

cc Mr. Ingham
Mr. Wolfson
Mr. Duguid
Mr. Scholar

MR. HOSKYNS

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Eca Pol

The Mini Budget and the Strategy

You asked me to let you have a note on the extent to which the absence of a clearly perceivable economic strategy adversely affected the way in which yesterday's package was received.

Perhaps I could start with two propositions, which I would be prepared to support even though the Treasury might incline to dispute:

i) Although we do have a clear economic strategy, it was not perceivable in yesterday's announcements.

ii) The package was badly received.

But it does not necessarily follow that -

iii) The package was badly received because it was presented badly.

No clear economic strategy was perceivable in the announcements

It was always going to be difficult to decide how to present the package, because it was a compromise in which the proponents of two substantially different strategies could claim an element of success. Thus it was not possible to go clearly down either of two equally respectable, but conflicting, routes: first, to announce that the Government had concluded that, because of the depth of the recession, unemployment was the major problem facing the nation, that a very large amount of extra public money was therefore going to be made available for it, and that of course the country would expect that adjustment to public expenditure and charges elsewhere would be necessary; or second, to say that, having completed the public expenditure review, the Government was proud to announce that conclusions had been reached which were entirely consistent with the MTFS, because public spending next year would be lower in real terms than this, and because on unchanged

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assumptions the PSBR would continue to decline in accordance with the strategy. Such clarity would have been unacceptable to one side or the other. So the best hope was the development of the "prudent flexibility" theme of the Prime Minister's speech on the Censure Debate on 28 October. A brief reference in this sense was indeed part of the fifth paragraph of the penultimate draft of the Chancellor's statement. It was not much, but it was at least something.

But, in the end, even that modest sentence was excised. We were left with a paragraph which is worth quoting in full: I do not exaggerate in saying that this is the only place in the Chancellor's statement where any explanation is given of the ~~motivation~~ motivation behind the measures:

"At the time of the Budget we expected cash expenditure in 1982-83 to grow more slowly than we now envisage. We now think it appropriate to increase the planned provision for certain programmes to reflect changed circumstances."

There was therefore in the statement not only no oratory or inspiration, which is not the Chancellor's style, but no indication that the announcements represented a step down a strategically determined path. A picture is given of a Government simply responding pragmatically to events, rather than determining them; the overwhelming impression was of a technical package consisting chiefly of bad news; and the picture was not helped by the Chancellor's subsequent repeated references, in discussion of his statement, to "balance" as the objective of the measures. Balance, whatever it means, is not exactly a thrilling strategic concept.

It is important to stress at this point that I am not criticising the drafting of the statement. The Chancellor has his own style; and, in the eyes of the Daily Telegraph at least, it is appropriate to his message. It is the absence of a strategic framework which is striking.

/ The package was badly received.

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The package was badly received

I think there is no need to argue this point. But some analysis of the criticism may be useful. I think media comment falls into three categories:-

- (i) That the package meant that everyone gets worse off, i.e., concentrating on the substance of the announcements;
- (ii) That the package created an atmosphere of dismal gloom, i.e., concentrating on the presentation.
- (iii) That the package gave an impression of a drifting Government that had lost its objective, i.e., concentrating on the failure of the strategy.

Some selected extracts of the media coverage are annexed. It is of course possible to select quotations to prove almost any point. But it is undeniable that only the Daily Telegraph is remotely supportive; and that the only good message to come out of the others is the possibility of tax cuts in the Budget - an expectation which I doubt the Treasury want to foster just at the moment.

Cause and effect

Bad news is always going to be seen as bad news, however well it is presented. But yesterday's announcements are being criticised not only because of their substance, but also because of their presentation. To some extent, therefore, criticism could have been deflected by different presentation. I have consulted Bernard Ingham about this, because he (and I) have been concerned for several weeks about the possible impact of the announcements. You may like to glance, because I think you did not see it at the time, at the attached note Bernard sent to Francis Pym on 24 November. You will see that we were then very concerned about the need to put the announcements in a strategic context, not least in order to limit the damage on pay bargaining. Bernard's view this morning was that:-

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- (a) The statement ought to have had some strategic underpinning in paragraph 5;
- (b) It ought to have been more inspirational, and to have contained a few catch phrases, so as to have captured the headlines and the opening sentences in the Press.
- (c) But it is inherent in the announcement of the autumn measures that we are going to have a bad reception, because the Chancellor is able to announce only one side of the equation.

Conclusions

1. Yesterday's package would have been received with less criticism if it had been presented in a more lively way, but the criticism of the substance would always have been there.
2. You can't get away with bad news unless you give people some hope that it is in a good cause. An announcement like this desperately needed to contain the basis for understanding why it was necessary.
3. That failure to put it in a strategic context, which stemmed from the fact that Ministers did not really have a consensus among themselves as to the strategy they were following, may well have an adverse effect on pay bargaining.

J. M. M. VEREKER

3 December, 1981.

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Selected extracts of the Media coverage of the 2 December announcements

1. Coverage of the substance

"Howe makes us all suffer - Chancellor Geoffrey Howe put Christmas in reverse yesterday with a mini Budget sackful of gloom."
(Daily Express)

"Once again the Government is putting up taxes and prices - after winning an Election on the promise to bring both of them down."
(Daily Mirror)

"We can't cut Government spending as we would like to - so here's the bill"

"Because the Government has failed to cut its own spending, it is now having to cut the living standards of the British people."
(Daily Mail)

"Families got a £5 kick in the teeth from the Government yesterday."
(Sun)

"He admitted that the battle to contain public spending had been lost."
(Daily Telegraph)

"The Chancellor is allowing public spending to rise next year, but charges will have to go up to pay for it."
(ITV News at 10)

2. Coverage of the presentation

"The Chancellor's announcements were greeted with derision on the Labour side, and doubt and anxiety from the Tories."
(ITV News at 10)

"A drear and feeble old Treasury tune."
(Guardian)

"What message what inspiration what hope could they glean Sir Geoffrey made it as electrifying as an algebra lesson."
(Daily Mail)

"There is nothing in it to uplift, invigorate or encourage hope is a necessary part of the cure."
(Daily Express)

3. Coverage of the strategy

"It remains an open question how far neat budgeting is a substitute for an economic strategy we remain in a pragmatic no-man's land."
(Financial Times)

"The truth is that the Chancellor has been compelled to recognise the failure of the Government economic strategy. It is in ruins."
(Daily Mirror)

"One senses a new pragmatism in the air; may it come to full flower in the Spring."
(Times)

"The abandonment, in effect, of the Government's monetarist strategy."
(Guardian)

"The worst thing that could happen is for the Government to lose its nerve dogged integrity should be the order of the day."
(Daily Telegraph)

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cc Mr. Schobert



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10 DOWNING STREET

From the Press Secretary

3 December 1981

Dear Rosalind,

This is, I think, the appropriate time to weep on each other's shoulder.

I cannot help but think that this morning's presentation of the outcome of the public expenditure review would have been better had the Government answered the questions I put on behalf of Heads of Inf. to the Lord President on November 27 - viz:

"How is the overall outcome of the public expenditure review to be presented - in simple terms, as good or bad news; as taking credit for the outcome or regretting it?

"We need, therefore to try and present the outcome as an achievement in keeping the likely PSBR on its downward path, despite the recession."

The Government clearly did not know the answers to these questions and felt unable to respond to the advice. In these circumstances we were all in worse trouble.

I say "worse trouble" because I believe we shall always be in trouble with the announcements of the outcome of the public expenditure review since we are in a position to give only one side of the equation. I think a small group of us should see what, if any, presentational lessons we can learn from this episode and I shall be calling a meeting to this end.

Against this background, and the impossible position in which you found yourself yesterday, I think I must let you know some of the complaints which have been communicated to me from the Lobby:

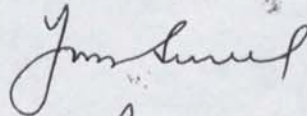
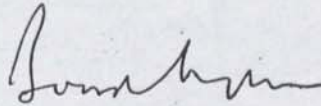
- the Chancellor was 20 minutes late; (my press officer at the Lobby managed to calm them down to prevent a walk-out but she tells me they were in a resentful mood by the time he appeared). I know you would have dearly wished to avoid this delay. If it helps, consider yourself free to use this letter to get over in Treasury how counter productive (and stupid) it is to keep the Lobby waiting on one of the days in the year when time is at an enormous premium.

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- There were no (or very few) copies of the statement available as it was being delivered, if only for evening newspapers, agencies and radio/TV; you and I know why but we are not going to win the Government any friends if we tell them the reasons. This is of course a fall out from the failure to decide the presentational strategy.
- The effect of the measures announced or implied in the Statement on the individual were not summarised; this was a victim of (i) the rush, and (ii) the decision to leave it to Departments to present their own thing. The information was available but inconveniently presented; we shall win no friends unless we conveniently package things for journalists working at the very brink of their deadlines. I must watch this in future. (This point raises the wider issue that we can have no complaint if, having the information, we fail to present it to the media and then find they make their own calculations).

Finally, I understand that the Chancellor has been forced by a last minute out of town engagement to re-arrange his Lobby with Sunday newspapers. This is compounding yesterday evening's felony. Again, if you care to use this letter to get over to those responsible how counter productive it is to treat the media as an optional extra to be fitted in as convenient, you may of course do so.

B INGHAM

Mrs R Gilmore
HM Treasury

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