

Chancellor Howe's fatal flaw

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FROM TIME to time, Margaret Thatcher takes breakfast with some of her economic ministers. They are the most intimate of her counsellors on the ideology to which she has pledged her Government: monetarism and all its works.

Sir Keith Joseph remains the most favoured of these advisers. The gross profligacy of his Industry Department in face of the Government's greatest enemy, Public Spending, does not appear to have diminished the Prime Minister's filial respect for the man who laid her economic

and made way for her to become leader of the party. John Nott, the Secretary of Trade, and John Biffen, Chief Secretary to the Treasury, also attend, as the most articulate and persuasive believers in the course on which the Government is set.

The essential purpose of these gatherings is clear. It is to reinforce the Prime Minister's conviction that what she is doing is, despite all the criticisms and setbacks, correct. And in this purpose, psychological as much as political, the medicine is clearly efficacious.

Diary doctored

There is, however, a notable absentee from the breakfast table. It is the Chancellor of the Exchequer. Geoffrey Howe, the senior economic minister in the Government, is excluded from this particular inner circle. He may not even know it exists—at one time, apparently, the diary of his junior colleague John Biffen was carefully doctored to shield from prying eyes any reference to his early-morning engagements.

This is a strange position for any Chancellor to be in. Normally the axis between the Treasury and 10 Downing Street is the most powerful in the Government. Prime

Political Editor
HUGO YOUNG
on the baring
of Sir Geoffrey

— who was in turn still dazzled by the passionate intellect of her mentor, Joseph. When she was constructing her Cabinet list before the election, the logic of the matter—and the stature of the man—pointed to Joseph for the Treasury. But Sir Keith was—well, a little unreliable. So the Prime Minister settled for the workhorse who had done the job loyally for four years, and who seemed at least to have the merit that she could push him around.

Secondly, Howe is not a monetarist red in tooth and nerve. He has acquired a lawyer's mastery of the subject (which is to say a patchy and somewhat superficial forensic mastery), but he is not the genuine article. He is altogether too reasonable a man for that.

As such he is hardly eligible for the breakfast psyching sessions. In fact, it is this peculiar combination of the lawyer's habit of mind, the convert's shallow zeal and the politician's earnest rationality which explains all the problems Howe has had in persuading people he is up to his job—problems which culminated with events in the House of Commons on Thursday afternoon, the end of his worst week for 18 months.

TO BEGIN with, Thursday found him on the ground he best understands: assembling the evidence about a matter of fact and putting it before the jury in the best possible

burdens, the Chancellor could claim to have reduced them—by heaping all the cost of the new rate of NI contributions (as distinct from the earnings-bands to which they applied) on employees.

Throughout this part of his statement, Howe faced ceaseless shouting and ridicule from the other side. He seemed completely unperturbed. You could tell he knew he was right.

A certain sleight of hand was involved here, to put it mildly. What Labour did in recent years seems quite beside the real point at issue, which is: why, since the automatic NI rise happened to coincide with a major package of measures, did the Chancellor neither announce to the House nor disclose to the Cabinet the global sum (£386m) which the employers' rise would take out of the economy?

But no matter. Standing at the despatch box, a somewhat pudgy figure, congenitally unable to raise his voice, gesticulating only modestly, devoid of nervous passion, Howe seemed miraculously insensitive to the predicament he was in. We were witnessing a man entirely at home.

But the second half of his statement revealed the other Howe, the one the trouble is all about. It was his latest attempt to explain why his policy makes sense, and how it will eventually work. What it demonstrated was how fortunate the insurance diversion had been, drawing the Opposition's fire into a minor skirmish and distracting attention from the real horror story of the week—the 136,000 people who are newly unemployed.

Anaesthetic

For here the Chancellor has to move away from the facts which suit his logical, fine-print mind into the mysterious



faith needs, above all, a prophet. Howe's performance a month ago in the first unemployment debate after the recess was probably his nadir. It was the moment when many back-benchers decided he could never lead them anywhere.

Since it is back-bench opinion which will ultimately determine how long the government is supported in its present course, this could be important. Shortly after that debacle, a very senior Conservative was asked what might swing the back-benchers against the cabinet. "Two more speeches by Geoffrey?" he opined.

European Communities Act. He was the power behind the Industrial Relations Act—an exercise he still, almost alone, defends, concerning a subject which attracts, uniquely, his furious engagement. "I know more about labour law than anyone in the Government", he would declaim, during his campaign to beef-up Jim Prior's mild proposals.

But there is a fatal paradox at the heart of this valiant career. Howe is completely dedicated to the political life. Yet, for all his other virtues, it is as a politician that he is deemed by his colleagues ultimately to be a failure.

There is something missing: brazenness perhaps, cunning

a more subtle truth. It concerns the notorious medium-term financial strategy (MTFS), which appeared last March and contained all the targets which have been thrown so badly away ever since.

Howe was determined that the MTFS should be published: a bold step which Biffen (for one) opposed but which others thought would contribute an element of discipline to public-sector finance. Targets, once published, are more embarrassing to forget.

Clash avoided

It was also the intention, before the strategy was pub-

continued a tactic begun in opposition and maintained in government, of avoiding debate outside the small group of economic ministers and thus denying himself the chance to attract an educated consensus for his policies. But he also did something else. What he thought would be disciplinary targets turned out to be hostages to a very mischievous fortune. It is these which make him feel, as he moaned to a Commons committee last week, "hemmed in" on every side.

SOME MPs are calling for Howe's head, and so are parts of the Tory press. The more they demand it, the less likely

appointment at Energy. If there were to be a change, the smart money could swing to a surprising candidate, Patrick Jenkin, the Secretary for Health and Social Services. Exchanging Jenkin for Howe might seem a dubious bargain politically. On the other hand, Jenkin showed Thatcherite virtue by defending the Treasury's case for cuts from the DHSS.

This, however, is a long shot. Howe has another attribute which no one else can lay claim to, and it is likely to prove irresistible to a Prime Minister who shows clear signs of beginning to change tack.

One way of reading the

street is the most powerful in the Government. Prime Ministers may not always like their Chancellors—viz Harold Wilson and Roy Jenkins—and there may be arguments between them. But there is rarely any doubting the primacy of the Chancellor among his colleagues, nor the exclusive relationship he enjoys with the leader. It is Howe's fate to have broken this pattern—an historical aberration which underlines two important facts about him.

First, Mrs Thatcher never really wanted him as Chancellor. He served diligently in the shadow job, but with the uninspired reticence which is his nature, and very much under the thumb of the leader

of the Tory press. The more they demand it, the less likely are they to get it. There is an obvious political reason for this. No Prime Minister will sack a man by popular request.

Besides, other factors must be considered. Unpersuasive though he is, Howe may be the best Chancellor Mrs Thatcher can find. The ranks of the praetorian monetarists begin to look pretty thin when you apply them to the Treasury succession. Joseph is already ruled out. Biffen is highly persuasive, and blessed with a quality unique among ministers—indifference to the political consequences of his actions. But he has never run a department. Nott is a lightweight, David Howell a dis-

change tack. One way of reading the latest batch of measures is as the start of a slow U-turn. The battle over the cuts "was a draw," says more than one "wet" minister. A year ago anything describable as a draw would have been inconceivable: the hawks were on top, the wets on the floor. With public borrowing floating up, interest rates coming down and incomes policy in the saddle, the future is all beginning to look rather different. The hardened monetarists at the breakfast table may not like it. But it would be surprising if Geoffrey Howe did not oblige. He is the perfect man to argue: the policy is dead, long live the policy.

which son his logical, inelegant mind into the mysterious world of uncontrollable economic forces. Here he is not at all at ease.

At one level his lack of conviction may be a help. More committed monetarists might have been unhinged by the discovery last August that the money supply was not under control after all. A Joseph could well have been tearing his hair out at the refusal of the indicators to come right. Howe's anaesthetic style is perfectly suited to reciting the ever-changing formulae which the treasury smoothly produces to explain away disasters.

But at a deeper level, he lacks an essential dimension. A policy based so heavily on

THIS IS an unfair misfortune to befall a decent man. No one in public life has devoted himself with more honest commitment to the common weal than Geoffrey Howe. From the beginning he ran Tory politics alongside his legal practice. He slept little and wrote much. Speeches and pamphlets poured from his desk in the small hours: proposals for reforming the National Health Service, the social security system, the laws about labour relations, the terms and conditions of black people in this country. In office under Ted Heath this industry was hugely amplified. Howe wrote the

There is something missing: brazenness perhaps, cunning also, cynicism certainly—those attributes of the actor, the hustler, the horse-trader which, in a truly accomplished politician, must always be added to reason, diligence and good intentions. Two episodes from recent times illustrate the penalties of this glaring lack of political finesse. One concerns the spending cuts. It is the opinion of the prime minister that the chancellor and not the spending ministers bear responsibility for the failure to match the spending targets. In the bilateral talks with the other departments he was too nice and therefore too soft. The second episode shows

It was also the intention, before the strategy was published, to unveil it to the entire Cabinet, giving all the colleagues an opportunity, for the first time, to contribute to the economic argument—or at least to be fully educated into the mysteries of the Treasury mind and the finer points of the economic policy they were meant to be defending. The date for this momentous encounter was fixed. But at the last moment, Howe lost his nerve. The seminar was cancelled because the Treasury feared that the "wets" in the Cabinet would so little sympathise with the targets that they would insist on stopping publication. The Chancellor thereby

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MEANWHILE, IN THE TORY GRASSROOTS...



Sally Soames

● Edward Heath may have scattered a little mud on Mrs Thatcher's pitch with his Commons attack last week, but underneath the grass-roots are growing fit to grace a fertiliser advertisement. Or so you would conclude if you accept the views given to The Sunday Times this weekend by those powerful local Tory dignitaries, the top officers of the Conservative and Unionist Party's Area Associations.

They are "very happy indeed" (William Morton, East Midlands chairman); "particularly happy" (Roy Niles, Western). They have "great faith in Mrs Thatcher" (Maurice Jewell, West Midlands treasurer) and they "fully subscribe to what she is doing." (Brian Tooke, Eastern).

To a man (there are no women at this level) they want her "to continue to pursue the same policies." They see the need for the "big spring cleaning" and the "inevitable painful medicine." After all "in the middle of a journey, we can't just turn round and come back."

Now "is a time of determination," when "we have to stand firm with the Prime Minister" to "see it through." For, let it be hoped, "the bottom is not far away", some indeed see already "the light at the end of the tunnel."

Not, you understand, that these officers speak only for themselves. Up and down the country, mass meetings of Conservatives are displaying unparalleled enthusiasm for the Government and all its work. Just last Thursday 200 constituency activists

They're happy, very happy, and very, very happy indeed

by David Lipsey

gathered in London showed "warm, enthusiastic support for Mrs Thatcher"; area chairman, Basil Feldman instantly sent by hand to Downing Street a note conveying the glad tidings (quite why the subject came up at a meeting on the GLC is not clear). But such sentiments are not confined to the metropolis. From East (a regional party conference last weekend) to West (the area council), the songs of praise rise up. According to Scottish chairman, Alistair Smith, Scotland is delighted to see the back of "industries that are 19th century fossils kept alive by governments applying additional layers of calcium."

But on one issue the chairmen are disunited—on whether to attack Ted Heath frontally, or insert the stiletto in the back. Peter Lane of the South East Region belongs to the former school—"I hardly hear the feller's name mentioned," while the East Midlands' Morton says Heath's remarks were "com-

pletely unnecessary." But in Wales, the treasurer Colonel Chris Peterson, says, "the party has tremendous affection for him," while, of course, disliking it when he attacks government policy and Western's Niles is "sad that Mr Heath has bracketed himself with Mr Callaghan."

A Cabinet re-shuffle? Well that's "a matter for the Prime Minister," of course, but really, all is for the best in the best of all possible worlds just now. Morton sees "no point in changing a winning team;" "some of our ministers have been quite outstanding," adds Niles and Maurice Jewell of the West Midlands, while daringly conceding that "some members are no doubt rated less good than others," says he's not heard "anyone singled out for comment."

As for the rumours of Cabinet dissension, "to most party members, the Cabinet seems to have a balanced amalgam of different views," and if "the word 'wet' has been used of some, it is recognised that humane elements are needed" (Eastern's Tooke). That "deverse opinions are debated is a welcome characteristic of a Cabinet," opines Smith of Scotland.

That's it then. The trouble's in the minds of "you fellers in the press." It's "going very well know."

Didn't that socialist chappy, Nye Bevan, once say something about the "unity of the graveyard." . . . ?

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