



P.O. Box 7, 200 Gray's Inn Road, London WC1X 8EZ. Telephone: 01-837 1234

UNCLEAN AIR

The tone of public life is a subject upon which politicians like to speak but which political analysts find hard to define. It is an intangible. Yet most people know quite well what it means. It is therefore a political reality.

A Government's survival at a general election may turn not only on the balance sheet of its direct achievements and failures but also on public perception of the rectitude of people and institutions important in the life of the nation — even where the Government itself may have no clear or direct responsibility. This is particularly the case where there is the least suspicion that a government is taking a casual attitude to what is seen as in any sense scandalous.

As ministers and MPs prepare for their Christmas holidays there is talk once again of the effect the post-Profumo period had on the standing of the Macmillan government. Old political chestnuts are being reheated — with reminders of how the Tories under Lord Home might well have deprived Labour of its 1964 victory if the atmosphere had not gone sour in the final Macmillan years, and had it not been for what Harold Wilson dubbed the "candy-floss society" when too much money was too easily made.

Lord Wilson, of course, eventually suffered from a different sort of scandal, the persistent irresponsibility of the trade unions, with which the Government repeatedly sought deals to prevent the erosion of money values. The scandal of union power and the Dangelid paid to it by the Government also destroyed the Callaghan administration in 1979. In the years between these periods of Labour power, Mr Heath's Government was undoubtedly harmed by the property boom and by the quick fortunes made from easy money at a time when the government was both presiding over inflation and trying to counteract it by wage controls.

The arrival of Mrs Thatcher, first as Conservative leader, then as Prime Minister, marked an instinct for change from the exploded fashions and dogmas of the Sixties and Seventies, and the wish for more responsible society. The Government risked its own neck by the rigours that were inseparable from the attempt to restore responsible financial management to the nation's affairs and was rewarded by a second term. It also sought, and still seeks, a society in which individuals can take greater responsibility and are challenged to act more responsibly.

That is the case for privatization, and removing the dead (and commercially irresponsible) hand of bureaucracy from state industries. That case also, however, includes an obligation to do whatever is necessary to see that free markets are properly regulated to prevent their distortion by malpractice or corruption.

It is against this background that Mrs Thatcher now has to take into account some deeply worrying discords in the tone of public life which could seriously damage public perceptions of the government. The Prime Minister herself has always been conscious of the damage done to the Heath Government by the consequences of too easy money. She is known to be worried by the excessive charges which the City has made for its services, and by some of the high pay increases awarded to themselves by top industrialists at a time when moderate attitudes towards wages are essential for the maintenance of economic recovery. All this, however, is right outside the Government's control, and part of it stems from the sheer speed and vigour of the international financial markets of which London is so profitable a centre. Nonetheless confidence in the system depends very much on those who operate it, though how they behave inevitably to some extent rubs off on the Government.

A much greater danger to the Government is fraud. For here the Government has both a direct responsibility to see that the law is strong enough to deal with it and that offences can be quickly and effectively prosecuted. Moreover, the Government is particularly at risk because it is so directly identified with the success of the City as a major world financial capital and as a wealth-earner. The financial collapse of Johnson Matthey Bankers, the clear evidence of inadequate Bank of England supervision at an early stage, and the lack of information given to Treasury ministers is the most obvious case.

Damage has also been done to financial confidence by the continuing repercussions of the scandals that affected some Lloyd's syndicates, in which matter the Government's cause has hardly been helped by the disclosure that the Tory Party's deputy chairman, Mr Jeffrey Archer, has provided a reference for the suspended under-writer, Mr Ian Posgate in his attempt to return to the insurance market.

The Government's Financial Services Bill, which is to be published this week, will strengthen the powers of fraud investigators but the wide question is whether City markets should be self-regulated (the basis of the Bill) or governed by a statutory body. That is a question that can be discussed here when the Bill is published. For the moment it is enough to note the dramatic allegations (under Parliamentary privilege) sprayed around by the Labour MP, Mr Brian Sedgemoor. However overt his political motives, he has successfully reinforced in the public's mind the impression that the Government has not done all that it should in these matters.

This impression is bound to be strengthened by the doubts

raised (and debated in the Commons yesterday) over the disclosures of MPs' outside interests. These doubts have been strengthened by the involvement of a significant number (nearly 40) of MPs and peers (principally Conservative) in consortia competing for the Channel Tunnel contract. Allegations have also been made about the involvement of a junior minister's family stockbroking firm in the sale of Cable & Wireless shares. It is becoming very clear that it is essential for the Government and its party to wash whiter than white, and above all that all private interests should be fully in the light of day.

For many of these disparate situations the government has no direct or moral responsibility. Some of the institutions concerned (Lloyd's and the tin market, for instance) have functioned for decades without apparent need for anxiety. Yet all in all an atmosphere has been created which is potentially damaging to the government. It can no longer assume that the "City", now at the centre of vast international markets, can function by the gentlemanly codes which have sufficed so far.

It also, however, has a question of tone to think about in its own image. It may be in some danger of adopting self-damaging political tactics. The other day, Mr Norman Tebbit got into a verbal brawl with Mr Kinnoch and the Labour Party when, in debate on the inner cities, he glibbed at the Labour leader's attempts (while wishing him well) to defeat the Liverpool Militants. It is probably true that Labour was bent on trouble that night. It may be true, as Conservatives believe, that Labour is so frightened of the popular appeal of Mr Tebbit's recent criticisms of the permissive society that they are determined to discredit him.

Yet Mr Tebbit and other ministers would be wise to ask themselves whether it is really good tactics to engage in this kind of rough-and-tumble in a debate on a subject which the public takes very seriously; whether even the Government might, by playing rough, give the false impression that it was becoming nervous. Governments prosper best when they rise above opposition cut-and-thrust tactics. Their job first and foremost is to keep their dignity and put their own house in order.

The whiff of malodour in public life just now is not directly attributable to the Government. But that does not mean Mrs Thatcher can safely ignore it. It may be tempting to do so while the public opinion polls are favourable enough and the opposition parties so obviously lack credibility. But if the mood of the country turns against the Government, what now seems so intangible could be Mrs Thatcher's greatest danger.