



10 DOWNING STREET

PRIME MINISTER

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I get back.

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FROM: THE RT. HON. JULIAN AMERY, M.P.

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Personal & Confidential.

28th August, 1981.

Dear Ian,

It was good to see you at lunch yesterday. "For greater accuracy" as Mr. Speaker says, I confirm the main points I wanted to make during our talk.

Given the divisions in the Labour Party we ought to win the election however badly we play our hand. But I do not think we will except under Margaret's leadership. She personifies the Conservative Party in the country today. If she were run over by the proverbial bus, no one else has the stature to take on the mantle. Nor is there time for anyone to grow into it. But even she will not necessarily win the election if her team continue to speak with so many different voices. We could well end up with a hung Parliament and a coalition of all the wets. *This is what some really want.*

Where the economy is concerned there are two major problems, unemployment and inflation. Nothing that we or any other Government could do can significantly effect the employment figures in the next two years. Where they are not the result of the recession they are the result of a salutary deovermanning. We may influence the trend. But the voters judge by results not trends.

Whether we can reduce inflation much below 10% is by no means certain but is our best hope. While the recession lasts the accent must be on wage restraint. But the longer term goal should be increased productivity and that involves a showdown with the Trade Unions. It is in my judgement necessary and will probably be quite popular. I would compensate for it by

- a) holding out the prospect of much higher wages once the recession ends and given higher productivity
- b) a more detailed and practical accent on Participation in its different forms.

Beyond that we ought to seek battle on those issues which I believe command the massive support of Conservatives and indeed others and separate us from the Left.

1. Law and order
2. The IRA
3. The sale of council houses
4. Denationalisation
5. Cuts in public expenditure - particularly local government - where practicable.

I would not deviate at all from our general anti-inflationary policy except perhaps to recommend a major cut in direct taxation to be introduced at the latest practicable moment, i.e.



so that people begin to get the benefit (not the expectation) before the election is held. It would be good to have a block of electors who would feel that the cuts from which they benefitted would be put at risk if the otherside won. The limited inflationary consequences of such a cut would perhaps be a price worth paying for victory.

Foreign and defence policies have more impact on public opinion than most observers have allowed. The attention paid in Germany and to some extent over here to the different disarmament lobbies points to ~~the~~ conclusion. These again are issues which set us apart from the official Labour Party and put the SDP on the spot. The need to stand up to Soviet Imperialism and therefore to have strong defences should remain positive planks in our political strategy.

But of course there is more to this than purely domestic politics. The policies now advocated by the Reagan Administration offer what may be the last chance for the survival of the private enterprise system and the free world. The President will be under tremendous pressures to abandon or water down these policies from his opponents at home, from the Soviet orchestrated world and from many of the non-aligned countries.

Nor can he expect much support from the Socialist Governments in West Germany and France however much their leaders may agree with him in their hearts. Margaret is probably the only head of Government who is in across-the-board sympathy with the President. Unfortunately the Foreign Office are deeply distrusted in Washington because of their reluctance to judge international problems primarily in terms of the Soviet threat. Palestine and Namibia are obvious cases in point; and there are others. The MOD is suspect because of its understandable reluctance, given present budgetary constraints, to contribute effectively to the defence of western interests outside NATO.

I would like to see Margaret achieve a Churchill/Roosevelt type of understanding with Reagan. But it will be difficult to do this unless our lines to the State Department and the Pentagon can be improved.

Having served in 7 different ministries over some 11 years I am not ambitious of the "grandeurs et misères" of office for its own sake; but I would like to help if I can. I have seen Britain decline from being a great power at the end of world war II to becoming a medium power and now in danger of sinking well below that. If we go much lower we will not become another cosy Scandinavian country but with nearly 60 million people, will tear ourselves to pieces in a modern and much bloodier version of the War of the Roses. This followed, as you will remember, on the loss of our Empire in France. France defeated us, then, thanks to Joan of Arc. It is of vital importance that our Joan of Arc should be given the chance to lead us to recovery and not be burnt at the stake of faction, personal ambition



or personal resentment.

Yours,

Julian

Julian Amery

PS. I am off to Majorca on 2nd September for about a fortnight to stay with Billy McLean. The telephone number there is: 010 34 71 54 5714.

Ian Gow. Esq.. M.P.