to constrain public expenditure, and I feel that people fully appreciate the need to do that. They trust us in the way that we run the resources of this country. The second thing is that we must continue to be radical. We still have too many state-owned industries - far too many. When I spoke to President Reagan at the beginning of his office I said, "You are going to have an easier task than I have, first, because you have a country where the spirit of

enterprise is very strong; and, secondly, because you have never had a Socialist Government." If you have never had a Socialist Government you have not got the degree of public or state ownership that we are having to reverse.

We have been far more radical than any other Government in the post-war period. We shall continue to be radical in this term of office. We shall have to be on the mark at the right time and to realise the maximum amount in terms of assets, and then carry on with more legislation again to take more out of the public sector. I used to believe it all as a matter of theory and policy. Having been Prime Minister for a little time - a little of the longer time, I hope - I know that many of the decisions that come before us as a Government are decisions which politicians ought never to have to make and frankly are not equipped to make.

We still have to take far more into the private sector. We must get our wordage better: personal capital formation is not the most bewitching term! It is something we shall have to think about. Every man a capitalist; every man a man of property; every man with a bit of his own - I do not know, but we have got to get the language right, because personal capital formation will not win a lot of votes.

It is very much because of what Nigel Vinson did about pensions and his propoganda that we have got a study group on it. I must also say that throughout the last election campaign we have tried to get across the message that personal liberty is tied up with personal ownership of property. It has been throughout our history. You will never have human rights unless you have property rights. Across the world where there are no property rights there are no human rights, which is why we have put so much emphasis on that. We must not stop at ownership of houses. We are of course looking at taxation of different forms of savings, so we hope to be able to have a more

neutral system between them. These are some of the things which have to be done in the economic sphere. We still have a very long way to go.

May I just turn to one or two other things? Trade unions. We are not through yet. About alternate years we need a bill! You look at the balance of trade union power, for example, in the United States and in other countries. It is very different from the balance in this country. We have to continue along the path which we have trodden and, ladies and gentlemen, it is popular, and it is popular with trade unionists, because they do not like immensely powerful trade unions either because they are too powerful over the individual worker.

I have just two other headings. First, the European Community, which is very important. It is very important that we win the elections this year on 14th June and win them well. It is going to be a very difficult year in the Community, and it is going to be a difficult year because in a way the Community has not yet come to face the fundamental problems that we in this country have faced. In a way it is the same reason, often people will not face them until they are right on the brink. We are prepared to face, and are insisting that the Community faces, the problem that we are producing food which no-one wants to eat and have to sell it cheaply to people who, if they ran a free enterprise system, would also have a surplus. There is only really one country which absorbs our surpluses and that is the Soviet Union. I really do not think we should carry on with this extremely extravagant way of providing for surplus.

We have to tackle this in the Community. We are prepared to tackle it, but we have not yet persuaded all our partners, and we shall have to do so. The other thing is that there are only two net contributors to Europe: one is Germany and one is ourselves. I do not know any partnership which will survive unless you have an equitable

way of sharing the financial burden that we have to exist on. It is important really for the political reason. The world has need of an area of stability and democracy. We have got both in Europe and we must keep them.

It is also in Europe that we are cheek by jowl with the other systems, which brings me to the third point: the threat from communism. Communism is the threat of our time and it is going to be here for a long time yet. I have been very interested in the study groups that you have set up. We have all, I think, come to the same conclusion at the same time. First, that that system, which would never have begun unless Marx had been able on free soil and in free air to write a thesis that would have destroyed the very things in which he believed and which he enjoyed, is an extremely rigid system which has failed to provide for a fundamental thing in politics: the need for change. It is the most rigid political system the world over. I do not think many people really believe in it to produce the goods, but they have a vested interest in its survival, because if that is what put their leaders there, they do not know how to change it, or rather they do - let me take that back, because I think they realise, because they are people with more education now, that their economy is not performing, but I think their leaders and some of their professors have realised something much, much more fundamental, which is of great interest to us: that if the economy is to perform - and this is their dilemma - they have to change from communism; they have to give more freedom. It is only with more freedom that you get the production, and if they give more freedom bang goes communism. That is the fundamental dilemma which they are in. In my believe that system will stay rigid for some considerable time. I do not see it fundamentally changing for a very long time.

How do we tackle this? We heard from Professor Seton-Watson and Dr Urban. Again we have come to the same conclusion at the same time. We have to make our assessment of the system and atmosphere realistically. It is no good negotiating with anyone unless you know exactly what they are like, unless you know that other people use words to mean different things. So we have to make a fundamental, realistic assessment of them, and then, because we live on the same planet, we have to try to negotiate with them.

There are three things I can say about entering into discussion. First, people must not expect too much to come from this. It is going to be a long time before we can have any influence on them, and if we can stop the arms race from going any further that will be an achievement on its own. But, first, people must not expect too much. Second, because we discuss with them, we must never relax our vigilance - never! Freedom is too valuable for that. Thirdly, we must not in order to try to achieve success make unilateral concessions. Any of those things would be fatal. They would not respect us. We should not achieve the results, and indeed we should only finish up by weakening everything we believe.

Well, Mr Chairman, we started off by being a very radical - using radical in its true sense, by changing the way people have come to think - organisation. We have been here for ten years. By the time we celebrate our Silver Jubilee in another 15 years it will be the turn of the millennium, and that is what we have got to work for. I hope we will be in power the whole time! I shall go on, my colleagues will go on, members here will go on, industrialists here will go on, academics here will go on, until we have got the balance of power right, because once you change the balance of power between Government and

people you are changing the balance of responsibility and we want more responsibility back to the citizen because we believe that that is the only way in which you get a truly free and independent society.

I would like to think that by the turn of the millennium we had achieved the sort of society which made it clear that socialism was merely an apparition of the 20th Century. We can do it and I hope and believe we shall. Let us not talk of it that way; let us talk of it in a much more positive way, and a positive way is that freedom and justice with democracy is the only system that gives man dignity and worth to carry out his fundamental purpose.

THE CHAIRMAN: Thank you very much, Prime Minister, for that marvelous speech, for being with us today and for giving us in the course of that speech the sensation which you have given us before: the sensation that, with you as our leader, there is nothing we cannot do. I hope, Prime Minister, you will come and celebrate with us the 10th anniversary of the foundation of the Centre, and the rest of us as well.

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