

19 October 1983

PRIME MINISTER

PUBLIC EXPENDITURE - MAINTAINING THE IMPETUS

Although the Cabinet meeting will be largely concerned with the mechanics of getting rid of the excess spending, it is obviously important that we should make quite clear our determination to eliminate this overspend. I believe it is especially important that Bernard should convey this impression in his usual forceful manner, otherwise rumour will spread that the "Star Chamber" might reach a compromise or be allowed to raid the Contingency Fund. The more we make it publicly clear that we shall stick absolutely to our targets, the greater the pressure on spending Ministers to concede what most of them ought already to have conceded. This is a vital first step in countering the myths that the Government is losing its sense of direction.

I attach a note on the idea we discussed of a Policy Survey. I am more and more convinced that we shall need some sort of Government publication this winter to supplement the thrust of your Lord Mayor's speech.

If you would like to take it further, we could circulate this note to Nigel Lawson, Norman Tebbit, Keith Joseph and perhaps Geoffrey Howe.

FERDINAND MOUNT fm

COUNTERING THE ACCUSATION OF DRIFT

It is clear that throughout this autumn, the media and our opponents will be seeking to promote the impression that this Government has run out of ideas and is drifting without a sense of direction or coherence. We have several handicaps which make it more difficult than usual to counter this standard accusation:

1. There is another year to go before the next Queen's Speech.
2. This session will be largely taken up with measures which fell at the Dissolution. This inevitably adds to the feeling of "second-time-around", warmed-over policy.
3. It is rare enough for a Government to be re-elected these days. But it is rarer still for this to happen to a Government which started its first term with very clear ideas. We cannot and should not abandon what we believe to be right. And it is bound to be difficult to satisfy the demand for "new" ideas.
4. Our only published strategy is the MTFS which, however basic, still appears dry and remote to ordinary people.

There is no shortage of Party material. We have the Manifesto. We have Ministerial speeches at the Conference, which will as usual be collected into Party pamphlets. We shall also, next spring, have the European Elections Manifesto.

But curiously enough, this material will not satisfy the thirst for "A Strategy" in the media. Nor would an autumn campaign of speeches by Ministers. Newspapers regard all Party publications as standard "political" propaganda. By contrast, they are strangely reverent towards Government documents, in particular to White Papers, even when these merely repeat commitments already given in Party documents.

A Policy Survey for the Mid-Eighties?

We have one further handicap, which is that the only major Government document to appear this winter is the Public Expenditure Survey. This will only add to the impression that all we are

interested in is cutting public expenditure. We need a simultaneous policy document which accentuates the positive.

I suggest that we might publish, at the same time as the Public Expenditure Survey, a Policy Survey for the Mid-Eighties, covering the same 3-year period. This could bring together in one place the proposals which have been published in other White Papers or in Ministerial statements, as well as any new material which is ready. If published in January or February, the Survey would help to forestall a drift to the Alliance, and would be a valuable source of reference to Ministers, MPs and officials. It could be updated in 2 years' time on the grounds that policy should not need updating as often as public expenditure. The January 1986 Survey could then be a Mid-term Survey, and carry us through into the next General Election period. The Surveys could be prepared in draft between the Treasury and the Policy Unit, and could then be finalised in co-operation with Departments.

Its skeleton shape might look something like this:

1. Introduction

General monetary and fiscal policy.

Need to control public expenditure.

The Government's goals: a well-managed public sector, a smaller public sector, a freer economy, a people properly trained and equipped for the 1990s.

2. Managing the public sector

Efficiency in Government.

Managing the Civil Service.

Managing the public services and the nationalised industries:

(a) National Health Service.

(b) British Rail.

(c) The National Coal Board, etc.

3. Reducing the burden of the state

(a) Denationalisation programme.

(b) Contracting-out.

4. A freer economy

(a) Competition policy.

(b) De-regulation.

5. Preparation for the future

- (a) Technical training in schools.
- (b) Development of the YTS.
- (c) Adult training and retraining.
- (d) Government support for research.
- (e) The new technologies.

If you feel this is worth pursuing, would you like to discuss it with Nigel and Norman Tebbit as the Ministers most directly concerned, and perhaps also with Geoffrey and Keith as the two senior Ministers most interested in policy?

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