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10 DOWNING STREET  
CONFIDENTIAL

From the Press Secretary

LORD PRESIDENT

ECONOMIC AND SOCIAL POLICY PRESENTATION

CHAIRMAN'S BRIEF

The main purpose of this meeting is three-fold:

- first, and most important, to regenerate the momentum which has rather been lost during the holiday
- second to hear a progress report on the formation of groups of MPs and the Paymaster General (party) etc
- third, to clear a speaking note and a fact sheet.

I suggest that you handle the meeting in that order, and agree at the end on how frequently you should meet to monitor progress. I have suggested fortnightly and this frequency is, I believe, necessary at this stage.

Momentum

I suggest at the outset you say something to the effect that we had built up a good head of steam up to the Christmas Recess and that the main task now is to recover that and drive ahead. A campaign to explain and take due credit for economic and social policy, and to present the Government in a more caring light, was no less necessary now - indeed it could be argued it is more important. The paper at paras 4, 5 and 6 summarises very briefly our discussions so far.

Against this background, we should perhaps first hear the progress made with:

- the formation of groups of MPs on a Departmental basis (Deputy Chief Whip, Ministers). I am seeing the Deputy Chief Whip tomorrow morning. My impression at the moment is that not a great deal of progress has been made, but the Deputy Chief Whip has, I understand, talked to the 1922 Committee. The formation of groups of MPs is crucial to the proposed campaign, for they are the front line troops.



- you will wish to consider whether to ask the Paymaster General to report on arrangements made at CCO. In your summing up at the last meeting on December 11 you asked the Paymaster General to circulate the lists of Government Backbenchers with good local media contacts.
- you may well care to ask me to confirm my arrangements to discuss how Chief Regional Officers at the COI might properly assist with the campaign. I am seeing them on January 23.

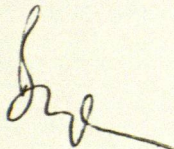
Speaking Note

The central issue of Government policy at this stage - notwithstanding the problem of sterling/interest rates - is the public expenditure/tax cuts argument. Officials, with whom the draft speaking note has been cleared, were unanimous that the first speaking note should deal with this. The debate on the economy tomorrow should not be a complicating factor: rather it enhances the opportunity.

In addition I have circulated a fact sheet on economic bullpoints which could be made widely available for background information and general use.

Depending on the state of formation of groups of MPs, we shall need to consider how and to whom the notes should be circulated. You could invite Ministers to ensure they are received and used by supportive MPs pending the formation of groups. I do think we should get the campaign off the ground as soon as possible.

Finally, the frequency of meetings, I would be unhappy if Ministers met less frequently than once a fortnight until we get the campaign established. This is especially as we are into the Budget season and, as the summary of major issues shows, there is a difficult political period ahead.



**BERNARD INGHAM**  
14 January 1985





10 DOWNING STREET

*From the Press Secretary*

ECONOMIC AND SOCIAL POLICY

PRESENTATION

A meeting of Ministers on the above subject is to be held in the large Ministerial Conference Room, House of Commons, on Tuesday, January 15, 1985 at 5.30pm.

I enclose the following papers:

- The Next Steps, incorporating two Annexes:
  - a draft speaking note; and
  - economic bullpoints
  
- Summary of major issues to Easter, 1985.

BERNARD INGHAM  
14 January 1985



PERSONAL AND CONFIDENTIAL

ECONOMIC AND SOCIAL POLICY

THE NEXT STEPS

1. This note summarises the progress reached before Christmas in preparing a campaign to achieve better understanding of the Government's economic and social policies, greater credit for its achievements and a stronger public impression of its concern for people.

2. It provides a draft first speaking note for distribution to Backbenchers (Annex I).

3. This note also identifies other issues on which Ministers will wish to monitor progress.

Summary

4. Ministers met twice last year - November 29 and December 11 - and broadly endorsed proposals by officials for a campaign with the objectives defined in Paragraph 1 above.

5. They reached two main conclusions:

- the urgent need for a campaign and the kind of messages which need to be conveyed; and
- the crucial nature of organisation for any campaign to be effective.

6. So far as the message is concerned, five main conclusions were reached, that:

- the Government needed to demonstrate that it cared about unemployment and other social issues; that it was already doing a great deal to create jobs and alleviate the



consequences for the jobless; and that it was important to persevere with sound economic policies to achieve growth and the creation of wealth

- it was important to avoid any suggestion that a major change of policy was likely; that the consequences of alternative policies would be higher rather than lower unemployment; and that there was no simple solution
- considerable effort needed to be devoted to the capital expenditure versus tax reduction/raising tax thresholds argument
- the campaign should address other social issues from time to time and should generally concentrate on "outputs" rather than "inputs"
- the organisation behind the campaign could be used to press home a few simple facts rather than a particular argument or case.

#### Speaking Notes

7. Against this background officials have considered what the first message should be. They recommend that it should deal with public investment/tax reductions. Ministers at their meeting on December 11 felt this should be given considerable attention and it is highly topical, especially after the recent meeting of the NEDC.

8. Accordingly a draft speaking note, cleared by officials in the Departments represented on the Group, is attached at Annex I for consideration.

9. In addition, a further note is attached at Annex II setting out in brief the latest economic bullpoints for general use.



### Organisation

10. Ministers saw the establishment by individual Departments of groups of supportive Backbenchers as the mainspring of the campaign and considered this to be a particularly opportune time for their involvement.

11. It was also felt that there was a role for the Conservative Party, though that was beyond the remit of this Group, and for officials, most notably through the COI and regional information staffs of other Departments. The Chief Press Secretary is meeting Chief Regional Officers of the COI on January 23.

12. Other methods of putting over the message are:

- engaging the support of Parliamentarians who write regular press columns
- influencing of Sunday newspaper columnists and radio and television news and current affairs programmes.

### Action

13. Ministers are invited to:

- endorse the speaking and briefing notes at Annexes I and II and agree they be circulated to Backbenchers where support has been enlisted
- consider whether any other message should be put over at this time
- receive reports on:
  - a. formation of groups of MPs (Deputy Chief Whip)



b. action to mobilise support in Scotland and Wales (Lord President)

c. the organisation of support in the areas and constituencies and monitoring of the effects of the campaign (Paymaster General)

- agree to meet generally every two weeks to receive reports and monitor progress.

BERNARD INGHAM  
10 January 1985



DRAFT SPEAKING NOTE

To hear many people talk these days you would think that there was little money being invested in Britain whether on re-equipping our industry, creating new capacity or repairing and renewing the fabric of the nation.

But that is simply not true.

Total investment is at an all time high. In fact, it looks like being 8% up in 1984 on 1983, and further growth is forecast for this year.

Our opponents used to call for huge further injections of capital running into many billions of pounds with the aim, they said, of creating many more jobs.

But now their demands are much more modest, no doubt because it has dawned on them that there is already a lot of capital spending in the public sector. And this public sector investment has been maintained in real value - ie allowing for inflation - since the Government came to office.

No doubt it has also dawned on them that huge increases in public investment would raise interest rates if the Government found the money by borrowing. No doubt they also realise that such huge increases would raise inflation - the great destroyer of jobs - if the Government were to find the cash by printing money (which this Government simply refuses to do).

So the argument now is not whether there should be massive increases in public sector investment but how the Chancellor of the Exchequer should use any room for manoeuvre.

The Government's - and the Chancellor's - approach is governed not by doctrine but by what will best serve the interests of the country and, more particularly, the creation of jobs.

Those interests, it is clear, are best served by holding - indeed driving - down inflation and maintaining steady expansion. There can be no hope for the jobless if the country is becoming less competitive and if growth is put at risk. Britain has now had nearly four years of continuous expansion and we must nurture it.



So what does the argument boil down to? Essentially it is this: whether it is better to put any headroom into a special programme of public investment - for example, into roads, housing repairs, sewers - over and above the present substantial spending, or into tax cuts? The Government has no doubt which is better: it is to reduce taxes.

Why? Basically for four reasons:

First, the extra sums which are now urged for public investment will have little if any lasting impact on unemployment; indeed medium term they could destroy more jobs than they create short term by raising taxes, or interest rates, or inflation and so damage our competitiveness.

Second, reducing tax is good in itself because it not only gives more people more incentive by leaving them with more of what they earn to decide themselves how to spend it; it can also encourage lower wage settlements. And lower wage costs encourage employers to take on more employees. A 1% reduction in wage costs is worth up to 200,000 jobs.

Third, lower taxes make it more worthwhile for people caught in the poverty trap to take a job and to work harder, and generally promote greater enterprise.

Fourth, reducing taxation promotes the self-reliant, enterprising society which is the mainspring of jobs, greater wealth and a sounder more buoyant country.

So lowering taxes, instead of vainly spending money to create jobs with little prospect of <sup>their</sup> lasting, not only helps individuals; it also reinforces the economic policies which are in the real interest of the people.

This is the clearest possible demonstration that the Government really cares.

The Government was elected to deal with the deep rooted problems which have made this country increasingly uncompetitive and led to



the present high level of unemployment. Because it really does care for our people, it will not be diverted from this central task by flashy measures which would produce little benefit in the short term but would make the underlying problems worse.



8 January 1985

- GDP (average measure) at highest ever level; up around 3½% between 1982 and 1983. 4½% above peak level in 1979 even allowing for the effects of the coal strike.
- Output per head (manufacturing) rose by an average 6% between 1981 and 1983 in 1984 Q3 was nearly 24% higher than end - 1980 low.
- Since 1979 output per head (MFG) has increased by around 3% a year compared with 1% in the period 1974 Q2 - 1979 Q2.
- Real Personal Disposable Income rose 2% over year to 1984 Q2
- Consumers Expenditure in Q3 1984 1% higher than year earlier and now at highest level ever recorded.
- Industrial and commercial company profits up by over 20% between first three quarters of 1983 and 1984.
- Manufacturing investment estimated to have risen by nearly 15% in 1984 Q1 - Q3 compared to same period a year earlier. Investment in construction and service industries up by nearly 12½% over the same period.
- Non-oil export volumes up nearly 12½% in year to three months ending November.
- Inflation between 1982 and 1983 was only 4.6% the lowest for 16 years. Inflation below the EC average of 5.4%
- Cost competitiveness in manufacturing (as measured by relative unit labour costs) improved by around 20% since early 1981.
- Number of people in work in economy - including estimated self-employed, estimated to have risen by around 250,000 over year to June 1984.
- In 3 months to October manufacturing employment rose on average by 3,000 a month
- Service sector - nearly 300,000 new jobs in year to June 1984.
- Total fixed investment is forecast to be at its highest ever level (£45½ billion at 1980 prices) this year
- Investment in private dwellings was at its highest ever level in 1983; investment in dwellings, other than new buildings and works, up 11½% in first half of 1984 on the previous year



PERSONAL AND CONFIDENTIAL

ECONOMIC AND SOCIAL POLICY PRESENTATION: MAJOR ISSUES TO EASTER

The major issues relevant to the presentation of economic and social policy during the period to to Easter are:

- Public Expenditure White Paper (January 22 or 23)  
and related policy decisions
- Budget (March 19)
- Review of labour market policy, job support and  
enterprise culture
- Coal strike (first anniversary, March 6)
- Pay settlements
- DHSS review of supplementary benefit, housing  
benefit, children's and young people's benefit,  
and pensions
- Supply of drugs under NHS
- Ratecapping; GLC/MCC abolition; local authority  
capital expenditure
- White paper on home improvement grants
- Urban programme allocation
- Bus Bill
- Heathrow/Stansted/airports policy
- White Paper on financial services
- BBC licence fee

*Bue*

BERNARD INGHAM  
11 January 1984





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Stephen

Here are the papers on the Presentation initiative. It is being done through the Information officer network, although Colette has been keeping me informed. It might be better therefore if you did not say that you had got them, especially not from here.

*With the Compliments of*

Special Adviser  
to the  
Secretary of State

John