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10 DOWNING STREET  
LONDON SW1A 2AA

Prime Minister

Sunday 29/10/89

You were magnificent with Brian Walden. It was better even than last Thursday. Do not be dismayed by the comments in the attached notes. The situation is better. I remember thinking on the <sup>first</sup> Saturday of the Falklands war that times of great difficulty are also times of great opportunity, and I think so now. Good luck.

M-B

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Prime Minister

Sunday 29/10/89

As you can imagine I made a large number of telephone calls over the weekend and I repeat those that you will want to know immediately. I approached all the backbenchers who are coming to the Monday lunch.

Peter Hordern. He was very shocked by the news and went straight into the lobby. He is very angry about the reporting. When Alan Walters' resignation was announced, that made the situation O.K. as far as he was concerned. He was fearful of financial instability with the Professor still in his place. That damage has now gone. He was invited onto Friday's Today programme because of his support for ~~the~~ Nigel in the Economic debate while you were

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in Malaysia. He was helpful to you on <sup>the</sup> Today programme.

He feels you must bear responsibility for the event. The new appointments are excellent. He feels that anything John Major says should be followed. You should be seen to be giving total public support, e.g. nodding at his every word in the Chamber.

Giles Shaw He has been around his constituents, officers and clubs. They cannot believe how event occurred except by mismanagement. Why did Walters stay and Nigel have to resign. However, there is no doubt that you do continue to enjoy great personal support. The K.L. effect and S. Africa are good news to his constituents. There is great support for your new Cabinet Ministers. There is surprise, not that Nigel went, but issue + time.

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People thought the conference an outstanding success. 'The Right Team' impressed people. You must be seen to consult your Ministers. You gave a stunning performance at questions.

In sum, your prestige has been damaged, whether below the water line he doesn't know. You must generate <sup>the</sup> perception that you constantly consult Ministers.

John Hannam

We must try to get some sense out of the situation. There is a groundswell of feeling that you fail to handle personality problems in cabinet, but they blame Nigel for the manner of his departure. You have possibly a stronger team than before. John Major will be better as Chancellor than as Foreign Secretary and Douglas

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Hard will be better as Foreign Secretary than John Major.

The area of uncertainty is in economic policy. He is a strong monetarist, and disagreed with Nigel's concern with the value of the £ rather than monetary policy.

Marcus Fox.

My loyalty to the PM is strong, but I am concerned. We are all confident about the new team but there are doubts about her management. Did it need to get to this? The split between 10 and 11 should have been dealt with earlier. I consider there is no threat to her position but others in the executive are unhappy.

I want to see her remain firm on economy in areas she has always been firm on. The executive on Friday were more in line with your

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position on economy than Nigel.  
You must do everything to reinforce  
John Major's position.

Geoffrey Johnson-Smith

[He is not coming <sup>to lunch</sup>, and is most sorry,  
but he has a long standing  
engagement with Robin Day].

He is not uneasy with the  
way things are developing. The  
PM must soldier on. Upsetting  
that this has happened but none  
should put a pistol to the PM's head.  
The PM should reinforce EMS/ERM  
compromise at Madrid — no fudging.  
The appointments are very good.  
Top businessmen are not as  
sympathetic to Nigel as Geoffrey  
expected.

Terence Higgins. I have not  
managed to contact him

MLB