

FILE POLICY UNIT



10 DOWNING STREET

Miracle Mission ✓

MA
see. 26/4

Then?

relation to J.R.?

or shared

- as these are
confidential.

8/12/4

Stephen

I suggest you look
this away in your cabinet -
available for possible
speech material on Yempt.

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Policy Unit
20 March 1984

PM 5
8/12/4

PRIME MINISTER

The Government has now regained momentum, thanks to a strong Tory radical Budget. The press and public seem delighted that the Government was prepared to take a shrewd view of corporate tax reform, was prepared to lift income tax allowances substantially, and was prepared to begin the arduous task of evening out the tax rules governing savings institutions.

Shouldn't the momentum now be sustained? How far should the Government go?

How far should the Government go?

Some radicals - egged on by commentators like David Hart and, latterly, Brian Walden - want the Government to become very radical, making tackling vested interests its main rallying cry. Even Ferdy, in his Times article, suggested that it was the task of this Government to tackle the vested interests head on.

Your Government has always adopted a fairly radical rhetoric. If the Government ceases to be radical at all, it is likely to be beset by more of the criticism that occurred between January and the Budget. A lack of wind in the sails causes a discontent in the crew on the ship. This in turn produces a bad press.

The counsel of the consolidators in the Party is that this is the cause of madness. Vested interests are by definition powerful, good at lobbying, and often essential supporters of the Conservative Party. The Conservative tradition embraces support for many leading interest groups as well as embracing support for freedom and more liberal economics.

The pursuit of novelty for its own sake and an attack upon vested interests could lead to the Government over-reaching itself

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and courting unpopularity in a different way.

The way to reconcile these opposites is to bring them together behind purposes about which they could all unite. Often it is a question of how the policy is phrased. This can also overlies the question of how alliances are formed and political support built up for any particular course of action.

Take the case of the farmers. There is a traditional alliance between the Conservative Party and the farming interest. Farmers are heavily represented in our rural associations, and give freely of their time and resources to the Party. It is madness to try and rally the troops behind the banner of defenestrating farmers' privileges.

However, those who work on the farms are not a united band. They are not very numerous. The interests of the rich cereal farmer with many acres, or the fenland farmer, are not the same as the interests of the poor hill farmer in Wales. Neither of them have similar interests to those of the agricultural labourer, who is still the most numerous of the rural dwellers in the agricultural sector.

We do have positive policies for these different groups within the agricultural interest. Rich farmers benefit more from the cuts in CTT and income tax and the abolition of the Investment Income Surcharge than they stand to lose from a little less CAP subsidy. A beef farmer finds policies to reduce the price of cereals very attractive. The Agricultural Holdings Bill is the result of a deal between the Landowners Association and the NFU and therefore has its agricultural supporters. The agricultural labourer is more attracted by raising tax thresholds or other policies than he is worried about subsidy unless it reduces wages. Out of these shifting sands alliances can be made or strengthened by careful preparation of policy.

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But there is a wider appeal to present policy. Everyone in the country is a food buyer. Most people in the country also want a better deal from Brussels, and associate our heavy budget contributions with the expensive Common Agricultural Policy. Many farmers believe that the Common Agricultural Policy has indeed gone off the rails and is becoming too expensive.

Out of this, alliances can be formed and sensible policies followed that do have momentum, but are not going all-out to court unpopularity with an important interest group in the country. As the debate proceeds, the alliance between Government and governed often strengthens if the Government makes its objectives clear and these objectives are sensible - eg a controlled CAP budget and lower food prices.

Conclusion

A similar appeal to wider interests of voters as a whole coupled with careful reading of the differences within any given interest group can provide a basis for acceptable and often popular change. It can be done in education, (parent power, choice and standards) in pensions (members of funds and commercial interests benefitting from evolution), in health (patients and many overworked and disgruntled junior and middle ranking doctors, coupled with more private practice for consultants) and in several other policy areas.

Could this not bring consolidators and radicals nearer together as Nigel's budget has done?



JOHN REDWOOD