

25 July 1980

MR WHITMORE

CENSURE DEBATE

Paul Little.
H.C. ...
in the discharge of
to reduce unemployment
without credit
should continue
John Hooley

I said I would let you have any thoughts on this. The following points emerged from discussions with Norman Strauss: *John Hooley*

1. Source material. Yesterday's article by Sam Brittan. Letter by John Vaizey. Enclosed material from 1975 passed to me by Gordon Reece.
2. Counter-attack. Vaizey and the 1975 material will be relevant. She could say more about the job vacancies in the South-East.
3. The trade unions. Are they ever going to play a constructive role? Hark back to Isle of Grain. I believe that there are now attempts by unions to block steel imports. There are about 20 steel-users' jobs, I understand, dependent on every steel-maker's job. So they're all going to be made less competitive. The problem is pay. A major trade union figure (don't mention Murray) argued on Tuesday that pay levels were not the problem; that if they were, West Germany would be flat on its back! Do the Opposition support that view? Do they seriously think, and are they actually trying to persuade union members to believe, that the West Germans are twice as productive because they are twice as well-paid, rather than the other way round? What does the Labour Movement really want? Victory over the free enterprise system - in other words the private sector? Or its recovery and success? They've spent 20 years attacking it, now they're complaining because it's not in very good shape.
4. Tomorrow has arrived at last. We have been warning the people of Britain for years that time was running out. The late Sir John Methven, "drinking in the Last Chance saloon". The crunch was bound to come, and sooner or later a Government - and it was certainly going to be this one if it had the opportunity - was going to face the crunch rather than leave it any later. After years of Labour politicians and union leaders saying that they'd heard it all before, and that it wouldn't work trying to frighten their members etc, tomorrow has now arrived. No-one, absolutely no-one, can now get up and say that they hadn't been warned. It is here. And it is going to get worse.

Frisk
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5. It is the long-term secular trend in unemployment, not the temporary transition, which should concern us. It might be possible for the Prime Minister to take the wind out of the Opposition's sails by taking a more profound line (though the bear garden conditions of a Censure Debate may make this impossible, and we may need to develop the line at the Party Conference instead). There is much evidence that unemployment will stay higher than before for many years, perhaps even permanently. This is an opportunity for the Prime Minister to show that the Iron Lady has listened to other messages and thought about them. People do want to work. Scroungers are a minority. People want real work not state-subsidised therapy. Work which demonstrates to them that their efforts are needed, that they are necessary, that there is a place for them. Everyone knows that the workers in a factory have high morale when they see the goods and services going out into the world because people want them, low morale if orders fall off and the stocks build up. She can show that she knows unemployment really is demoralising. Yes, it does make people mentally and physically ill. No Government deliberately creates unemployment. If there are sensible suggestions for reducing unemployment without creating further inflation and yet more unemployment, let's have them.

She could go on to talk about the effort to unlock the supply side, to make the whole economy more adaptive since that is what is necessary to take up long-term unemployment (the Sam Brittan article is the source on the long-term trend). Look at all the efforts going on to ease planning regulations, encourage new and small businesses, set up enterprise zones etc. The whole economy has been paralysed since 1964 by socialist regulation.

Are Labour and the trade unions going to play any part in making the economy more adaptive? Or are they simply going to play their normal role of whining, moaning, protesting, resisting and criticising every single initiative or suggestion made?

Forecasts for the long-term are often wrong and perhaps these secular trend forecasts are wrong too. But the problem is too big for us to take any chances and the Government will be looking at that problem. But it will not be indulging in the crocodile tears of those who have done so much damage in the past to employment

prospects. It will not be spending money on futile schemes which raise hopes and delay the cure to inflation.

Labour's whole approach on the transitional problem is the same as we saw from 1964-1970 and from 1974-1979. When facing the problems themselves, they are, in Churchill's words, "resolved to be irresolute", always buying a short-term pain-killer and postponing the real problem for someone else to deal with. Meanwhile, crocodile tears and hearts ~~on~~ the sleeve. All the evidence of public opinion is that people know that we have now reached the end of that phase of post-War politics. They're no longer satisfied with popular policies; what they want is popular results. *That means difficult policies not easy ones.*

6. We could be more futuristic. We have no doubt that much more thinking will be needed about the nature of work, the divisions between work and leisure, the gradual saturation of some of the major markets (as with cars and consumer durables, there is already some evidence, even allowing for the recession effect). Work is not necessarily a good in itself. All economic process is designed to produce some mixture of more goods and services/less work for a given amount of goods and services. So, unless economic and technological progress effectively stop, that will eventually be a real problem. There will be less work to do. We are fairly sure that this will become a real problem, not simply a trendy eco-freak fashion. But it would probably be very difficult to say anything on this subject in the conditions of a Censure Debate unless it was histrionically possible to totally stop the whole rumpus in its tracks and alter the level of debate in a split second. Since the audience are participants as well as listeners, it seems fairly improbable.

Norman has done some thinking on all these issues with me, and is available to work at Chequers if required. I would prefer not to be involved myself, since with Andrew now away and three days lost last week, there is a lot of catching up to do over the weekend. *α*

I abroad for next week.