

GOVERNMENT STRATEGY

Review of Progress to Date

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GOVERNMENT STRATEGY: REVIEW OF PROGRESS TO DATE1. INTRODUCTION1.1 Purpose of the Paper

1.1.1 We know the Government's broad objectives and its general strategy. The "Long Campaign" paper will help to orientate those colleagues who have not been previously involved in it. The Budget will give us our next point of departure. Ministers should now be properly settled into their Departments. The honeymoon is well and truly over. As soon as possible after the Budget, therefore, we should make a determined effort, with the Long Campaign paper as background, to reorientate colleagues' thinking and settle down to the four-year programme of turn-around, leading up to the next election.

1.1.2 This paper reviews the work of the past ten months and examines how we can best organise ourselves to carry out the strategy rather than simply talk about it or write papers about it. It is essential that we do this stocktaking and lesson-learning now, when we still have four years to go, rather than leaving it - as I suspect has often happened in Government - until it is too late to apply the lessons. From past experience, it seems that the first attempt at appraisal, to answer the question, "Why did it all go wrong?", normally happens after the following election has been lost, simply because there was never the time or energy available when it could still have been of some practical use.

1.1.3 The familiar pattern of events is for a new Government to start off dynamically, as it busily implements its major Manifesto pledges. Then, because the real problems are always rather different and much more complex than the pre-election thinking recognised, they face an accumulating backlog of decisions and disappointments. At that point, they begin to lose confidence and sense of direction, and to start muddling through, driven by events and mounting fatigue. Many observers will expect this to

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start happening to us over the next year. The question is, are we going to be any different from our predecessors? If so, how do we do it?

1.1.4 We certainly have much clearer objectives. We have at least the outlines of a strategy. Everything now depends on whether we can learn from our mistakes, design the strategy in detail and then actually make it happen. We should be under no illusions; to do this - to act strategically rather than tactically - would be something no Government has really done since World War II.

1.2 This Paper Concentrates on What Has Gone Wrong

1.2.1 Although we have made mistakes, and things already look more difficult than they did, much has gone right since last May (one only has to recall the damage done by Labour between the two elections in 1974). But much the hardest part lies ahead, especially over the next two years, and we will have to function extraordinarily effectively if it's going to work. This paper therefore concentrates on what has gone wrong, so that we can learn the lessons, rather than comforting ourselves with what has gone right.

1.2.2 I will not waste time, in this paper, entering caveats or diplomatic asides. It is often said that, "It's very difficult to disagree with a Prime Minister". But it would certainly be bad for the country if no-one ever did so! In any case, I very much hope you will find yourself in general agreement with the analysis and proposals in this paper.

1.2.3 Many of the examples and comments in the paper may give you the impression that I am simply saying, "I told you so", or drawing attention to the correctness of the Policy Unit's advice. That

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(1.2.3 contd.) is quite deliberate. The purpose of the Policy Unit is to do the thinking that you, other colleagues, and even officials have little time to do. We should be right a lot of the time. We should be better at thinking ahead than other people. We have the time to do it, and it's what we're there for. But it is pointless unless you are ready both to accept our advice (which you have tended to be, in an intellectual sense) and then to act on it (which you have not tended to do, because I have not yet come up with the right modus operandi for such action). In no sense, therefore, am I complaining. If the Policy Unit's advice is vindicated by events, but not taken and used, that is our fault. It is a failure to sell our advice. But the advice will sell better if it is recognised that it is likely to be right. Part - but only part - of the purpose of this paper is to suggest that our advice is likely to be right.

1.2.4 The paper is critical, therefore, but constructive. We would be doing you no service if we concentrated on what had gone right and tactfully avoided what had gone wrong. As Alfred Sloane of General Motors used to say to his aides, "Don't bring me the good news. It weakens me."

1.3 Strategic Thinking cannot be Sub-Contracted Totally

1.3.1 The ostensible purpose of the Stepping Stones exercise was to develop a coherent communications programme for the debate on trade union reform. But Norman and I had a covert objective, agreed with Keith, which was "to convert colleagues to strategic behaviour". We were quite convinced, from our own experience in both large and small businesses, that unless we could persuade colleagues to think strategically, the Tory Party's ambitious objectives in office would remain unfulfilled dreams. We made very little progress in that area - the most important area of all, in the long term. Colleagues never really understood what strategy meant. Clausewitz said that tactics must derive from strategy; generals who tried to derive strategy from tactics won battles but lost wars.

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(1.3.1 On reflection, I think it may be that it is difficult to develop contd.) a strategic approach in Opposition, simply because the Party is not actually running anything - apart from itself - at that stage. But by the time it is in office, the pressure of work may mean that it is too late to develop the approach it needs to exercise power in office effectively.

This is what we said, at the beginning of the original Stepping Stones report of November, 1977, about strategy:

"The terms of reference for the "Stepping Stones" study can be reduced to two questions: "What are the essential components of a political communications programme?" and "What should the ingredients of each component look like, for the Tory Party?"

"A large part of a Shadow minister's time must be taken up with "communications activities" - speeches, newspaper and television interviews, conferences, newspaper articles, etc. Each activity will be tactical rather than strategic. But decisions will still have to be made about its purpose, content and style.

"The person delivering the message may sometimes have an uneasy feeling that, despite all his detailed preparations, communication is a rather hit-or-miss affair. In a perfect world, a communications activity or event presupposes a communication programme, which in turn assumes a complete strategy for both policy and communications, not just up to an election (perhaps least of all up to an election) but for the subsequent years in Office. And only a real strategy will suffice, because the task in Government will be to perform a miracle - to turn around a moribund economy before North Sea oil runs out.

"Despite their simpler frame of reference, business executives often suffer from this nagging sense of disorientation, as they struggle to keep up with the daily flow of problems and

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decisions. Hence the growing emphasis on "corporate strategy" or "long-range planning", with its attendant jargon.

"Such thinking and planning is perhaps better described simply as "systematic" rather than strategic. Any game (in the non-frivolous sense of the word) which involved competitors, goals and a choice of routes, each with associated risks, demands a strategy. The question is whether such strategies are developed haphazardly or systematically. The systematic approach requires considerable initial effort, a higher ratio of "thinking time" to "doing time", in the hope of getting the consistently (though perhaps only marginally) better performance which in the end separates winners from losers.

"The truth is that there is never a convenient time for strategic thinking, in politics, business, or anywhere else. It always seems to be an academic exercise, a speculative distraction, to be put off whenever possible "until there is more time" or "the immediate pressures are off". Strategy can be defined, for practical purposes, as "the careful thinking we wish we had done two years ago, but don't have the time to do today".

"And yet many of today's pressures are often themselves caused by lack of a strategy. How often we finally decide to take some action without further delay, only to find that it cannot, after all, be started, because essential preconditions had not been anticipated months earlier.

"Such experiences can lead to sporadic "strategy meetings", which are futile because they try, in a matter of a few hours, to empty minds of all today's problems and then to design a strategy without having any method for doing so.

"'Strategy' is an over-worked and thus devalued word, and strategic thinking can be no guarantee of success. But certainly in business, and especially at times of discontinuity, the strategists have at least a tendency to win, while the tacticians are almost certain to lose."

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- (1.3.1 contd.) After the election, we had to abandon this part of the Stepping Stones exercise - to move colleagues from tactical to strategic behaviour - as the Civil Service took over with its own highly professional approach. Our original view, that their approach, however professional, was not appropriate for the task Government faces, has I believe now been vindicated. Something else is needed. And that something is a strategy which emanates from the political masters, not from the civil servants. Unless that strategic approach is developed, writing "Long Campaign" papers about strategy will be pointless.
- 1.3.2 Policy Unit (and I hope CPRS) can help develop the method and approach. It can structure, make the connections, clarify the issues. But the work cannot be sub-contracted. Strategy cannot be developed in isolation from operations. Nor is there such a thing as a strategy which does not immediately start to affect day-to-day operations. If colleagues and other officials do not get fairly well immersed, periodically, in the strategic thinking, the whole thing is a waste of time, and they will be forever "moving from crisis to crisis" as the saying goes.
- 1.3.3 Quite apart from this, the sheer amount of work needed to move from a situation in which day-to-day operations are largely a matter of muddling through - however clearly the objectives are kept in view - to one where they all fit into a total design, requires a great deal of work. At first, because the pay-off takes time, the work may seem to be not worth the effort. But large businesses invest years of effort in moving from amateurism to professionalism in their strategic planning. And all their key executives become heavily involved in it. Everything depends on whether, in the end, those executives are, in Weinstock's phrase "thinking right". It is fanciful to think that a tiny group like the Policy Unit - or even the whole of CPRS as well - can somehow transform an unsuspecting Westminster/Whitehall complex, which has failed to solve almost every major problem confronting it over the last 30 years. If we cannot in the end

change the way colleagues and officials work, then we certainly can't change the country.

2. THE FIRST TEN MONTHS

2.1 From Honeymoon to Reality

2.1.1 It is helpful to start with a brief look at the past ten months with particular reference to Government strategy.

2.1.2 Early Honeymoon. Summer and early autumn had inevitably an air of unreality about it. There was a good press, plenty of dynamic action, a Budget which, with hindsight, was not quite right and was widely misunderstood. During May and June, the Policy Unit consisted of JH spending most of his time ensuring that the Civil Service did not by-pass him on its own assumption that the Policy Unit was merely a piece of Prime Ministerial patronage with no real purpose. Norman joined in July and, in effect, we then started all over again working our way into the Civil Service machine, just as, in 1977, we had started to work our way into the Tory Party.

Immediately after the election, John Hunt and Ken Stowe proposed a Chequers "teach-in" on strategy for all colleagues. You felt that this would be a waste of time. You may remember that when you and I first discussed strategy (with Ken Stowe and David Wolfson) we could not agree on a starting position. You said that the strategy was well understood; I said that there was no strategy, simply some clear objectives. The Treasury team still seemed to think that monetarism was a fairly simple business, and mainly a matter of determination. The very high pound was seen as an unqualified good. I said that its very rapid rise posed big problems for industry and asked whether the Treasury would have liked it to go even higher.

In our first Strategy Paper of 14 June 1979, we said ". . . re-building (the economy) will not be possible without Stabilisation."

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(2.1.2 contd.) To attempt it would be like trying to pitch a tent in the middle of a landslide. This is what Governments have tried to do in the past and have been surprised as their efforts keep getting swept away by the latest instalment of bad news."

Did not say we should have =

At the first Strategy Meeting of Ministers on 18 June, I asked the question specifically in the agenda, "Do we agree that Stabilisation is the first priority?" Unfortunately, the concept of Stabilisation was rejected at the meeting and we were side-tracked onto the much less urgent (though still important) Accelerator project. This project - MISC 14 and MISC 15 - absorbed large amounts of our and colleagues' time and even greater amounts of CPRS and officials' time. By contrast, the crucial question of Indexation and its effect on public spending and inflation - at the heart of Stabilisation - was never even considered.

2.1.3 Late Honeymoon. The period September-December inclusive saw the Policy Unit starting to get involved in specific situations (British Leyland, the indexation/de-indexation study), continuing with the MISC 14/15 exercise, and the "Quick" campaign, and starting work on the Long Campaign - to provide a strategic framework right through to the next election. On the way, we failed to persuade you to look at two possible candidates to head CPRS, Terry Price and Christopher Foster. This, coupled with Ken Berrill staying on till 1 April 1980, meant we could not start rethinking CPRS' role, though it continued to do good work on MISC 14/15.

2.1.4 January-February 1980. The true magnitude of the task now dawns afresh. Policy Unit is fully stretched on MISC14/15, FASE, Supplementary Benefits for strikers' families, Employment Bill, steel strike, Indexation and the Long Campaign. Long Campaign starts to look like an academic exercise as Ministers begin to slip into "busy but ineffective" mode with full diaries, driven by events.

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(2.1.4 contd.) It is becoming increasingly likely that strategy will be something we talk about, write about, but do not practise. It is not a matter of wrong policies, but of the way we organise and spend our time, schedule the work ahead and anticipate events, build enough team trust and understanding to ensure that Cabinet stays roughly together under fire. I was worried that, even at our dinner with Keith, Geoffrey and David in January, you still insisted that you knew what the strategy was, and you could not see the need for the last section of the paper, "Organise to Make it Happen".

2.2 The Situation Today

2.2.1 Economic Policy. We have now missed the original boat we had hoped to catch. Expenditure cuts have proved very difficult and our failure to address the indexing problem early enough has not helped. Control of the money supply has turned out to be extremely difficult, not simply because of the public expenditure pressure. The risk now is that the coming Budget will not be (perhaps, because of the general handling of political presentation and communication, cannot be) sufficiently drastic to get the numbers right.

But I thought you said the object was stabilisation.

2.2.2 British Steel Strike. This is dealt with below under "Lessons Learned".

2.2.3 Employment Bill. This is dealt with below under "Lessons Learned".

2.2.4 Communications. There were a few reasonable speeches associated with the Quick Campaign. The Conference speech, despite all the work expended on it, made little impact on the public consciousness. Our advice that speeches are, in general, a waste of

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(2.2.4 contd.) time unless they are linked to new Government measures or clearly visible events has not yet been accepted. Thus we made less of the BL rescue than we might have done (though it seems to have gone reasonably well) and we have not used the steel strike as a golden communications opportunity at all.

2.2.5 Cabinet Splits. With setbacks to our economic strategy, failures to communicate (including communicating to the Party's own back-benchers) with renewed pressures for expenditure cuts, and the disagreements about the pace and direction of trade union reform, the stresses and strains in Cabinet, which the newspapers have been waiting for, are now beginning to show.

2.2.6 Corporate Liquidity. The concern about the exchange rate, which I voiced last summer, is now widespread, coupled with the problems of companies borrowing very expensive money to pay interest on expensively-borrowed money. Whitehall is just beginning to recognise that the fear that much of British industry really won't survive a prolonged high pound and high interest rates, together with uncurbed union power, is not confined to soft-minded Keynesians.

2.2.7 With hindsight, I think we were wrong not to have raised the issues contained in this paper earlier. But to date, I think you have been satisfied with our broad strategy, and felt that it was working. Cabinet appeared united. You may well have thought that, if and when things began to go wrong, the Civil Service machinery would come to your rescue. These things are now changing. The gradient we are climbing is becoming steeper. We therefore have to change gear before we stall. Other Governments have certainly done much worse than we have in their first year, largely because they have not even had clear objectives, let alone a strategy for getting there. But that is not the point. We have to compare our performance,

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(2.2.7 not with that of previous failed Governments, but with the contd.) performance needed for success. We have had the equivalent to a warship's "shaking down" cruise. Just as the conventional wisdom expects us to begin getting everything wrong, we have to start getting more things right.

2.3 We've Got About Two Months

2.3.1 We have about two months in which to reorientate ourselves and start operating in a way which has a higher chance of success. We're not proposing here a loss of nerve, a U-turn or anything of that kind. The basic direction - a hard slog, the J-curve, and the need to educate the public about why it is all necessary - remains unchanged. We shouldn't worry too much about day-to-day press comment. Things are never either as good or as bad as they appear to be.

2.3.2 I am simply saying that unless you and other key colleagues spend a great deal more time (which has to mean less time on something else; I return to this problem in section 4 below) in a systematic and methodical way, thinking through the Stepping Stones which make up our total strategy and deciding who has to do what, when, if those steps are to be successfully taken, then turn-around will fail. If we don't change, this Government will slowly fall apart as muddle, factionalism, recrimination and fatigue take over. To be "determined that this won't happen to us" is simply not enough.

2.3.3 How to Proceed? We have had a quick look at the last ten months in the context of Government Strategy. Now we need to look at the main lessons we have learnt in more detail (the first lesson of all, of course, being that we are not yet much good at formal lesson-learning). Then we have to make a quite detailed plan of action. You cannot do this. Whitehall won't do it for you. If it's to happen at all, we have to do it.

3. LESSONS LEARNED


3.1 Let us first look at some specific examples of things that have gone right or wrong - mostly wrong - since the election, and then try to draw some general lessons from them.

3.2 Some Examples

3.2.1 Budget 1979. It was our greatest misfortune to date to be faced with a Budget only six weeks after the election. This meant that Geoffrey's team would be working against the clock from day one, quite apart from the inevitably frenetic nature of the first few weeks in office. It was thus not possible for the total political and economic context of the Budget to be carefully discussed and thought through by colleagues, before any detailed work began.

It is worth looking at what might have happened, if there had been enough time, not in order to cry over spilt milk, or in any sense to criticise Geoffrey or his team. I am quite sure that, if it had been recognised at the outset that Stabilisation was the only thing worth thinking about, and thinking time had been devoted to it, things could have got off to a much better start.

If we had had a full day "teach-in" (a shirtsleeve working session, not the formality of an E Committee), three things would almost certainly have emerged:

- (i) All the colleagues, and especially spending Ministers, would have had a much better grasp of the enormous task facing us.
- (ii)  Work on the indexing muddle would have been put in hand immediately.
- (iii) The inevitability of inter-union competition - to outdo each other's anticipation of inflation - would have been recognised.

(3. LESSONS LEARNED - contd.)

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As a result, we would have realised that we were presented with a once-for-all opportunity to make a very big step forward in getting the basic economic arithmetic right. We would have invested maximum political effort, making full use of the post-election goodwill, the "look at the books", our ability to use our inheritance to justify almost any measure. It would then have followed that, the more severe the Budget, the more credible our arguments about the state of the books and our inheritance would be. We could have made it clear that our Manifesto commitments remained firm in the long term, but that we faced an immediate economic crisis (which was in fact the case, though not fully recognised at the time). It seems to me quite reasonable that we would have come up with something on these lines:

- A fiscally tight Budget with only partial Rooker-Wise.
- The de-indexing of social security, housing expenditure cuts etc so that the "big numbers", which are administratively simple to change but politically difficult, would have been changed at the one time when the political difficulty was at its lowest.
- There would have been no VAT increase at all because of the unions' competitive bargaining trap.
- MLR would have been raised enough, from the outset, instead of wasting the last six months of 1979.

It is also possible that we would have got the Treasury and the Bank thinking with greater determination about the problems of the high pound, which I raised with you at one of our first meetings in May. There must, by definition, be some exchange rate at which it is simply impossible for Britain's exporting manufacturers to survive. Since 1976, when many exporters were really beginning to hum at the \$1.60 rate, the pound has appreciated by 50%, while our wage rates have increased between two and three times as much as our main competitors. It is not surprising that many people are beginning to fear now that much of our exporting industry simply cannot survive the inflationary cure unless the pound comes down, and that the lesson-learning process of decelerating pay settlements will not now happen fast enough to save it.

(3. LESSONS LEARNED - contd.)

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Of course the Treasury will have thought about all this, but we can be sure that it will have rejected some of the possible measures as unthinkable (much as the British Government left the guns at Singapore facing the wrong way, because they knew that the threat could not come from the Malayan Peninsula). Having seen their failure to recognise what indexation had done to the economy, and the difficulty they had with getting to grips with that problem, I wouldn't accept their recommendations too readily. Few if any of their people have the faintest conception of industrial reality and will therefore readily abandon "difficult" options, because they do not understand what the irreversible industrial consequences of doing nothing might be.

Again I would stress that I am not suggesting we cry over spilt milk for the sake of it. And I am certainly not suggesting that I would have come up, single-handed, with the optimal Budget strategy, where the combined talents of the Treasury got it wrong! The only point on which I was clear in my own mind from January 1978 onwards (which was why I asked for the Policy Search Team to be set up, although its members, too, either could not or would not understand) was that Britain's economic collapse was almost past the point of no return and that our first Budget had to be of true crisis proportions.

The point I am making now is a different one. It is that our first Budget was far from optimal because, through sheer bad luck, we had to produce it very quickly. Given the circumstances, it was probably much more right than it might have been. But the question is this: if we had had the time, would we in fact have invested it in thorough and wide-ranging discussions of all the strategic implications, so that we would come up with something nearly optimal? My fear is that, because we still invest very little time in thinking and informal discussion, we could easily have got it just as wrong as we did - and indeed may be about to do so now, when once again we are onto the 4-week critical path which leaves no time for second thoughts.

(3. LESSONS LEARNED - contd.)

(3.2.1 We made our problems worse by confused presentation of the Budget. contd.) People were not sure whether it was a tough Budget; or a tough Budget which was nevertheless an opportunity for those who were prepared to work; or a popular Budget in which the Government was somehow able to honour its tax-cutting pledges overnight.

There was further confusion, later, when we appeared to be making a virtue of our failure to make real cuts in public spending, when we had been elected on a pledge to make cuts.

3.2.2 British Leyland. This has gone quite well so far. The Government decided its own objectives early on:

- (i) To set the stage for BL's demise/sale in such a way that the Government could neither be attacked for hard-heartedness nor be tempted to go soft at the last minute.
- (ii) To make sure that BL management negotiated with the unions, from a position of indifference, in order either to force a beneficial change in union and work force behaviour (for BL's own survival and for the wider educational effect) or else to ensure that the unions were seen to bring BL down, before Government was forced to do it.
- (iii) To reduce the economic downside by starting a search for buyers or merger partners.

The reason why the BL situation has not (yet, at least) developed into the familiar muddle is almost entirely due to an early investment of thinking time:

First, we got early warning when Murphy and Edwardes briefed me in mid-August 1979.

Second, someone (as it happened, Norman and I, simply because we had the time) was free to concentrate on BL

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rather than, say, BNOC, because we judged that BL was strategically critical.

We therefore dropped everything and spent two or three days thinking about the BL problem in order to come up with a position paper defining that problem, proposing the Government's negotiating objectives, and suggesting a quite detailed negotiating strategy for reaching them. I do not think that the DoI officials, however conscientious, intelligent and knowledgeable about BL, would have been able to think about BL in the context of Government's overall strategy.

From that moment on, the chances of a complete nonsense were greatly reduced. One example of the importance of doing the thinking too early rather than too late was the need to move Edwardes to a point of indifference by making him really uncertain about whether Government would rescue BL at all. Our preliminary thinking suggested that it would be fatal if Keith appeared to take Edwardes into his confidence at the outset. He had to treat Edwardes at arm's length, since that was the only behaviour which would appear consistent, to Edwardes, with a Government preparing to pull the rug. Accordingly, I advised Keith in mid-September to do everything possible to frighten Edwardes, before any other plans were made with him. With hindsight, that was an obvious tactic, but we might well not have adopted it if we had not tried to think through the "game" in some detail already. And by Christmas, the important objective of "establishing the criteria by which future Government action would be judged" had been done in Edwardes' letter to Keith - which the papers are even now quoting to their readers.

During Whitehall's deliberations, our main task was to force (in partnership with CPRS) the DoI officials to face up to the fact that BL was beyond saving. This took some doing. Their instinct was to believe everything BL management said, to delude themselves into forecasting an impossible recovery and then give them the

(3. LESSONS LEARNED - contd)

(3.2.2 money. They did not really want to think about what to do if
contd.) BL proved unsaveable (as it is already beginning to do). Their tendency was to treat BL like a routine, annually-recurring task, like public expenditure reviews, repeating their previous approach to the problem. They therefore don't solve the problems, they simply do something this year which will postpone it to the following year, when they can pick up where they left off. The first question, therefore, seems to be, "What did we do last time?"

3.2.3 British Steel. By contrast with BL, this has been a shambles from start to finish. First warnings of a large pay claim to an effectively bankrupt industry came in October. The warning was missed. On 6 December 1979, the Government was presented with a virtual fait accompli. You were asked, at 12 hours' notice, whether you agreed to Villiers' response of a 2% offer. You agreed immediately; there was no discussion; and no-one seemed to make the connection with the miners.

This procedure was clearly quite wrong for an issue with such widespread implications. Ministers should have had at least several days in which to consider the matter. It should have been possible to obtain advance notice well beforehand - especially since there are two civil servants on the BSC Board. I am not sure whether the Department of Employment even had a chance to comment on the likely ISTC/NUB response to the initial offer which came the day after the miners' ballot had secured 20%. It was already too late for the Policy Unit to comment, though Norman did tell Keith and Jim, orally, that we thought the BSC offer was madness.

Incidentally, our earlier suspicion that British Steel might well have been almost provoking the strike in order to muddy the waters and conceal its own deteriorating economic performance now seems to have been borne out by events. It is a well-known management technique!

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Much of this confusion stemmed from the meaningless (for nationalised industries) concept of "non-intervention". In our minute to you of 3 December 1979, about the miners' settlement, we had already warned that there was no such thing as non-intervention in a nationalised industry. We said:

"When a labour monopoly effectively 'owns' a nationalised industry whose disruption can bring the country to a halt, we have to consider a number of questions before we can work out what Government's posture and strategy should be. An ad hoc solution this time round (even if a favourable one) will not make the problem go away for good.

"There are many questions which we need to consider before the problem comes round again next year. For example: (a) can the Government remain uninvolved, at the start, in the negotiations which may go wrong and escalate into the situation where the Government has to be involved? (b) Should the Government, in any case, be more closely involved in developing the negotiating strategy, with NCB (rather as we have tried to do with BL)?"

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On 21 December the strike was announced. We immediately advised you (our minute of 21 December 1979) that Keith should intervene during Christmas week to stop the strike in its tracks. We pointed to the absurdity of a strike with a moderate union, the impossibility of Sirs' position against the miners' 20%, the inevitability that more militant unions would join in and make it a general political strike, the latent sympathy for steel workers, and above all, that the whole situation had not been thought through (and the Employment Bill was not yet law). It was exactly the opposite of British Leyland. At British Leyland we had a pretty good idea of where we were trying to get to and how; at British Steel we hadn't the faintest clue because the thinking simply had not been done.

(3. LESSONS LEARNED - contd.)

(3.2.3 contd.) By the time the strike was underway, our position of non-intervention was so explicit that there could be no question of our going back on it without a great loss of credibility. We (ie the Policy Unit) then did the same sort of thinking on British Steel as we had done on BL. We came to the conclusion that, although we would have done much better to have intervened before the strike ever started, we now had a great deal to lose by weakening and a great deal to win by standing firm. (Alfred had urged this view on us since the strike began, and we eventually concluded that he was right.)

It is important to be clear about the analysis of risk. A combination of steady nerves, skilled communications (especially using the PPB) and a little bit of luck, could turn the steel strike into a major step forward on our trade union reform programme and in educating the public about economic reality. But that doesn't alter the fact that we were quite wrong to drift into the strike at the outset (when some colleagues seemed to be quite hawkish, only to begin sounding doveish, just as the penalties for Government capitulation began to mount!). It is not that we should not be prepared to take such risks, but that they must be calculated risks. This one was entirely uncalculated and we certainly won't deserve a successful outcome, if we get it.

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We said that standing firm would require an active communication programme. We regarded this as essential if we were to:

- Reduce sympathy and support for the steel workers among BISPA workers, railwaymen, wives and the far more numerous union members in other steel-using industries.
- Remove any lingering hopes of Government intervention with taxpayers' money.
- Put across a properly worked out statement of the issues at stake in order to explain why we were not intervening, to ensure that we did not appear simply obstinate, anti-union, confused or out of touch with the situation.

(3. LESSONS LEARNED - contd.)

(3.2.3 contd.) We urged an early Ministerial broadcast (it had to be you, because Jim wouldn't do it) before mental attitudes began to harden, and the setting up of a team to manage the propaganda battle. None of these things happened, and we have not used the steel dispute properly to educate the public. (Fortunately, though we failed to escalate the debate, events did it for us and this has vindicated the original Stepping Stones thesis - that escalation and confrontation are the key to attitude change. The "moderate's tranquilliser" changes nothing.)

Although we have not made the most of the communication opportunities offered by steel, we have been fairly successful in reducing any possible sense of grievance which might otherwise lead steel workers to "fight to the finish", however poor their chances (eg your sympathetic comments on Panorama).

At the same time, we have invested a great deal of Ministerial and official time monitoring and discussing a dispute, for which we had no "game plan", and over which we have little control.

With careful communications and a steady nerve, there must be a reasonable hope that the steel strike will begin to crumble before the companies affected are too badly hit. With so much at stake, win or lose, it is unforgiveable for Jim Prior to be making off-the-record comments about Government bending the cash limits. That could be just enough to hearten the strikers and so make the final stages harder and more damaging. But his comments are themselves a reminder that we had not succeeded in getting our strategy for the strike fully understood and agreed with all the colleagues - because we never had one.

(3. LESSONS LEARNED - contd.)

3.2.4 Employment Bill. The steel strike and the state of public opinion presented us with an opportunity to make the Employment Bill much more effective. The whole exercise could go in one of two different directions. Either colleagues would take the time really to get to grips with the problem and to understand it so that there was some chance of consensus emerging, with a shared view of the long-term objectives of trade union reform and agreement about the pace at which to move and the risks to be taken. Alternatively, the question could be resolved at the level of assertion and counter-assertion between key hawks and key doves, with no real testing or probing of the underlying assumptions (eg about what a general strike really means and whether it would happen), with peripheral Ministers clearly having no idea what the different legal options were, what the references to section 13 and 14 really meant and, worst of all, no recognition of the underlying issues of natural justice. We proposed (our minute of 5 February 1980) that 2-3 weeks should be allowed for discussion and a full teach-in at Chequers should take place. Neither of these things happened, in the event. The picture that emerged in the press was of a divided Cabinet in disarray. Because the opportunity had not been taken to intervene in the debate about the steel dispute (in which our draft "Complete Statement of Our Position" of 23 January 1980 focused sharply on the first customer, first supplier question) the 1922 Committee were as confused about the issues under discussion as many press commentators seemed to be.

There are some who believe that our failure to stiffen the Employment Bill may determine the longer-term fate of this Government, because it will not be possible to introduce more effective measures in time to prevent the unions causing chaos in 1983/84 deliberately designed to make the electorate finally lose patience with the Tories. Labour will argue strongly that the unions did it to them, and the least they can do is to do it to us too. It may be possible to move faster towards a second Bill, but once again it requires sustained communications; those communications can only succeed when events open people's minds to the messages we are putting across; and the messages won't be ready unless the colleagues, as a team, understand and support what we are trying to do. Is there the smallest chance of Jim taking the lead?

3.3 The General Lessons

3.3.1 Time Spent Thinking is Seldom Wasted. The IBM "THINK" signs are no gimmick. They are not referring to clever scientists designing computers. They are talking about the importance of thinking before acting. Thinking about any problem is useless unless it is done early enough. Most thinking is done too late ("if only we had started on this earlier . . ."). It also needs several people - including people who do not agree with each other.

It takes time for new ideas to be assimilated. For example, Norman first suggested that the emphasis of our communications should be on "interpretation and explanation" rather than polemics or exhortation, when we were thinking about the Party Conference speech in late September. In particular, he suggested for the Conference speech a carefully drafted piece on "Why this Government will not intervene" so that the public would be starting to understand before the first test case (in the event, steel) came up. Ronnie Millar thought it was a key section of our first draft. It was removed, in a state of total mental confusion, by a large drafting team at 4am on the day of the speech! Again, the day after the strike began, Norman suggested to me that we needed a Ministerial broadcast on this same theme of non-intervention. It took him a week to convince me. We proposed it to you in our first minute of 9 January 1980. Another 2-3 weeks, and everyone was saying the same thing and the press were criticising us for failing to explain our policies.

The lesson from this is that we must not only think early, but we must try and speed up the process by which the ideas of those doing the early thinking get disseminated to you and colleagues, who are under great day-to-day pressures. Otherwise good ideas are simply not recognised as good until just after it is too late to use them. It is exactly like Britain's ability to produce new technical breakthroughs, and its sluggishness in translating them into products.

(3. LESSONS LEARNED - contd.)

(3.3.1 contd.) Geoffrey first suggested a weekend retreat to ensure that the key colleagues really understood Stepping Stones, in November 1977. It never happened, Jim never understood Stepping Stones (he wasn't just opposed to it; every meeting we had revealed that he still didn't understand it) right through to the election. We haven't had such a retreat yet. And yet every sizeable business in the world has for the last 15 years recognised that there is no other way to get people thinking analytically and imaginatively about the future and generating the collective energy and commitment to act. If we aren't prepared to do it, we will achieve nothing. And if we try it once and then give up because it turns out to be less of a panacea and harder work than we had expected, again we will achieve nothing.

To imagine that we will make any impact on the problems we face without such an investment in thinking time, is like imagining that we can field our local noughts and crosses champion to play a Grand Master at chess. In Opposition it is possible to "make it up as you go along", but once one is really running the Government machine, it is obviously different. New ideas and changes of mind come from hard argument, brainstorming, working together in teams. This is the main lesson learnt from thousands of businesses which have succeeded over the same years in which Governments have utterly failed. Businesses in which decisions are taken in formal hierarchical committee meetings, like our Cabinet Committees with all the nonsense of "Secretary of State for this and that", are the dinosaurs. Whitehall and Westminster models its process on the failure model of the private sector. Its only informal teams tend to be political plotting teams, huddling together for warmth, which is something quite different. That can happen in sick companies too, but it has nothing to do with successful management. E Committees end up rather like United Nations meetings, with people giving prepared position papers to which the others are not listening.

(3. LESSONS LEARNED - contd.)

(3.3.1 The absence of outsiders at Cabinet Committees is another reason contd.) why they are sterile in terms of changing attitudes. Only the introduction of outsiders (effectively "new data") is likely to change attitudes and that can only be done in informal team meetings. This was the whole principle of the Stepping Stones exercise, frustrating and time-consuming though it was.

3.3.2 Only Teams Produce Answers. Of course Departmental teams of officials will produce many of the answers, and often adequately. But wherever we are talking about major policy decisions which carry big economic or political implications and which therefore strain the unity of Cabinet, only teams which include colleagues, officials and outsiders, will have a chance of coming up with answers which are innovative and sound, with the sort of agreement which keeps the loyalty and support of those who have only reluctantly been persuaded to agree. Far from trying to hustle such decisions through without giving the objectors a chance to stop them, they should be debated to death among colleagues, just as we have said that the union issue should be debated to death outside Cabinet. But that means methodical and intellectually honest debate, not rancorous argument and the endless restatement of fixed positions. Intelligence, loyalty, courage and determination, hard work - even the right policies - are not enough if the basic method and thinking for getting them agreed and carried out are inadequate.

Teams force an unaccustomed but vital unity, containing and controlling rival factions etc. Of course there will be an irreducible minimum of split and antagonism in any Party. But that is exactly why the strategic view and the team approach are so crucial. The mutual antipathies and disagreements are just the same in any management team - some people see eye to eye and get on well with each other, others don't; and yet they must be

(3. LESSONS LEARNED - contd.)

(3.3.2 contd.) able to work constructively together. The leadership of such a team has to make great efforts to span the differences, rather than side with factions.

Team work is also essential if colleagues are to understand both the broad principles involved and the necessary detail. On the Employment Bill, for example, there was a need to orientate the team's thinking about the general nature of the trade union problem; the fact (which I sometimes feel that Jim has not grasped) that union activities and strikes are not in themselves good; the legal implications which only the leading protagonists on either side of the debate ever understood. Peter Carrington, for example, probably had only the most rudimentary idea of what the discussion was about. If he was to take a part in the debate on such a crucial issue - rather than simply assume that Jim was right - he needed first some background education (completely impartial and neutral) so that he understood what was being debated, before being exposed to the arguments for either a more, or a less, cautious approach.

There isn't time, however well we organise ourselves, to do this on many issues. It should be reserved for those issues which are central to the Strategy and likely to divide Cabinet. There are only two issues on which this is likely to be the case at present. The first is public expenditure, and the de-indexation question; the second is trade union reform.

3.3.3 What is Wrong with Whitehall and Westminster? The political life does do a lot of damage to many of the people involved in it. There are two problems we have to guard against. First, the whole system teaches politicians to behave as if they know all the answers, and this can lead to what I can only call "incisive rubbish" in response to questions about extremely difficult problems. They can become such a bad listeners that they end up almost "slow on the uptake" as regards new ideas.

(3. LESSONS LEARNED - contd.)

(3.3.3
contd.)

There is a tendency to assimilate the thinking of others, take up fixed black and white positions so that discussions which might threaten those positions are seen as too risky and are not allowed to develop. Together with this goes a certain lack of frankness about unpleasant truths, a reluctance to admit that policies may be wrong, perhaps for fear that anything said will leak, so that internal statements are eventually almost as rehearsed and artificial as external ones. As Weinstock has said, "Lack of frankness is the great management offence". The goldfish bowl problem of political life does make this a real difficulty, which doesn't exist elsewhere.

Second, there is the very real lack of management experience, often not recognised because politicians who have headed large Departments in office sometimes think that they have had the experience of "running them". This management gap is what makes the orderly and systematic approach, structured and rigorous discussion, the time-consuming and difficult business of translating aims and objectives into co-ordinated action so hard to achieve. But the real difficulty, in all these areas, is not that politicians often don't really know what they're doing; it is that they don't know that they don't know. (You yourself seemed intuitively to recognise what was missing.) What is blindingly obvious to the outside observer is totally unsuspected by most politicians.

If the outsider tries to suggest change, the politician (who hates change as much as anyone else, while urging others to change) can easily defend himself and set his own mind at rest by remembering that the outsider "has no political experience" and can therefore be ignored if his recommendations are uncomfortable. Sad, because his only purpose is to bring to the Party the experience he has and they don't.

(3. LESSONS LEARNED - contd.)

(3.3.3 contd.) The Whitehall problem is more deep-seated. There is more to it than the well-recognised problems of a self-serving bureaucracy. First, there is the fundamental difference between the Civil Service ethos and that of most of the rest of the world, which is that civil servants are judged and judge each other by conduct, not results. From this follows not simply a lack of commitment (inevitable to some extent if they are to remain politically neutral) but a tendency towards low-risk strategies designed to avert the worst outcomes, giving up in exchange any chance of good outcomes, let alone the best. The whole system is "risk averse". Together with this goes a general detachment which sometimes makes one want to ask a civil servant, as he gossips about the small change of political life, "Do you really care what is happening to this country?" For the most part - and of course there are honourable exceptions - I don't think they do. They are part of the problem, like Westminster itself, not part of the solution. It is as unlikely that a civil servant will question the system he works in as it is for a trade union leader to ask what unions are for. To do that requires strong thinkers with independent spirits. There are some, but inevitably not enough.

It follows from the above that civil servants are not leaders. They cannot be initiators; they are unlikely to break new ground with their thinking. They are waiting for their political masters to tell them what to do. A striking example of this was the indexing/de-indexing question. Despite the great distortions caused by indexation, the Treasury had done no work on this subject, off their own bat. Even in December when, at long last, the subject of indexation was formally addressed by an ad hoc official group of which I was a member, under Douglas Wass, it was clear that the officials involved were quite confused on this complex subject. They would never have tried to dispel that confusion unless they had been prompted to by Ministers. Littler (the Deputy Secretary on the group) actually said, at one of the first meetings, "If only we had started to look at this problem six months ago". What are they there for? Do they have to wait to be told? I knew indexing was a key issue in 1975.

(3. LESSONS LEARNED - contd.)

(3.3.3
contd.)

Unfortunately, as Ministers eventually get tired and begin to slow down, they put more trust, not less, in the Whitehall machine. Because that machine is not itself at risk, no-one in it feels the same sense of personal responsibility. They are not likely, even at the upper levels, to wake in the middle of the night saying "Someone's got to do something, and perhaps it's me. What should I do?" Instead, it waits for the Minister in times of crisis, but it is precisely then that the Minister, under increasing pressure, may be hoping that the machine will come to his rescue. Each waits for the other and nothing happens. And so they go down, like two drowning men, ~~clinging together~~ - except that it is only the politician who drowns - the official survives!

Even when it is a matter of anticipating problems, rather than responding to crises, officials wait for the Minister to tell them what they should be thinking about. The Minister has scarcely time to think at all, least of all on the most difficult question - what people should be thinking about! Thus it was with indexation. John Hunt told me that CPRS' early warnings of the OPEC price rises, given in 1971 or 1972, were never picked up because no-one thought it was up to them to act. Everyone assumed that someone else had the matter in hand.

In addition, members of the Civil Service machine won't poach on each other's patch, even when they know that things are going wrong there. The no-poaching convention is another alibi for saying nothing. Similarly, no-one is exposed to challenge from within the system. Outsiders are absolutely excluded. They are not living in a competitive world of problem-solving ideas, but a monopolistic and protected one. Their "losses" are automatically written off as they go, and no-one's career suffers.

It follows from all this that the colleagues themselves must keep on top of the situation in terms of thinking, planning,

(3. LESSONS LEARNED - contd.)

(3.3.3 contd.) anticipating, co-ordinating, so that they can continually provide the strategic framework and direction the machine needs. If we then look at the pressures on Ministers' time, the whole way British politics runs, with the hours the House sits, the constituency responsibilities and so on, we realise that we are looking at a system almost doomed to fail before it starts. We are expecting Ministers to be superhuman for years at a time. (Montgomery went to bed at 9.30 sharp!)

It was for this reason that I put such stress on using CPRS as the key resource for strategy work and wanted to put at its head someone whom I knew was, whether or not the perfect person for the job, thinking along the right lines. I don't know how many hours you spent with Robin Ibbs or what the process by which he was selected consisted of. I certainly found John Hunt's minutes about selecting a head of CPRS disappointing - he had no views on what CPRS should be used for, and thus his thinking was done in a vacuum. I have spent a few hours with Ibbs since, though I don't know him anything like as well as Price or Foster. He seems to me an extremely likeable and straightforward man. He must be competent, or he would not be doing that job. He has no experience of politics or the Civil Service. That wouldn't matter too much, but he also does not appear to have done any real thinking about the social and economic problems we confront. In short, he seems to have been simply an impulse buy. How many other candidates did you see? How many people did anyone else see? Who wrote the job specification - if there was one? The Cabinet Office's selection process seemed to be very haphazard. I have to say that I will be very surprised if he is successful. But we will do everything we can to make him so. But the first question we have to answer is - successful at doing what? I don't think he knows.

In summary, therefore, Whitehall and Westminster are a large part of the British disease. Given their past failures, it is almost axiomatic that many of the solutions to Britain's problems are likely to come from outside the Whitehall-Westminster complex, not from within it. The inhabitants of that complex have little

(3. LESSONS LEARNED - contd.)

(3.3.3 contd.) shared experience of working together in something which really succeeds. They have experienced success in the sense of good speeches, by-election victories and so on; but they have less experience of successful, lasting achievement. This must partly explain the fatal half-heartedness of so many of the "doves". Only a few strong spirits will be able to lead the way out of defeatism and confusion.

If we are to move from the traditional Whitehall modus operandi to one which has some chance of success, the initiative will have to come from colleagues. With the best will in the world, it will never come from officials. So the question is, how can we gradually get the colleagues working in a way which increasingly focuses both their own very limited time and their much greater departmental resources onto those essential areas of our strategy where we have to achieve success? It was this line of thinking that made me suggest, before the election, that we should have more political advisers rather than less. I know that you don't like the concept of "political adviser", because you understandably feel that a politician should be able to make his own political judgments. (And I'll bet the mandarins supported you on this as soon as you got into No.10? They don't want interference or competition!) But what we are really talking about is having enough people around with relevant experience outside Whitehall to make some impact on the way in which the officials think and work. Of course, among the officials themselves (especially those in their 30s) there will be what the jargon calls "early adopters" who will help that modernising process to take place. But it's still a huge job. Increased use of outsiders at working sessions (for example drawing on Alfred's reserve army of specialists, and selected CRD members) could also help. (The situation is really too serious for us to be bamboozled with talk of the Official Secrets Act.)

For many of the colleagues who have only a hazy understanding of the strategy and little experience outside Whitehall and Westminster, things may seem fine as they are - they will accept what is, in other words the Whitehall status quo,

without questioning it and be happy to leave the initiatives to those who are part of it and therefore presumably understand it. So key colleagues must take the lead.

4. PROPOSED ACTION

4.1 It Isn't Peacetime Any More

If we look at what's happening to the economy, and in the trade unions, we know that it is effectively "wartime". Politicians can't go on behaving as if it were peacetime, any more than wartime generals can go on playing polo. Amateurs have to make way for the professionals, fast. And Sheerness, BL, etc, don't mean that "it'll all be over by Christmas".

4.2 Break the Diary Constraint

4.2.1 The first thing the top management of a business does when it finds itself in crisis* is to blank off several days, as early in the diary as possible, so that the team can get together and immerse itself in a mind-clearing exercise. For a business in trouble, two resources are indispensable to survival - fresh capital, and top management thinking time about how to use the last chance that capital offers. Time and money are each convertible into energy and action. Run out of either and you're finished.

In politics, the capital may come from the IMF or North Sea oil. But it often proves more difficult to find the time to spend it intelligently than to find the money. We say "time is money", but we tend not to treat it as such - analysing its use, budgeting for its future allocation, building in a contingency reserve, investing it in ways which will earn future "time dividends".

* We are certainly in crisis, and will be for at least 2 more years, whether or not we get the odd pat on the back from the Sunday Express.

(4. PROPOSED ACTION - contd.)

(4.2.1
contd.)

Problems of the size we confront simply cannot be tackled with over-large groups, with the formalities of calling people by their titles, without any visual aids to illustrate the points being discussed.

The greater the emergency, the greater the need for calm, thoughtful, even leisurely, discussion. What is wanted is exactly the opposite of what people in such situations feel they need - dynamic action and decision, much of which turns out to be wrong, so that more fire-fighting time is then needed. The greater the emergency, the more important it is to slow down, calm down and THINK. The difficulty in Government is the time lags and leads. A major problem - or a wrong decision - will unfold slowly and massively. Like an avalanche, by the time Government sees it coming, it's too late. At the moment when there is still time to think and act, everything may seem to be going well.

4.2.2 A single session of thinking and discussion - even if it extends over three or four days - will not be enough. It must be assumed, immediately, that a continuing investment of time will be needed. I know of no case, in such situations, where the key people find that they have budgeted more time than they needed. Almost invariably, the opposite is the case. However much time key people set aside for this crucial process of clearing their minds before taking effective action, they always find that they could have done with more. Time spent thinking is seldom wasted.

It is therefore necessary, permanently, to impose tight constraints on future diary appointments. The analogy is with Civil Service recruitment. There should be a near freeze on appointments, just as there was a freeze on recruitment. Otherwise you and other colleagues will remain trapped in the familiar circle. You won't have enough time to get the

(4. PROPOSED ACTION - contd.)

(4.2.2 contd.) next thing right, because you're spending too much time sorting out the last thing that went wrong (eg steel). You - we - have to break out of this trap. The officials will not take the lead, because it's really not their job.

Key Ministers spend a lot of their time on unnecessary ritual, because "it is expected". But it is rather like insisting on Trooping the Colour after war has broken out. We must be ready to be fairly unconventional about time- and energy-wasting rituals and formalities which are not essential to saving the British economy.

4.3 Getting the Team Together

4.3.1 We should start with a full day of discussion with Keith, Geoffrey, David, Norman and myself. The purpose of that day is to examine how effectively we at present use our time and effort for achieving the key strategic tasks (economic stability, trade union reform, communicating new criteria and understanding). Then we must work out how to involve colleagues in that programme, so that the right work is done at the right time, and so that colleagues build stronger links and clearer understanding of the total strategy, so that they stay together under pressure.

4.3.2 Informal Ministerial Team. We should establish a fairly small informal team of key colleagues. The choice of individuals must be made to meet the following criteria:

- Key economic Ministers.
- Key doves who will influence other doves.

(4. PROPOSED ACTION - contd.)

(4.3.2
contd.)

It should also include Robin Ibbs, but probably no other officials. Those with prime responsibility should be invited to "sell" their own strategies. This is the only way to force the individuals responsible to do the thinking and organise the results in a coherent way (on the old principle that the only way to master a subject is to write a book about it).

If we had had such a workshop session in early 1978, for example, we might have given Jim Prior and Barney Hayhoe a whole day (not much, considering that the unions are the make-or-break issue for the UK economy and for any Government!) to present their analysis of the trade union problem and its causes; their proposed objectives (electoral and governmental); and the possible strategic routes by which those objectives could be reached. This would have achieved several important objectives. It would have forced Jim and Barney to think and work in a way that they had never worked before. It would have ensured that other colleagues really understood the nature of the problem and how it might be tackled. If Jim's doveish approach was in fact the right one, then the hawks might at least have been partially converted. If, on the other hand, their analysis was superficial or their thinking mediocre, this would have been clear to other doves (hence the need for "witness" doves on the team) as well as hawks. Under criticism, Jim might have changed his approach; alternatively, if he had simply sulked or tried to shout down criticism, again this would not have been lost on other doves who might have been less ready to say later, as they do now, "We don't really understand this, but surely it's better to leave it to Jim. After all, he has been working at the problem for the last four years". We are going to have this problem all over again on the Green Paper.

A similar approach on economic reconstruction in general and public spending in particular might have effectively put the

(4. PROPOSED ACTION - contd.)

(4.3.2
contd.)

fear of God into spending Ministers (or shadows) so that they understood what they still do not seem to have grasped, that we are in a state of emergency, and that conventional views must be challenged. As it is, they are unable to rise to the level of events, because they don't understand them.

A large part of the time of this team, like the inner group in 4.3.1 above, will be devoted to thinking about and planning the use of time. Only meetings which spend enough of their own time on planning future time ever achieve anything. Time is the key resource for top people. It is a tedious and time-consuming process, but in the end it separates those who succeed from those who fail. There will almost certainly be Ministers on the team who refuse to contribute and simply try to bring the whole thing to a grinding halt by opting out. They may try to kill the whole exercise with ridicule, particularly in the early stages where plenty of time and effort will have been invested, but little in the way of pay-off (ie the move from muddled amateurism to co-ordinated professionalism) has yet showed through. That is the moment at which the team wrecker tries to orchestrate a general mood of impatience, frustration, ridicule and get the whole exercise dropped.

Both Jim and Ian Gilmour tried this in different ways during Stepping Stones, but we simply pretended not to notice and ploughed on. It can be easily dealt with, as already suggested, by simply putting them in the dock and putting the onus on them of showing how to solve some large part of Britain's problems. They then have the choice of trying to measure up to that challenge - in which case they begin performing after all - or else revealing themselves as totally inadequate in front of a critical audience. They must not be allowed to reject a strategy without being asked to propose one - in detail. It is therefore simple to deal with, provided it is being done as a full day in the country

(4. PROPOSED ACTION - contd.)

(4.3.2 contd.) and not one hour and ten minutes in a meeting room at the House. We may want to use outsiders on this team, but not officials.

Finally, teamwork on these lines offers the only chance to get people who either do not know each other well or do not naturally get on well together to understand and respect each other and stop trying to score points. If, of course, any team members reveal themselves as too immature and intellectually dishonest to operate in that mode, then they have to leave the team, and perhaps the Cabinet - but other colleagues know why.

4.3.3 The Long Campaign paper would be background for this first Ministerial team meeting. Geoffrey suggested at our working dinner in January that I should probably act as the link between colleagues in order to ensure they understood what it was all about before the first meeting. We - the Policy Unit - would prepare the agenda and programme for the day. From that meeting should come the first outline plan of how we implement the Strategy in terms of who does what, when.

4.4 Team Tasks

4.4.1 The topics on which hard thinking and imagination will be needed are, to a large extent, obvious; though the initial meetings of the team are likely to identify others which, without a team meeting, would not have been recognised until it was too late. That is almost always the case with think-sessions of this kind. You don't know what you're going to discover till you do them.

4.4.2 This is not the place for a laundry list, but here are some of the obvious topics on which our thinking to date may have

(4. PROPOSED ACTION - contd.)

(4.4.2 been analytical but not creative - or possibly altogether
contd.) superficial:

- (i) The Green Paper on trade union immunities, and the broader outline of the long-term trade union reform programme.
- (ii) Public expenditure for the long haul. Long-term thinking on de-indexing, valorising, public sector pay and comparability, changing the Whitehall culture.
- (iii) Government posture on nationalised industries; use them as our economic agents (on a commercial basis)? Or as arm's length commercial enterprises (which they cannot really be)? Preparatory thinking for major strikes. (Thus avoiding the situation we have had with the electricity industry, which spent £161m stocking up with coal and oil against a coal strike, leading to a major cash limit over-run, even while colleagues were taking the view that we could not afford trouble with the miners - a perfect example of the left hand not knowing what the right hand was doing.)
- (iv) Corporate liquidity. As you know, we have been very worried since before the election about the danger of a high pound, high interest rates and an unreformed union movement combining to wipe out large sections of British industry. (We have reviewed this subject about once a quarter with Douglas Hague, Christopher Foster, Terry Price, and we are now considering putting a paper together on it. I wonder if the Treasury understand what is happening in the real world?)
- (v) Communications. This includes changing the marginal voter's perception of the Tory Party, making sure it is seen as the Party of the future; sustained economic education (we have already had some talks with Tony Jay on using PPBs, coupled with events, for this purpose and Peter Thorneycroft is in general agreement. But to do it well will take time and money!)

5. CONCLUSION

5.1 This paper can be summarised in seven propositions:

- (1) We have clear objectives and we have probably got off to a better start than most Governments (certainly than most recent Governments).
- (2) We have nevertheless made many mistakes; too many for long-term success; if we can't operate, and use our time, more effectively, we will fail.
- (3) The Civil Service won't solve that problem for us. We have to provide the lead, for them.
- (4) You can't do it all yourself. The colleagues must work as a team to make it happen.
- (5) This will need careful preparation and sustained effort.
- (6) Some colleagues may never "join the team". We have to try to bring them in. If they won't, they have to go.
- (7) If the colleagues refuse to change their ways and work more effectively, we cannot expect the country to do so.

5.2 When you have had time to read and think about this paper, I would like to suggest that you, David and I discuss it together, but only when you have enough time to do so at some length.