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Mr. Duguid  
Mr. Howe  
Mr. Gaffin

MR. PATTISON

Changing Gear

We spoke about the pamphlet "Changing Gear", which is to be launched at a Press Conference in the House of Commons on Thursday morning; I have had a quick look at it, and you and others may find it convenient to have this short note about the main features. It is not particularly long if others would wish to read it, although it makes pretty dry reading. It harks back unashamedly to the Macmillan era of "the middle way", a phrase which is used more than once in the text; and Macmillan is not only the publisher, but also the origin of the introductory quotation ("... who I believe will not be led away from the old tradition of consensus"). The authors also make no secret of the fact that their principle motivation is the changing of Government policy in a direction which is likely to enable the Conservative Party to win the next election.

Chapter 1 is devoted largely to an attack on the pursuit of "a particular economic theory", which is not specified but is clearly intended to be monetarism. It is suggested that the Conservative Party now needs to move the emphasis of the policy, as inflation moderates, to a programme of industrial and social reconstruction to relieve unemployment. There are some good points: the Government is criticised for preaching an unpopular ideology which they have not carried out in practice; and there are some totally unsupported propositions, such as that monetarism leads to a series of short term policies, and that it is "political nonsense" to minimise the role of Government in commerce and industry. The general message is that the Conservative Party need not be on the defensive, and should move to a phase of "construction rather than destruction".

Chapter 2, on Economic Policy, is decidedly weak - as well as short. After rehearsing the arguments for the monetary strategy, the authors argue that "a political strategy based on economic theory is a house built on sand", without explaining why; and go

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on to make the case for increased Government capital investment in exchange for pay restraint, rather along the lines proposed by Mr. Heseltine in the recent discussions on public sector pay. But they had previously argued against the 1972/73 policy of expanding demand while using a statutory prices and incomes policy to suppress inflation. The authors identify house building, roads, telecommunications, schools and major projects such as the Severn barrage and railway electrification as suitable objects for increased investment. They cost this package at £4-5 billion, with a further £2 billion in NIC cuts. This should be paid for by abandoning the commitment to lower income taxes "without affecting interest rates much". There is no analysis of the effect of this programme on interest rates, inflation or long term employment.

The more substantial chapter is the one on Industrial Policy, where it is argued that the Government should on the one hand selectively support the "sunrise" industries, with positive growth and profitability prospects, and on the other hand support other basic industries fundamental to the economy which are temporarily uncompetitive, such as cars and steel. There should be more Government support for the commercial exploitation of technology, and for small businesses. In the public sector the authors recommend largely what the Government is already doing: privatisation, breaking monopolies, breaking up into small units, improving management, and restricting price increases. (This last point is convincingly argued in Sarah Hogg's first article in the Sunday Times this week.)

There is nothing very original in Chapter 4 on Employment and Productivity, which is actually about industrial relations legislation. The authors welcome the cautious approach of the Government, and conclude that the need to win acceptance of the changes in the law precludes the more radical ideas which have been suggested (wholesale abolition of immunities or the closed shop, compulsory sequestration of union funds).

Chapter 5 on Improving the Labour Force is rather better: the authors assumed that 2.5 - 3 million will be unemployed for some considerable period, concentrated mainly in declining areas



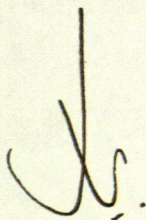
manufacturing activity; and argue for at least one year's training, rising to two years by 1990, for school leavers, with an ~~income~~ <sup>income</sup> allowance along the German lines payable.

Chapter 6 on Social Policy goes rather more against the current Government approach. The pamphlet concludes that family income at the lower end of the scale should be increased, through the introduction of a "mother's benefit" and a real uprating of child benefit. There is no discussion of the issue of real wages at the overlap with unemployment benefit. Wider availability of index linked bonds, and a closer connection between private and NHS medicine are also supported.

In the Chapter on Constitutional Reform, the authors conclude that the House of Lords should be elected by proportional representation, but are unable to reach a clear position on PR for the House of Commons. They do however argue for the reform of the rating system and a reduction of national Government funding of local authorities.

Finally, on foreign affairs, the authors say that they see less need for new policy directions than in any other area of Government activity: they support Europe, NATO and Trident, but would wish to see more aid for the thirty poorest countries.

There are two striking omissions: I found nothing directly relevant to the state of the inner cities, and the recent civil disturbances; and no reference to Northern Ireland.



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