



file

cc JO'S
R Wilson

10 DOWNING STREET

THE PRIME MINISTER

12 March 1988

Dear Sir Roy,

I am most grateful for your memorandum on the Health Service - for the immense amount of time and thought you have given to it, and for the many practical and robust proposals. I found myself underlining so many of them as I went through the paper. Clearly we haven't got the right management structure to secure the

SH

medical leadership necessary to deliver
the best service.

It will take a few months to
decide precisely what to do and then we
will publish our proposals. Change is not
easy to bring about - there are so many
vested interests. So I want to be sure
we are on the right lines. Then we can
have some confidence in pushing them through.
Your paper is a very great help. We do
appreciate it.

P.S. Thank you for the
photograph.

Yours sincerely
Margaret Shallice

SIR ROY CARNE, F.R.S.

'ALLO JOHN! GOT A

Well, we just had to ask him—after all, he's got one prepared. But it's that other different, it would be Labour's John Smith leaving Downing Street with that battered

Money, it makes the world go round and round all right. He knows all about that. He isn't just talking about the clattering, jingling sort. He's talking serious money—the kind that doesn't fit into pockets, the kind that thuds rather than clinks. A thousand times he's run through what he'd do with it if he ever got the chance.

It isn't the sort of money that changes a life. This kind changes countries, builds new nations, transforms the way millions live.

There is around £8,000 million, he reckons, maybe even £10,000 million, to spend. But next week's going to be tough. All that money to spend, and he isn't getting one penny to hand out. Someone else has that job, and it hurts.

Budget week. Millions will be listening and watching the Chancellor of the Exchequer, Nigel Lawson. There'll be photographs with him the day before his speech, and then the whole country will listen to him in the House. And all John Smith, the Shadow Chancellor, will be able to do is listen with the rest.

John Smith has a budget too. The trouble is that no-one will hear it. How he'd get Britain right again, his answers to all the problems—or at least a way of alleviating them. Chancellor of the Exchequer, after the Prime Minister, is the biggest

'We have a candyfloss economy'

job in politics. But when you're in the shadow, it's hardly worth the price of a candle.

It's the frustration and impotence that hit the hardest. He's sitting in a tea room at the House of Commons, feeling all that frustration. His budget. Yes, he nods, he's got plenty to say about the way he'd spend billions of pounds.

"There are two things in a budget," he says. "Firstly it is an assessment of how the economy stands, and then what you're going to do with it. This is a very unusual budget, because you're not looking at ways of increasing revenue or raising money through taxation, but how you're going to spend somewhere between £6 and £10 billion."

"The economy has much larger resources than usual because of windfall increases in revenue, more VAT than expected due to increased consumer spending, North Sea oil, and Government

sell-offs with privatisation. The proceeds from all these sources have been much higher than expected. This gives a much greater choice of options than usual.

"It doesn't mean that the economy is healthy, because it's not, there are a number of serious problems emerging. What we have at the moment is a candyfloss economy. It's one that produces a sense of well-being for the present, and earns a lot of popularity for the Government now, but it fails to tackle the problems that are building up for the future. It's all superficiality and window dressing."

To underline his view, John Smith points to the turnaround in the balance of payments from the manufacturing surplus of £5 billion in 1979 to a deficit of £8 billion in

1987. Even taking into account invisible earnings from the City and tourism, he points out, this still leaves a gap of about £2.5 billion on the balance of payments. "The result of cutting income tax will mean more consumer spending, a lot of which goes on foreign goods, so that means an even wider balance of payments deficit."

No, he doesn't subscribe to reductions in income tax. A change in the thresholds, so that more people on low incomes don't pay tax, and a lower bottom-rate of tax, perhaps, but no other changes—and certainly not for the big earners. By not cutting taxes, he argues, you'd solve the problem of increased purchasing power and would slow down imports. He'd want to reinforce that by tightening

up on credit cards, so that there would then be less borrowing.

So how would John Smith spend the £8,000 million? Like any politician suddenly given a free rein, a mixture of pleasure and determination spreads across his face. "There are three areas I would tackle," he says. "Rebuilding British industry, research and development and dealing with the problems in public services. We have to get away from the

'Budget day should be NHS day'

hand-to-mouth, short-term policies at present, and start carrying out some long-term planning.

"Money is needed for education—after all, that is Britain's future. From nursery to university, everyone should get an education that stretches their abilities, not simply gives them the bare necessities. Schools are a disgrace. They're underfunded and run down. There's a shortage of school books, and morale among the teachers is at an all-time low.

"The Youth Training Scheme isn't working because it's a quarter-skill occupation. It teaches them to turn up on time, but it doesn't really have anything to do with work skills, and that's what really counts. The Government should be looking for an enlargement of opportunity for youngsters because they're a vital economic lever for the future."

He says that he'd like to see more money put into research and development, too. And he'd like to see any money generated from the sale of council houses and used to build new houses and renovate old ones.

Not surprisingly, he believes that the most important issue of the Budget is dealing with the problems in the National Health Service. Not next year, not even next week, but now—and not by encouraging private health coverage, but by providing a cash injection of £1,000 million.

"I consider this to be the most important issue of all. Budget day should be National Health Service day. The health service is in a real state of crisis. We need more nurses for empty wards, and

NEW BUDGET?

budget next Tuesday that everyone's talking about. Now if things were red briefcase. So how would he spend our money if he had the chance?



PHOTOGRAPH BY BRIAN MOODY

closed facilities need to be reopened. Hospitals should be working at 100 per cent capability until there are no people waiting."

Such problems extend into other areas, John Smith maintains. He points to the North/South divide, which he believes is getting wider. He is no subscriber to the Norman Tebbit "on your bike" philosophy. Instead he would like to see employment taken to those areas that need it, with the support of regional development to encourage new businesses to move into areas of high unemployment.

"Those regions need to be regenerated, and it's in the interest of the South that this happens. After all, what is our greatest resource in this country? It's people. There are more than two million unemployed. Why pay them not to work when that money could be used to create work? We need to increase our manufacturing industries and stimulate investment and growth. You can't base an economy on service industries and beefburgers and milkshakes."

Even though John Smith is hardly a name that inspires awe—an impression underlined by his genial face—this man's a tough competitor in the House, and, as a QC, it's clear that he has a razor-sharp brain. Next week's tussle with Nigel Lawson

is likely to become a head-on collision if he has anything to do with it.

Nevertheless, when he talks of the Chancellor it is with respect. "I wouldn't say that I like Nigel Lawson particularly, he's not someone I have lunch with. But he debates vigorously and heartily. If we are having a heated debate in the

'Mrs. Thatcher wants to interfere with everything'

House then it's never personal, and that's important.

"I believe that what he's trying to do at the moment is wrong. It worries me because I can see him piling up a lot of problems for the future, which I will have to sort out. He should be aiming for a strong economy in the long term, he should build up and restore confidence in the public services, but he won't. He'll be knocking a few pence off income tax, and I believe that's wrong."

"The difficulty is that you don't know what policies are his and which ones are the Prime Minister's. I'm sure that no decision will be made without her approval. Unfortunately he shares many of her views, at least he has to if he wants to remain Chancellor, because anyone who disagrees with her is out of a job. She wants to interfere with everything."

Nevertheless, the plain fact remains that it's Nigel Lawson who'll be making the changes next week, not John Smith.

He'll have a few political bricks to hurl, and that's it. But John Smith is, like all politicians, convinced that one day it will be he taking the ride from Number 11 Downing Street, clutching the famous briefcase. He intends to concentrate all his energy on the Chancellor's job for a long time. Why? "No politician is here for the money," he says, pausing to imagine what he could be making as a QC. "We do it for the power to make changes."

Mind you, there is some money to be dealt with. The small matter of that £8,000 million. You could do some things with that, he agrees wistfully—you could make some real changes with that. The trouble is that it's his rival who's got the briefcase. Politics can be cruel, particularly in Budget week. ■

How would you spend £8 billion?



There should be an increase in child benefit—most people depend on it more than the Government realises. Children are our future generation, and if they're not cared for our country will suffer.

—Elspeth Smith, 31, mother of two.



I would like the Chancellor to add some more money to the old age pension. We were paid £8 extra one week because of a computer error—it would be nice if we had a computer error like that every week.

—Maria Foglia, 69, pensioner.



I'd like to see the Chancellor reinforce the economic recovery by taking less from UK businesses in taxation and leaving more money available for investment.

—David Nickson, President of the Confederation of British Industry.



I'd like to see the tax rate go back up and the money put into the National Health Service. Having extra money in your pocket is a secondary consideration

—the NHS is much more important. —Kevin Blackmun, 31, copywriter.



I'd like to see an increase in our overseas aid budget. As our economy grows stronger, most Third World countries are getting poorer. We also want an increase in provision for emergencies.

—Frank Judd, director of Oxfam.



I'd like to see steps taken towards enabling married women to be taxed fairly, but separately. The present system is a disincentive for wives to pursue careers

of their own. —Sir John Harvey Jones, former chairman of ICI.



Tax on cigarettes and drink should go down. If you work all week, on a Friday night you should be able to sit down or go out with friends and have a beer. You just can't afford to do that now.

—Raymond Hook, 38, stall holder.



I'd like to see the Chancellor reducing taxation at all levels to continue boosting the economy. It would give people more income and would boost business.

—Sophie Mirman, co-founder and director of the Sock Shop.