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1. ANDREW TURNBULL

2. PRIME MINISTER

*Some very interesting points here. Political support is like unemployment - getting it wrong - but right direction is just as important at this stage as the level.*

PRESENTATION

Once again, when the Government's fortunes are low, its presentation is being criticised. I have reflected on this since Mid-Staffs and this note comments upon the criticism and suggests how presentation may be improved.

Analysis

The Government is unpopular for two main reasons:

- mortgage rates, which are really hurting some people
- the community charge which is affecting 34 million - a majority of the population - and, coming on top of mortgage rates, is the last straw for some, even though at worst it is only around £10-£12 a week extra; the average is probably nearer £7.50, which is not bad bearing in mind the extent of local services; the net increases for those who already pay rates are even smaller

I find that so far as mortgage rates are concerned, there is a genuine mystification how this helps to curb inflation and incredulity over the Government's refusal administratively to curb the availability of credit. The Opposition successfully plays on these linked points. The Government has not explained its policies effectively.

The community charge is a rather complicated story, and the Government is denied by convention (which we must preserve) from using public money to advertise its case. But the well known difficulties of carrying out a rates revaluation are compounded in the community charge by its much wider application; the unprincipled behaviour of local authorities; and the feeling that the Government will do almost anything to ease the pain. The impression that the community charge has the Government on the run was never more damagingly underlined than by last week's £4million Scottish "retreat", as it is seen.

We badly need to find firm ground - soon - on which to stand and fight.

But all this encourages two impressions which the Opposition - and some sections of the media - foster:

- a lack of Government competence (which is hard to refute in connection with resurgent inflation and high mortgage rates after nearly 11 years in office - and is particularly damaging to a Conservative Government)
- a loss of authority - a weakened state which, given that politics is red in tooth and claw, encourages the wolf pack to menace preparatory, it hopes, to the kill.

As always in these circumstances - and we have experienced similar, though not the same, troubles before - the story becomes the successive errors, omissions and failures of Government. And media fashion virtually ensures this story is self-perpetuating. The problem is how to break the cycle.

In 1990 this is a particularly acute problem when:

- (i) the party in Westminster has been the Government's worst enemy for nigh on 12 months (and the Hong Kong Bill will perpetuate this impression)
- (ii) the Opposition is minimising Government opportunities to attack it
- (iii) the community charge is not yet introduced and the story has a long way to run yet
- (iv) the local elections loom
- (v) the economy is going to get worse before it gets better and there is a clear impression that the Chancellor, rather boxed in before he started, is taking a bit of a gamble in making the best of it
- (vi) our attitude to Europe - and more especially EMU and integration - will again be an issue before the Recess
- (vii) disturbingly the Government is beginning to be seen by some sections of the media as tired and weary. !!

It is not, however, all bad news:

- Even in the depths of the opinion polls you retain a substantial bedrock of support of around 33%.
- Not even the most biased commentator sees Kinnock as the next Prime Minister; you are still thought likely to be hard to beat.
- Your established record and reputation in both domestic and international policy.
- Opposition policies - or lack of them - will sooner, but probably later, come under increasing and critical scrutiny.
- There is still two years to go to the election.
- After the slump of 1989-90 the media would revel in writing "Maggie comes back from the dead". That, in fact, is the next major political story waiting to happen. The problem is how to engineer it.

#### Plan

Your objective is to win the next election. All else must be subordinated to this.

First, you need to resolve the community charge policy for 1990-91 immediately - and for later years - before you launch your local election campaign early next month so that we can all stand on firm ground and fight a sure fight.

Second, the Whips need to crack the whip in Westminster as it has never been cracked before. You need to signal that the days of self-indulgence are over. MPs now need to set a good example to the party in the country. Duty calls. Self interest demands. Otherwise Kinnock's manifest determination to win will be contrasted with Tory palsy.

Third, over and above the Whips' action, you yourself need to demonstrate your utter determination to win the next election not by words but by deeds - by using a Cabinet early next month, against the background of a settled legislative programme for 1990-91, to take political stock: by announcing your intention to set in train studies leading up to the next manifesto; and by holding out a vision (which the electors want you to give them) of Britain in the 1990s: wealthier all round, full of opportunity and choice, better educated, and healthier and better cared for in a cleaner, greener, safer and culturally richer Britain - the Brighter and Better Society.

Fourth, the Opposition must be impaled on the hook of its record if it won't come clean about its current policies. Its last recorded declaration, with attendant estimate of cost to the taxpayer, should be used to smoke it out. It will have the benefit of demonstrating two things: (i) you are fighting back; and (ii) a vote for Labour is a vote for higher taxation.

In short, you need to stop the rot and start creating your own good news. This leads on to:

Fifth, We need to sharpen up the Government's economic presentation where the major problems up to the next election will lie. I believe this would best be done by periodic meetings between the Chancellor and his head of Information with Andrew Turnbull, Paul Gray or his successor and myself. This group could usefully be augmented by John Wakeham who has the one outstanding major privatisation of this Parliament and is enormously experienced in the ways of Government and who wants to get involved in pulling the Government round. I believe this would give economic presentation a sharper cutting edge and helpfully feed advice into your Week Ahead meeting.

Sixth, Cabinet Office has already engaged me in trying to get a sharper focus to our presentation of EC issues. This will be another difficult area on which we shall have to strive as hard as we are able to appear positive. We shall need to take EC presentation ever more seriously.

Changing the Scene

Action on the six points above should, to a greater or lesser extent, put new spine and vitality into the Government. But none of them add up to a dramatic departure which would change the scene.

There are however three candidates for action which would really show you mean business about winning the next election - and would tend to cut the ground from under Kinnock's feet:

- public expenditure
- defence
- ERM

Public Expenditure

The demands in the next PES round are likely to be horrendous, notwithstanding the possibility that the PSDR could soon evaporate into a PSBR. And they are likely to get worse because of the community charge. If Government is to look more competent by the autumn then a clear political view needs to be taken now of priority expenditure. And that which is not calculated to win the next election will, in the light of Labour priorities, at least have to stand still. There is no political value in your presenting yourself as the guardian of the community charge payer if you seem to be letting things go centrally.

Defence

Events in Eastern Europe have eased the pressure on Kinnock and generated expectations of some peace dividend. You are still probably impregnable on defence. But I would not be happy about your chances if you went into the next election as the only Western Government committed to a largely unchanged level of spending. There is much to be said for coming clean about a Defence Review.

ERM

Entry into the ERM is probably the issue which would really confound your critics and confuse your enemies. It would certainly knee cap the Labour Party and transform your relations with the EC. You are committed to entry once certain conditions have been fulfilled. It is therefore a question of timing. So is the General Election. I am not qualified to argue the economic merits of a particular timing but I think you need by the Summer Recess to sort out the timing options for going in. Work on this needs to start fairly soon. Politically there is much to be said for a cold, calculated pre-emptive strike at a time of your own choosing if, as the economists argue, entry would help you to bring down inflation and mortgage rates faster. Entry would also be seen to put you right back into the heart of the construction of Europe which is where, I must say, most people I meet, both British and European, seem desperately to want you. Behind all the blather and bravado about two speeds, two tiers and outer circles lies a longing to have you decisively shaping events from a position of strength.

Conclusion

I have tried to face what I see are the political realities and to propose some minor and some not so minor improvements to the government's presentational stance.

*K.L. Waldock*

*BP*

BERNARD INGHAM  
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