

Memorandum: From Nigel Lawson
To Sir Michael Fraser

Enc 1

Confidential

Thoughts on the coming battle

A. Preamble.

1. The points listed below are in no way intended to be comprehensive, nor are they in any particular order of importance. For the sake of convenience, they are divided into three groups; but within each group are points of widely differing status. Many of them will be obvious, none is discussed here in any depth, & some have particular, limited, sections of the electorate in mind. The overall purpose of this memorandum is simply to itemise, as a basis for discussion and possible future development, a number of points I believe to have electoral significance and potential in terms of the coming battle.

2. I should be grateful if this memorandum is not shown to anyone else, at this stage, without my prior knowledge.

B. The Labour Opposition.

1. The Socialists have avowedly adopted the most extreme Left programme and posture in their Party's history. This central fact, and its detailed implications, should be the ever-present theme of our propaganda war. It is all very well for Harold Wilson to whisper into journalists' ears that the new Labour orientation is simply a device for keeping his troops happy, and that, back in office, the Party would be as cosy and respectable as ever. The fact is that (a) this is not an argument he dare deploy in public, (b) there is no reason, given the genuine shift in the balance of power within the Labour Party, to believe it, & (c) we are entitled to take the Socialists at their face value - just as, in America, Democrats were entitled to take Goldwater in 1964 and Republicans McGovern in 1972. However, it is essential that this theme should be consistent and sustained: last-minute "scares" of a precise & detailed nature may have some value, but this crucial general thesis requires - demands - unremitting emphasis over a long period. Only if this is done will the group be sufficiently fertile, by the time the election comes, to make a last-minute "scare" (should one be needed) credible. Meanwhile, the implication of the above is that every detailed propaganda point made between now and the election should, wherever possible, be presented within the framework of the general theme.

2. It may be worth noting, in the context of the above, that the most remarkable - and the only unprecedented - by-election result of this Parliament was Taverner's landslide victory at Lincoln. And the main thrust of Taverner's campaign was that the Labour Party - nationally, not just

locally - had been taken over, both in the trade union and the parliamentary wings, by the extreme (& often marxist) left.

3. Nationalisation. It is fashionable to argue that Labour's commitment to a massive dose of this particular medicine has lost its electoral terrors; and a number of Tories, even, seem to accept the Bennite thesis that more people are afraid of being taken over and made redundant by Slater Walker than of being taken over by the State - and that nationalisation is at least British, unlike these predatory multinational corporations. I believe this is mistaken. First, nationalisation cannot be seen in isolation: the commitment to massive state take-overs is both evidence of Labour's extremism and becomes more sinister when advocated by an extremist party. Second, (and quite apart from the fact that, however frightened of Slater Walker some executives may be, ordinary workers in nationalised industries are well aware that state ownership is no guarantee against redundancy) the important electorate in this context is the public, not as producers, but as consumers; and as consumers they know that nationalisation means inefficiency, unresponsiveness & remoteness. You may recall Wilson's apt comment, reported to have been made at a private Labour Party meeting: "it will be difficult to persuade the public ~~that~~ to support nationalising Marks & Spencer in order to make it as efficient as the Co-op". Third, there are the important taxation implications of nationalisation. Here I suspect we may, so far, have missed a trick. The cost of taking over private industries & firms, and the inflationary & taxation implications of this, have been mentioned. What does not seem to have been stressed is that the taxpayer would have to foot the bill for the running losses that are the almost inevitable concomitant of state ownership - plus, of course, making up in income tax for what the potential victims at present contribute to the exchequer by way of corporation tax. In short, for all three reasons, nationalisation is still a strong runner.

4. Linguistics. The semantic battle is an important aspect of the overall battle. We need what newspapers call a "house style", circulated to all concerned, to ensure that Socialist policies are always referred to by words with ~~an~~ unfavourable emotive overtones, and our policies by words with favourable emotive overtones. The Socialists will be doing the same in reverse; and the crux of the semantic battle is to persuade the media to use our terminology more frequently than they use Labour's. This may seem obvious, but it is not happening at present. Take the example of nationalisation. It is Labour's practice ~~to~~, wherever possible, to refer to this as "public ownership". Not only is this emotively favourable phrase being increasingly adopted by the media (particularly TV), but we even seen inadvertently to be selling the pass ourselves. The Weekend

Talking Point for 6.10.73 states, *inter alia*, that "Mr Wilson is now personally and ~~politically~~ publicly committed to a massive programme of public ownership..." (My italics.)

5. Taxation. Healey's explicit commitment to ^{substantially} higher taxation, underlined by the manner in which he made it, was, of course, the biggest single blunder of the Labour Party conference, and one we must exploit unmercifully. The public dislike of high taxation, which came out ~~xxx~~ so strong in the pre-1970 polls, has in no way diminished. The stupidest blunder of all was the pledge to increase the tax on "luxuries". Except for the very poor, necessities are taken for granted: it is luxuries that ordinary people want, aspire to and - in ever-increasing numbers - save up for and buy. Yet Labour is now promising to take them out of the reach - not of the rich, who would still be able to ~~afford~~ afford them - but of ordinary people. If I had to coin a no-holds-barred election slogan, it could well be "More colour television; less coloured immigration". Immigration is dealt with, in non-slogan terms, elsewhere in this memorandum; for the meantime it suffices to note that Labour has come out as the party of high taxation and austerity. This was unpopular enough in Cripps's day; now, in the colour television age, we should be able to ensure that it is an absolutely fatal handicap.

6. We were, rightly, quick to attack Hattersley's promise to outlaw independent education, and - certainly so long as he remains Labour's spokesman on this subject - we should not allow them to get away with the subsequent half-hearted climb-down. But it is important ~~not~~ to present this attack in a way that will maximise its impact on the 93% of parents whose children are at state schools. In other words, in addition to castigating the proposal itself, we must look behind it, to its motive; pointing out that so long as fee-paying schools exist, some parents, by saving, can opt out of the state system if they dislike their local state school while others at least have a standard of comparison independent of the state; but that, once this freedom to opt out has gone and everyone is trapped in the state system, a Labour Government would be able to ~~could~~ use that system to provide, not better education, but the "social engineering" which its so-called educational policies are really all about. The point of this sort of argument is, of course, to appeal to ordinary parents who genuinely care - and are often worried by current trends - about the quality of education their children are getting, or will get at state schools.

7. We seem, however, to have ignored a speech in many ways analogous to Hattersley's, namely that of Freeson (Labour's front bench housing spokesman) on 25.9.73 in which he publicly endorsed the proposal of a Labour pressure group, the "Campaign for Nationalising Land", headed by Mador,

to take over all land (ie including that at present held by owner-occupiers). Of course, even the "official" Labour policy (and it is worth noting that until the Labour Manifesto is published, we have no precise method of knowing what Labour policies will be; we can only listen to what is said & fear the worst) of nationalising all future building land would effectively prevent any ~~sizeable~~ further expansion of freehold home ownership; but the Kaldor plan, supported by Labour's official housing spokesman, would eliminate all existing freehold home ownership. (Freeson's speech, incidentally, was not distributed by Transport House, but a useful report appeared on the back page of the following day's Guardian, under the heading "Freeson: I back land takeover".) Home ownership (as the success of the sale of council houses campaign most recently underlined) is one of our most potent political cries: for the moment, with mortgages at their present level, we have been pushed rather on the defensive; but I believe that, by insisting always on the phrase "freehold home ownership", we can and should use this as a stick to beat Labour with, and go onto the attack. There is, however, room for argument over the question of timing.

8. Nevertheless, normally, subtleties of timing should be overridden by the advantage to be gained by the quick reaction to any new Labour hostage to fortune. This does not always seem to occur (maybe the reaction is the right one but the outlet is not: I don't know which it is, but the outcome is the same). A recent example of this was the decision of the Labour Party Conference, supported by the platform, to pass a resolution calling on the next Labour Government to remove, retrospectively, all penalties, financial and otherwise, imposed on those Clay Cross councillors "who have courageously refused to implement the Housing Finance Act". This unequivocal incitement by the Labour Party in Conference (and, in particular, by the Party Deputy Leader, Edward Short, who personally commended the resolution on behalf of the platform) to flout the rule of law and play ducks and drakes with the supremacy of Parliament, outraged those Labour moderates present. Yet we can hardly be said to have exploited this, despite its value not merely as a major politico-constitutional issue in itself, but also as further telling evidence of Labour's lurch toward extremism.

9. At the extreme end of extremism, there is, of course, the delicate matter of the links between certain sections of the Labour movement (notably, of course, certain trade unionists) and the Communist Party. With Labour in its present extreme left posture, I believe that the problem with this card is not whether to play it, but how. At 10.30 pm on 6th November, ITV are planning to put out a carefully-researched programme - entitled "The Red under your Bed" - on just this subject, which promises to be quite interesting and telling. If arrangements to do so have not

yet been put in hand, I would suggest that it would be worthwhile to tap the programme and, if it comes up to the expectations I have been led to entertain, to arrange (perhaps via a third party) for extracts from the transcript to be circulated wherever useful. Among those featured on the programme (which will be 'fronted' by Woodrow Wyatt) is Benn's Upper Cly friend, Jimmy Reid. Among other forthcoming attractions is an important full-scale study - the first of its kind - now being undertaken by the Institute for the Study of Conflict, under the general title of "Sources of Conflict in British Industry", which will attempt to evaluate and describe the nature and extent of politically-motivated conflict in British industry ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ (or subversion) in the context of all other sources and varieties of ~~xxxxxxxx~~ industrial conflict. This - serious & respectable - study is still in its early stages: I don't know whether it will be published before the General Election. It would be convenient if it could be.

10. Finally, in this section, you may recall that, several months ago, I referred to Callaghan's unscripted remarks on nationalisation at the Adam Smith festivities at Kirkcaldy. It would, I believe, be well worth getting hold of what he said, since this occurred during the brief period when the poor man imagined that he was about to leave politics to become Director-General of the ICF, and he therefore spoke with unusual frankness.

C. The Liberal Party.

1. I must confess I am not in favour of a frontal attack on the Liberals at the present time. For a Government to be attacking all and sundry is somehow undignified and unattractive. Far better that we should concentrate our attacks on the unacceptable face of Socialism, and leave attacks on the Liberals to the Labour Party.

2. Moreover, the standard line that voting Liberal only ~~lets~~ lets Labour in by the back door, has - for the time being - lost much of its credibility, since recent by-elections have demonstrated that voting Liberal lets Liberals in. More important still, we cannot take it for granted that our erstwhile supporters, who have defected to the Liberals, are all that worried (at the present time) at the prospect of letting Labour in, anyway. Thus our first task - the immediate one - must be to develop (along the lines suggested in Section B above) an abiding fear of the prospect of an extreme left-wing Labour Government. Then, when this has been achieved, will be the time to warn people of the risks inherent in voting Liberal (ie letting Labour in).

3. In addition to all the usual reasons for avoiding a frontal attack on the Liberals (the risk of alienating a large number of Liberal sympathis-

ers whose votes we will need when the time comes; of making them seem more important than they are; of devaluing ~~the~~ our attacks on Labour; et - not to mention the fact that, in many areas, the Liberals are making gains at the expense of Labour) there is a more fundamental point to be made. The essential appeal of the Liberals is roughly as follows: "You've experienced ~~the~~ Conservative & Labour Governments, and, when it comes down to it, there's nothing to choose between them; we're new & fresh & different - give us a try". The way to counter this is, I believe, not to attack the Liberals (which might make it appear that they really are different) but to mount an all-out attack on Labour, with a view to undermining the fundamental Liberal premise that there's nothing to choose between a Conservative Government and a Labour one.

4. However, there are just two ways in which I believe it is worth dealing directly with the Liberals at the present time. The first is to give maximum publicity to any wild Liberal statements of the Hain/lorry type. The second is to attack them, at the strictly local level, for their failures at that level. They have not won the large number of Council seats they have without making all sorts of promises (from mending cracks in the pavement to turning Blanktown into a new Jerusalem). Just as they are benefiting nationally from a general feeling that the big parties promise more than they can perform, so they are themselves becoming vulnerable to attack at the local level for failure to carry out the promises they have made.

5. But, in general, the need now is to make people genuinely fearful of what a Labour victory at the next election would mean. Then, nearer the time, we should point out that the only way to prevent this is to vote Conservative; that the Liberals, who manifestly lack the experience to conduct the nation's affairs at this critical time, might nonetheless inadvertently let Labour in. But not, I think, now.

6. Two final points in this section. First, we should be ready to give a warm welcome to any reasonably prominent Liberal defector to our ranks. Second, we have much to learn from the Liberals, not about "community politics" whatever that may mean, but about the simple fact of contact with individual electors between elections - and, in particular, about the technique, currently being employed at Hove, of circulating the electors to invite them to state their views on specific parochial issues (~~The~~ It follows from the above that the undoubted fact that the Liberal programme, like Labour's, would involve a substantial rise in taxation, should of course be disseminated for use at closed meetings of the Tory faithful & on similar suitable occasions, but is not in itself a reason

for departing from the overall strategy vis-a-vis the Liberals suggested in this section.)

D. The Conservative Government.

1. This final section of the memorandum is, deliberately, the sketchiest. As already mentioned, Governments are judged primarily by results. Moreover, policy suggestions (eg ways of reforming the finance of house purchase, so as to get us off the mortgage rate hook & increase freehold home ownership) are obviously outside the scope of this paper; as also is any forecast of the economic cycle over the next 18 months & its bearing on the optimum election date. Nonetheless, a few brief and disparate points are listed below.

2. Next year - 1974 - is the centenary of the birth of Sir Winston Churchill. Despite the fact that Queen Victoria is no longer on the throne I feel that we should exploit this centenary to the full.

3. There are, despite the environmentalists, more votes to be won from appearing pro-motorist than from appearing anti-motorist. This doesn't mean, of course, that we have to go the whole road-hog.

4. If nothing is to be done on the vexed question of social security for strikers and all that, then at least we should point out the effect on strikers of moving over ~~tax~~ to the tax credit scheme. In general, "abuse of the welfare state" arouses considerable feeling among working class voters, & is by no means simply a middle class moan.

5. Apart from the tax credit scheme, the Manifesto promises to be a trifle thin on specific pledges, I suspect. One item worth considering in this context might be the abolition, even if only in gradual stages, of the earnings rule for pensioners. We clearly cannot compete - nor should we in the straightforward pensions auction in which the Socialists and Liberals are already engaged: this would be a useful and "responsible" substitute.

6. Another highly desirable Manifesto item would be anything that may be brewing on the employee participation front. The more we can sensibly do in this direction, and the sooner, the better; and we should exploit it to the full. See also the discussion of them, below.

7. Given the current politico-economic situation, I suspect that our most promising "target area" for new votes (& probably more important than striving to regain those recently lost) is the better paid manual worker, male, enjoying the fruits of economic growth, & particularly likely to be alienated by Labour's higher tax plans.

8. Immigration. This is a major issue, whether we like it or not, and will continue to be one. No doubt Labour is not picking up very many votes as a result of discontent over the continuing (& potential) influx of coloured immigrants, but the Liberals (whose policy on this, as on most issues, is known to very few voters) certainly are. One possible solution would be for us to attack the Liberals' "soft" line on immigration; but I feel it would be better to turn our attention to our own policy and legislation in this field. Our policy, as set out in the 1970 Manifesto, and intended to be implemented by the subsequent Immigration Act, is absolutely right. The problem is that most people do not believe that the influx is in fact falling as that policy and that Act intended. And one reason they believe this is that the influx isn't falling as intended. The appropriate analogy is with tax avoidance. The Inland Revenue introduces a clause in the Finance Bill one year, to stop the commonest form of tax avoidance; but as soon as that door is shut another opening is found, and the Revenue is obliged to block that in the next Finance Act, & so on. In other words, merely to make our existing immigration policy effective, we need to be prepared, like the Revenue, to contemplate continual amendment. This is a matter in which I happen to have done a certain amount of research: I would, therefore, like to do a separate memorandum on this subject, setting out, on the basis of figures already supplied to me by the Home Office, precisely what is happening at the present time - which is not, strictly speaking, what Government spokesmen in good faith proclaim - and, to the extent that I am able, why. At the very least, I feel it would be prudent for us to be fully aware of the facts, so that we are ready with an immediate answer should they at any time be used against us. It may seem absurd to suggest that we are not, already, fully aware of all the facts and figures. But in view of the strength of official statements on this topic, I cannot believe that there is yet a full political awareness.

9. Education. I sense increasing concern over the content of education among parents whose means oblige them to patronise the state sector, and the Thatcher line of "parental choice" within this sector is, I believe, a potential vote-winner. The problem is that many LEAs insist on a catchment area policy that eliminates all practical possibility of the exercise of parental choice. At the very least, therefore, we should publicly castigate those LEAs who adopt this policy in just the same way as we have publicly castigated those local authorities who have refused to allow council tenants to buy their own homes. If we could actually do something to make LEAs introduce parental choice, so much the better.

10. Public spending. The Treasury (in my view quite rightly) believes that there is a need for further stringency in public expenditure in the coming year or two (the alternative - higher taxes and a minuscule rise in consumer spending - is in any case electorally undesirable). It is obviously desirable, therefore, that we should be prepared for this by working out as precisely and specifically as possible which major items of public expenditure are least, and which most, politically sensitive - not in terms of pressure group outcries, but in terms of genuine public opinion & especially the opinion of floating & target voters. The hope, of course is that spending Ministers would agree to be influenced by this information when responding to any Treasury call for economy.

11. In the above context, there is one spending cut that would, I suspect be positively popular. This is in education; where, while retaining the school-leaving age at 16, headmasters & headmistresses should be empowered to release pupils at 15 if, in their written opinion, that pupil would benefit more from settling down in a job than from a further year at school. (This sort of thing was, I believe, suggested in a minority report of the original Crowther Commission.) This, in addition to saving public money, would directly add to the workforce and hence to growth etc.

12. The Government's prices & incomes policy makes attacks on the trade unions, & on trade union leaders, somewhat indelicate. Nevertheless, should particular trade unions decide to be bloody-minded over Stage 3, I believe we should not be inhibited from attacking them hard (although the PM should not be involved in this). Big unions, & big union tycoons, are basically unpopular, & - especially given the link with Labour - this should be exploited.

13. In the presentation of Government policy, there is a tendency to produce each new measure as the best solution to the problem at issue. It may be worth considering whether, occasionally, it may not be politically better to admit that a particular solution is not the best, but only the second best; but that - say - the reality of trade union power prevents the objectively "best" solution from being adopted in a free society. This is a purely presentational matter; the object would be to appear honest & truthful - & indeed to be such. It is far more important for a Government to appear competent than omnipotent - which it manifestly isn't. I raise this point purely in the form of a question.

14. From a long-term point of view, which may or may not have relevance within the time-scale of this memorandum, it is a cause for concern that we have lost the intellectual initiative, eg in the universities, to the extent that we have. I believe the root of the problem is the fashionable

obsession, in intellectual circles to-day, with egalitarianism - a subject which the incomes policy problem has given a special topical relevance. It was excellent to hear Margaret Thatcher, at the Party Conference, declare that our aim was not equality but equality of opportunity. But the fact remains that, in intellectual circles, the idea that "equality" (usually undefined, but considered chiefly in terms of income & wealth) is "right", and any significant departure from it a prima facie injustice has gained considerable ground; and - for the long term - it is no good to us simply ignoring this as "unrealistic". Sooner or later, an intellectual defence of inequality will have to be mounted.

15. Finally, there is the need for an overall theme. There need not, of course, be only one theme; but a need to think in thematic terms is obvious, & will become more so as the election approaches. The - important - negative theme has been outlined in section 3 of this memorandum. But what of the positive side? The theme at the moment appears to be "growth" but this is really better as a policy than as a political theme. In the first place, there is the semantic point: I do not believe that the word "growth" - whether or not prefaced by "faster" or "economic" or both, - is as politically potent & favourable as we might wish: thought needs to be given about alternative terminology - "higher living standards", and that sort of thing. (The point here is that some more personal, human & homely phrase is required: of the success of "Life's better with the Conservatives".) Second, growth, or higher living standards, is - at least ostensibly - an objective & "theme" of Labour, too: the great difference is between success & failure. And success, although vital, & the most potent political factor of all, is not quite what is meant here by a political theme (and in any case it tends to speak for itself.)

One theme, obviously is patriotism; it can never be the only theme but equally it should never be discarded; & as the PM indicated in his Party Conference speech, it probably needs to be used to turn the Common Market trick. Another possible theme is obviously conservation; this needs to be used carefully, but there is no doubt that the idea of conservation has become very fashionable, that people are increasingly looking to Government to prevent undesirable change as much as to promote desirable change, & that the name of the Party ("Conservatives conserve") can be made a positive asset. However, at the present time I am particularly attracted to the theme of self-respect. I suspect that in the modern, technological world of large & remote organisations, there is an increasing need & yearning for policies that enable the individual to retain a genuine sense of self-respect. The point, too, is that a number of existing policies can be grouped together under this general

banner - notably (a) freehold home ownership, (b) parental choice in education, & (c) any move towards employee participation in industry. There may well, of course, be other & better themes; but at present those certainly seem to be lacking, & the need for them is widely felt.

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