



Government Chief Whip

12 Downing Street, London SW1

Mr Ian Gow MP

I thought you might like to see this rather disturbing letter which has come from Stephen Dorrell. He is coming to see me in the near future for a chat.

16th November 1981



Government Chief Whip
12 Downing Street, London SW1

16th November 1981

I am extremely grateful to you for taking the trouble to write to me in such detail on November 11th about your concern over the Government's economic strategy.

I should be most grateful if we could have a chat some time. I wonder if you would be good enough to try and fix it with my office.

Stephen Dorrell Esq MP
House of Commons
London SW1A 0AA

Page 2.

When the 1981 budget is seen against the background of the deflationary monetary policy of 1979-81 I believe that its massively deflationary impact is doubly indefensible. Despite what the Red Book says, the effect of the total package of measures that came into effect at the beginning of April 1981 was to deflate demand by some £7bn, giving a cruel extra twist to an already vicious downward spiral.

It is partly because I believe that the cumulative effect of our policies to date has been to substantially deepen the recession that I now believe that the government must reflate demand. I accept of course that any package must be tailored to match the ability of the economy to respond, so that it does not simply restimulate inflation, but I believe that if the party is to have (or deserve) the slightest chance of re-election we must show that we can produce a combination of rising output and falling unemployment, and I see no shred of evidence to support the suggestion that an automatic recovery is about to produce these phenomena.

As a young new member I came into the House expecting and willing to play a quiescent role as a loyal - if occasionally critical - supporter of the government, and I feel personally grateful to you for the sensitive way in which you have carried out your unenviable task. The SDP is, however, now barking up our heels both locally and nationally and I feel that the conventional dictates of party discipline are becoming increasingly irrelevant. If the analysis I have set out above is correct, it falls to those of us who believe in it to take every opportunity to put it into effect, even if our party leadership advise to the contrary. I still hope that the government will pre-empt such moves and make them unnecessary, but I hope you will understand that I cannot continue indefinitely down a road that I am convinced leads ultimately only to disaster.

*John Ridley
Stephen*

Rt. Hon. Michael Jopling MP,
House of Commons,
London SW1.

Jopling

PRIVATE & CONFIDENTIAL

17th November 1981

Thank you for having sent me a copy of the letter dated 11th November, which you had received from Stephen Dorrell.

I will show his letter to the Prime Minister on her return from Bonn tomorrow evening.

I take it that you will have sent a copy of Stephen's letter to Geoffrey Howe.

There can only be one interpretation to be placed on Stephen's words "that the conventional dictates of Party discipline are becoming increasingly irrelevant."

We have had some of the "Changing Gear" group to have a drink with the Prime Minister and I am proposing to invite others to her room at the House next week. Unless you advise to the contrary, I have in mind to invite Stephen Dorrell.

Ian Gow
Parliamentary Private Secretary

The Rt Hon Michael Jopling MP