

PRIME MINISTER

1. William Davis has sent in a first shot at some ideas for the Party Conference speech (attached).
2. He has asked if there are any particular parts of this which you would like him to develop further. If there are, perhaps you could indicate on the text and I will inform him accordingly.
3. He has offered to write a first draft of your speech once he has your reaction to this.
4. However you may prefer to see him personally before he embarks on writing a new draft. I would suggest seeing him early in the pre-conference week when there is plenty of time in your diary and when everybody's thoughts will be a little clearer as the Conference comes closer.

SP

STEPHEN SHERBOURNE

15.9.87



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The Rt. Hon. Margaret Thatcher,
10, Downing Street,
London, SW1A 2AA

Tuesday,
15th September, 1987.

To Mrs Margaret Thatcher

I am, of course, delighted that you have asked me to help with this year's party conference speech and the enclosed paper offers some ideas. I have tried to be concise, but there is so much to say! I look forward to seeing you when you have had a chance to consider my thoughts and suggestions, and I would be very happy to write a first draft of the speech when I have heard your reactions. It might also be helpful if, as in the past, I could see what others have suggested.

A handwritten signature in black ink, appearing to read "W. Davis", with a large, sweeping flourish above the name.

William Davis.

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FROM:
William Davis /1

Davis

I am sure that you are absolutely right in your approach. What many people would like to have from you, after the election victory, is a statesmanlike vision of Britain's future.

They will, of course, appreciate some acknowledgement of what has been achieved so far. For the first time in a generation, this country is tasting economic success. We can all take pride in that fact, regardless of our political opinions. *Return of vitality & enterprise.*

What has happened. This Government took over a run-down economy and has given it new vigour. Much of what you set out to do has actually happened: people have responded to your lead. There has been a revival of the entrepreneurial spirit; people have become more self-reliant; industry has become more competitive; the standard of living has risen; Britain has won new respect in the world.

② The electorate knew what was needed, liked your policies, and showed in the last election that it continues to trust this Government to do the job. Now we must all build on this foundation. We must look ahead, and provide a good future for ourselves and our children.

③ So many of our political debates seem to be based on an insular view of Britain. We tend to behave as if what happens in the rest of the world has nothing to do with us. This, of course, is nonsense. We live in a rapidly changing world, and we depend on our ability to compete in the global economy. Other countries - such as Japan - continue to mount a strong challenge. If we fail to rise to that challenge, and make the most of our opportunities, we will throw away everything that has been gained.

M/F

to end

We can't earn a living by doing our own laundry.

This Government believes in the concept of a caring society. That is why you have spent so much money on the health services and why you will continue to help those in need. But you also believe in taking a ^{practical} realistic view of the world we live in. That is why you will maintain the basic policies which have helped to make Britain great again - sound finance, sound defence, sound law, and the encouragement of the invigorating spirit of free enterprise. You will not waver because these policies are vital to this country's future.

Sound finance is vital if we are to pay our way in the world, if inflation is to be held in check, and if taxes are to be cut. We will not go to the IMF with a begging bowl, nor will we permit the destruction of savings by runaway inflation.

Sound defence is vital if we want to enjoy continued peace and hold our heads high in the world - as we all do.

Sound law is vital if we want to maintain peace at home. We will not allow the criminals and hooligans to take over.

Encouraging free enterprise is vital if we want to create the wealth which will ensure a prosperous future.

These are not short-term policies; they are at the heart of what we believe to be right for Britain as we meet the formidable challenges of the decades to come. They are the basic policies we need as we move towards the end of this century and into the next.

Colony

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Here are some thoughts on major themes, which could be developed in your speech:

The global marketplace

The global marketplace is a fact, not just a catchphrase. Modern technology and other advances have changed not only the way we live, but also the way we earn our living. We cannot operate within an isolated, self-sufficient, national economic system: we must acknowledge that we are part of a global economy. Britain cannot prosper if we fail to compete in that economy.

We cannot force other countries to buy our products and services. We have to persuade them that what we have to offer is the best. That is the only realistic view of our future in the world.

The service industry

Success of far-east within - not so much cheap labour but high investment, talent technology good design.

It seems to me that there is enormous misunderstanding about "services". To Neil Kinnock, it seems to mean serving eggs and bacon to foreign tourists - which many people somehow seem to think is a demeaning occupation. The old snob factor again, and it's odd to hear such talk from a Socialist.

There is nothing wrong with being of service to others. There is nothing wrong with being an inn-keeper, or a waiter, or an airline stewardess, or a grocer. *teacher, doctor, nurse, policeman* There is nothing wrong with being a policeman, or a lawyer, or a doctor or a politician. They are all important jobs, and we should be proud of doing them - and doing them well.

We are all part of the service industry, which is the fastest growing sector of the economy and which will continue to expand rapidly in the years ahead.

Let us be quite clear about what the word "services" means. It mostly describes the traditional service occupations, but also encompasses the so-called "information society". We now mass-produce information the way we used to mass-produce cars, and more and more people are employed in doing so. This is a world-wide trend, and Britain needs to stay among the leaders.

I think that, as a grocer's daughter, you have an excellent chance to change attitudes towards the word "service". And I think this would get a good response from the millions who are engaged in the service industry and who resent the snobbish attitude of people like Neil Kinnock.

Education

In a rapidly changing world, we need a better understanding of the role of education. Your Minister has said what the Government will do, but this is just a matter for Governments and teachers - it involves us all, especially parents. Our children must be educated to respond to the challenges presented by modern technology and the growing demand for services. The future belongs to people who see change as an opportunity rather than as a threat and who know how to make the best of it. Some of our older industries are declining - it's happening throughout the world - and new ones are taking their place. The new ones will provide great opportunities in the years ahead, but making the best of them requires a flexible attitude, a willingness to adapt, enthusiasm for trying something new.

It's inevitable that these changes will cause disruption, and in some cases, harshness. I wish it weren't so, but we can no more escape reality than the Japanese, or the Germans, or the Americans. What we can do, have done, and will continue to do is to give help. Our job retraining schemes are a good example. But education can only do so much: a great deal depends on our attitude to life.

Privatisation

There has been a widespread tendency to see the privatisation programmes - and popular capitalism - chiefly in financial terms. The emphasis has been on what the Treasury has gained from it, how people have made money on the stock market, and so on.

I think this is a pity, and it seems to me that the conference provides you with a good opportunity to remind people of the other benefits, notably the way it has changed attitudes - which should be of great help to Britain in the years to come.

On the financial front, it may be useful to remind people that the Treasury's gain has been ours. It has been estimated that the losses in the nationalised industries which have been written off by various Governments since 1945 exceed £45,000 million - quite a few hospitals and schools if one wants to think of it that way. Privatisation has reduced the burden on the taxpayer and will continue to reduce it. It has also made it possible to cut taxes and will continue to do so. As it has not been confined to industry - the sale of council houses has also been a part of it.

Demographic trends

As you are no doubt aware, the main feature of Britain's demography is that we have an ageing population. This trend will continue, and it has major implications.

I won't bore you with all the statistics: they are published in Social Trends. Let me just note that there are already substantially more old age pensioners than there are children on the school register.

The main reason for this change in the make-up of the population is, of course, that average life expectancy has risen sharply, without a matching increase in birth rates. The phenomenon is not confined to Britain: much the same thing is happening in other developed countries.

This will, inevitably, put a considerable strain on health care and social services. It is the elderly who need these services most and countries which have elaborate welfare systems, such as ours, may find it hard to sustain the present range of benefits. There are limits to what still-active taxpayers can be asked to sacrifice for those who have retired.

At present, there are 2.3 people in work for every pensioner. In another fifty years, there could be as few as 1.6 employed for every pensioner. This is another reason why, as we move towards the end of the century, we must all become more concerned with the process of wealth creation. I know that the subject of pensioners is touchy, and you may wish to avoid it. I would, however, like to offer these thoughts:

- 1) Prudent people would do well to recognise that the problem exists and make their own provisions for the future. Some to be fair, cannot do so and will continue to need help from the State. But there are millions who can and should ensure that they don't have to depend on the State. State pensions ought to be regarded only as a fall-back. A second pension is a must, wherever possible. Those who can afford to buy their own homes should be given every encouragement to do so. Private health care should be fostered, not denigrated. And saving should, once again, be seen as a virtue - indeed, as necessity.

2) We should also, perhaps, reconsider our view of the proper length of a working life and redefine terms like "old age" and "elderly". It has been fashionable, in recent years, to advocate early retirement. In part, this has been based on the notion that people over 60 no longer have any useful role to play and should make way for a younger generation. But many people remain effective in their 60's and 70's and we will need them. Falling birth rates may well result in a shortage of skilled labour in the years to come, so companies may have to turn to older workers just when they need the extra income.

I am sure that we could get the basic message across, in a few sentences, without giving offence.

Inner cities

*Glasgow
Westminster
Croydon*

I know this is a major concern of yours and that you will want to say something about it. There is, of course, much to be done, but I suggest that you should also praise what has been achieved already - and what is being done. You have seen a lot of positive developments in your travels around the country (a point worth stressing) and I am sure you have been impressed. The Glasgow experiment in urban renewal, for example, is very encouraging and I am sure that Scottish voters would like to see it acknowledged. The London docklands are another outstanding example and there are many others - including new towns.

London Docklands

We have seen a lot of self-help initiatives: housing associations have become a significant provider of new homes and means for refurbishment of existing properties.

In general, a pattern is emerging of combination of public, private, and voluntary sector participation in urban renewal which is in line with your philosophy - and which one hopes will continue in the decades to come. Government clearly has a role to play, but in partnership with business and the local people. Local commitment and action is of great importance.

Law and order

Two thoughts:

- 1) Most parents, especially mothers, are deeply worried about the evil menace of drug abuse. You may want to say something about this.
- 2) By law and order, we usually mean defence against traditional crimes like burglary, murder and so on. But after the recent City scandals, many people would also like further confirmation from you that the Government will deal firmly with people whose greed leads them to break the law. So-called white collar crime is a fact of life in the 1980's and may easily get worse. It should be taken as seriously as other crimes. Free enterprise must be allowed to flourish, but it should not be abused.

Trade Union

There are signs of a more responsible attitude among the rank and file of the trade union movement, and you may wish to acknowledge this - even applaud it. Many workers, after all, are now among your strongest supporters and it would be nice to show that you appreciate them as well as your middle-class supporters.

M/F

William Davis /9

No. strike
agreements

Their changed attitude is reflected in, among other things, the sharp drop in the number of days lost through strikes. Trade union leaders are no longer allowed to get away with confrontation politics. Your legislation has given power to the people who really count - the people on the shop floor - and they have made good use of it. I believe this is one of your most significant achievements, and that some acknowledgment - not patronising, but appreciative - will give them a lot of encouragement. The Labour party is very confused by the change, and doesn't yet know how to handle it. You have an opportunity to convert more rank and file members to the cause by making clear that you, too, have no time for class-conscious confrontation: that you want us all to work together because it is the best way to ensure prosperity for all in the years ahead.

North-South

We have been hearing a lot about the alleged north-south divide, and about Scotland being a separate country. There is nothing new about this, of course. People have been talking about it for centuries. But I hope that, in your look ahead, you will tackle this head on. Northerners - and the Scots - have as much entrepreneurial flair as people in the South, and they are proving it every day.

The Britain of the year 2000 will be a united country - just as it is now - and that includes Northern Ireland. We are going forward together.

Ending socialism

Your declared intention of ending socialism for good is clearly part of your long-term strategy. But, as you know, such remarks can easily be interpreted (and have been) as a desire to do away with all political

M/F

William Davis /10

opposition. There is no point, you will agree, in unnecessarily providing your critics with ammunition. If you are going to say it again, therefore, you ought to make plain that your wish to see the back of socialism is based on your heart-felt view that socialism would be bad for Britain - that it is the wrong approach to the challenges which face this country in the future.

Socialism has been discarded in many other countries; capitalism has become the spirit of the age. More and more countries are, like Britain, turning to free enterprise as the best hope for faster economic and social development. This is the right way forward. You don't mind political opposition - indeed, in the case of our Socialists, you hope to make it a permanent opposition.

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