

assert itself and show some guts, viz. after last weekend's conference the PLP should have sent a letter to the NEC saying that it found the manifesto unacceptable, instead of pussyfooting around, which JC was eventually persuaded to do by Foot and others. The PLP has to stand up and accept a tough leadership which forces the unions to choose. SW believes that, faced with a choice, the unions must choose the anti-Benn group. But then comes stage 2. Healey must divest himself of union influence. Must detach himself from the politically damaging stigma attached thereto. This would be easier after stage 1: because on the whole unions respect strength and success, and besides not all of them actually want to run the government. But it is a twofold operation, which he has very little time to do. She believes that keeping the unions at arm's length is vital, not just politically but constitutionally. When she was at Education, they wanted to interfere in certain Education programmes, and were much displeased when she wouldn't let them. However, they respect a show of strength. She says she wouldn't go along with any closer relationship than existed last time around.

The Owen-Rodgers-Williams group would like Hattersley to join them, but would exclude Healey. They see themselves as having sunk personal ambition: to be lining up behind a set of policies, rather than jockeying for the leadership, which in any case none of them could get this time. This has happened at just the time the left are beginning to be riven by just these kinds of personal ambition. Silkin vying with Benn. Heffer¹ getting into the picture. And so on. They see Healey as the clear right-wing candidate, without in an energetic way backing him (since they think he is unreliable on Europe). They think that if they stuck together – and go – then Mason would certainly be with them, and possibly Varley.

Further on Benn etc.: the appalling insularity of his position. Their loathing for EEC makes them forget that there is another world. Total preoccupation with Britain's domestic problems, as if these could be disconnected. Nothing about Brandt² (pathetic brevity of Third World references in the manifesto).

HY's interest in Margaret Thatcher, now in her second year as prime minister, would expand, resulting eventually in a book. One of his widely judged one of the best assessments of her life and political beliefs. Here he describes a Sunday Times lunch with her.

MARGARET THATCHER

Lunch, the *Sunday Times*, 9 July 1980

Far less shrill than ever in living memory: cool, quieter, rather more galleon-like in appearance; very confident; very ready with facts and figures – but not to make special pleadings. On the contrary, she talks more like a woman who observes the economy from afar: who is therefore not remotely embarrassed by the short-term failures of the things to come right: who speaks of economic forces as if the government really had little influence upon their movement, and to the extent that it *did* have influence could only set the context within which the economic operators could move. Time after time she came back to the two great problems of the British economy: the monopoly nationalized industries and the monopoly unions. Also, she revealed the very fundamental attitude about Soviet expansion which she refuses to see in sophisticated terms but sees in very clear simple terms. She seems like a lady who considers herself to be doing a service to her country by letting it begin to exist within 'sensible' and 'realistic' economic disciplines: who sees her job as to lead public opinion in that direction, to achieve consent, to prepare the ground – but who is not ultimately responsible for the failure of particular firms to survive, or even of particular nationalized industries to settle at reasonable pay rates. She has no difficulty in keeping on with the policy: it's in her bones, and in her mind is her conviction that to take any steps back would be absolutely fatal for the country. She really does see herself finally tackling the legacy of numerous self-deceptions perpetrated on the economy by Labour governments. I found her impressive: in her lack of anxiety, above all, but also in her confidence. It was more a case of her sharing certain facts with us than trying to indicate, Wilson-like, that we poor fellows knew nothing and then blinding us with her own cleverness.

FOREIGN Giscard is Olympian not patrician. You just have to work out the way to deal with each one of them. The most important fact is that there is a Schmidt-Giscard axis. This cannot become a three-sided axis, as I asked her, because it is Schmidt-Giscard not French-German. This is very worrying when one of the two is dubious about the whole alliance.

In the BEC, fishing is the next big thing. Remember, it was what almost kept us out in the first place.¹ Very difficult negotiation. Fishermen are not going to like it.

Scornful of HE's references to recycling of oil money etc.¹ Also, by implication, of Brandt. Says recycling has become a cliché. What is required for the poorest countries is straight aid. They cannot conceivably afford to borrow any money, even at soft rates from international institutions. All they need is aid. We give more aid per GNP than most countries, including Germany. We give more and more of it in multilateral aid, however. The Third World which comes to us for more often does not realize this. At Ottawa² we have agreed to look at the whole *structure* of aid, with this in mind. Says she is seeing Anderson³ because it's a free world, and after all she was seen by many people when she was running for PM. Thinks US president is *not* an impossible job: thinks a lot of his problem is his isolation. Not being knocked about twice a week; not going to constituency, living in an isolated city and in an isolated enclave within that city.

Oil is the key to everything. Puts the inflation down mainly to oil rises.⁴ Says the OPEC bust-up could be helpful because it is less of a cartel. Says the real sources of recycling of aid should be the oil countries. Iran is key to much of this, in turn. Japan and Germany, taking Britain's lead, have not taken Iran oil after it went up to 35 dollars.

HOME The sectors which are doing well, especially on exports, are those where union power is smallest. And vice versa. She sees a union stranglehold in various ways – notably in restrictive practices in the Civil Service. For example, why shouldn't a minister be able to say that ten of his undersecretaries are better than the other twenty: Second, pay them accordingly? Why shouldn't the Civil Service be able to pay computer people, who it is short of, more than others without there being a ripple effect throughout the grade? These are difficult problems. Wants them talked about, as a start. But a long-term challenge.

As well as the constant emphasis on the role of union power on the restrictive-practice front as well as the law front, there was a strange caution about what should be done next. At one point, in respect to me saying that perhaps the government should have done more while it could, she replied, 'I think we could have done pretty well anything this year.' She was wistful about this. Said it was a conscious softly-softly catchee-monkey policy, repeated her doubts about it, said they would do more, but also said that it would not be next year.

1 Harold Evans, the then editor of the *Sunday Times*, writes, 'It probably is me. I wrote about that waste debt and ways to deal with it.'

2 Mrs Thatcher is looking ahead to the G7 summit in Ottawa July 20-21, 1981.

3 This is John B. Anderson, a former United States Republican Congressman who stood as an independent candidate in the 1980 presidential election.

4 In July 1980 the annual rate of inflation – based on changes in the retail price index – was 13.2 per cent.

Always looking for ways in which to make the market work. Thus against nationalized industries because they destroy the market principle, unless imports can make a market, but said that coal and steel show how hard this is. Envis France, Germany and Luxembourg because they can simply get lorries in at numerous points around their borders. Make it far harder for really tough unions to keep rival black materials out.

Thinks that rates must be abolished. But this is yet another thing which cannot be done in this parliament. Says that one-third of ratepayers do not vote: businesses. Rates are biggest single tax on businesses. They have no vote. Also, claims that 44 per cent of council tenants either have rent subsidies or rate subsidies or are on social security which includes both. Quite amazing figure.

On redundancy, speaks of it as inevitable. But conscious of effects on people. A great proponent, it seems, of the black economy: speaks repeatedly of the cushioning effect this was having on unemployment. The only trouble with it was, it seemed, that it deterred people from moving to new jobs in different parts of the country. When challenged with the discrepancy between the Inland Revenue's attitude to scroungers etc. and to the black economy she said she had 79,000 Inland Revenue staff already and didn't want any more.

(In discussing public spending, her style was always to say, 'I've got so much here . . . I've got so much there.' Just like a housekeeper. More than 50 per cent is absolutely spoken for: OAPs and indexing of them, defence, police – absolutely untouchable.)

On Healey: totally amoral. Look at the way he has changed his mind. Clearly she finds such a man incomprehensibly bad. But she says that he would be the best leader in the House – although query the country: wouldn't they see through his lack of convictions?¹

She'd rather have Tony Benn. But not much. Very acid about the fact that his children would have far more money than her children, and therefore had no business, we inferred, to be preaching egalitarianism.

'Biffenry' is one of my problems. His speeches are marvellous. But these phrases keep coming out.²

1 Denis Healey joined the Communist Party in 1937, left in 1939, joined the Labour Party in 1945, and acquired a reputation as a left-wing ideologue. He is frequently misquoted as having said, as Shadow Chancellor, that he would 'squeeze the rich until the pips squeak'. He subsequently negotiated an IMF loan during the sterling crisis and introduced wage-control legislation, which was seen by the left as a betrayal.

2 John Biffen, then Chief Secretary to the Treasury, had a gift for memorable language not always appreciated by his Cabinet colleagues: in 1980 he warned the country to prepare for 'three years of unparalleled austerity'.

JAMES PRIOR

15 July 1980 (with John Fryer)¹

As a result of developments, the Cabinet is more united now than it was a year ago. In a curious kind of way. A lot of people are 'building themselves up' in the Cabinet. Is this storing up trouble? I asked. Prior laughed and said, That's the question. The odd thing is, he added, that 'She hasn't really got a friend left in the whole Cabinet' – and yet it is in this way united. One reason she has no friend is that she subjects everyone to the most emotionally exhausting arguments; the other is that she still interrupts everyone all the time. It makes us all absolutely furious, says Jim. And there is also conviction while surrendering some of her policies. This, says, Jim is good politics: it helps her in the party, it helps her with the right-wingers there, it may also help her to avoid the blame when things go wrong (in Rhodesia or in the unions, for example).

One has to remember that the squeeze is tougher than any country in the world is facing. The measure of this is 21 per cent inflation as against 11 per cent top-level money-supply increase (and it is probably smaller in fact).

He agrees with me that she does not worry very much: less anxiety than Ted or Harold or Jim. But he hadn't thought of it before.

My own strong impression is again of the sides coming together. The hawks, as Jim says, now believe in wages and their importance. But equally the doves believe in money supply: they see it as measure of squeeze; they say that there should be no relenting at the moment because of the impact on wages – especially there should *not* be a cut in National Insurance contribution.

BERNARD DONOUGHUE

3 September 1980

LABOUR Still thinks that JC will go. But BD has urged upon him the case for not going: which is that he of all people is the best man to oppose Thatcher – the calm bedside manner beside the raucous authoritarian figure. Also the best man to handle unemployment and make it an issue which really wins for Labour. JC really cares about unemployment, not in a soft bleeding way (like Ennals, Lestor,² Orme), but is affronted by it. Unlike Healey, to whom it is just another number. The case against Jim

¹ John Fryer: labour correspondent of the *Sunday Times* 1971–82.

² Joan Lestor: Labour MP for Eton and Slough 1966–83, for Eccles 1987–97; later Baroness Lestor of Eccles.

staying is that he would be too weak with the party. Does not see the need for NEC reform, because basically he thinks the NEC is irrelevant, as do the TUC. The TUC don't really want the NEC reformed, because as things are they reckon the Labour government and the General Council jointly run the country. That suits them nicely. Callaghan at bottom thinks that, as long as he has the six top men in the TUC on his side, Benn and everyone else don't matter. This leads him to avoid the hard line urged by the Williams–Owen–Rodgers trio – who attack BD for putting the pro-Callaghan line (although BD personally thinks that JC is too weak with the party). A great error to predict one month ahead what JC will do. He never says. See the 1978 conference and the election, which BD got totally wrong. It may well be that he has not decided himself. One day he may think it would be good to go out on a high note, the next that it's rather nice staying in when things are going well. In health he is very good – no change discerned in his appearance by BD from 1976. Audrey [Callaghan's wife] will be pushing for him to quit. Either way it should be clear that he either quits now or says he will stay past the election – but, says BD, that's not Jim's way.

COMPARISONS Jim cares more about the party, or rather the movement, than Wilson. Wilson was an academic, Callaghan a trade unionist. Their origins are very important. Wilson ultimately got fed up with the party because it became too much of a problem to control it. Callaghan never really has. Wilson was not at heart a trade-union man, Callaghan is totally a trade-union man or he is nothing. Further, Healey. At bottom Jim does care about certain things. He has a sense of direction. Denis seems to care about nothing save success. He just wants to be on the winning side at any given time.

He got beaten in Cabinet from time to time, but happily went away to do what he was told. No fundamental convictions, says HY. He was a good deputy minister, the very reason which may make him a bad PM. Conversely, JC was a bad deputy minister and yet a good leader. It is a commentary on the Labour Party that Healey has to keep quiet now, in order to keep MPs sweet – in the belief (correctly, no doubt) that even though they have seen him and what he is like for years they will somehow forget and swallow their objections to him when the election comes.

GOVERNMENT Is in terrible mess following the disclosure that money supply had not been under control all this time. That in effect it was running at 20 per cent growth last January and February and continued far higher than they thought. This evidently came like a bolt from the blue, BD has it from a high Treasury friend he saw in France. There

is a campaign among the politicians to blame the Treasury for this. But the Bank [of England], if anyone, is to blame. Either way the effect is appalling. It is as though the Tories' first year never happened. They had high interest rates in support of monetary control. They had a high exchange rate because their policies were perceived by foreigners to be too rigorous. These two rates produced the austerity and unemployment and general grimness – but, it turns out, to no end. The monetarist package was fully defensible, in BD's view, as the short sharp shock to the economy. But we've had the penalties of it without any of the underlying benefit implicit in monetary control. What will happen now? Maybe the figures in September and October will show that the August figure was an aberration. On the monetarist analysis this should not be so, for if there has been *no* monetary restraint (as we now learn) then there should be roaring inflation. Still, maybe the figures will be better for both money supply and inflation. In which case the government will be able to sell stock once again, which it has been quite unable to in the last six weeks. In fact MLR [minimum lending rate] should be much higher now – up three points, let's say. Is any of this being discussed as an option among ministers? What are the Biffens and Powells saying now? And what are the wets saying now . . .

Labour seems not to have latched on to this. They are so obsessed with unemployment. Yet, from the government's point of view, that's not a failure. They bargained for it. What they have failed quite simply to do is to carry out their policies. Yet because Labour doesn't like the policy it's perhaps inhibited from saying too much about this.

CENTRE Jenkins is a pretty well dead duck, he thinks. Just unwilling to do the necessary. Always has been. A fatal flaw of social aspiration, elitism, etc. Thought the brilliant Roy Jenkins could get anywhere on his own while still preferring Covent Garden to the National Union of Railwaymen. BD says, Where Sid Weighell¹ goes, there go I. If you can't get Sid on your side, you haven't begun. With Sid would come Grantham,² and then Duffy³ would start talking, and there would be Chapple and Lyons⁴ might even affiliate. As it is, there is no one in the Labour Party who wants to be caught having even a whispered good word to say for Jenkins. He is a 60-year-old failure who no one wants to get committed to. Whereas he could have been the best prime minister we ever had, if he had any real idea of political seriousness. The best thing – the only

¹ Sidney Weighell: general secretary, the NUR 1975–83.

² Roy Grantham: general secretary of APEX, the Association of Professional, Executive, Clerical and Computer Staffs.

³ Terence 'Terry' Duffy: president of the Amalgamated Union of Engineering Workers 1978–85.

⁴ John Lyons: general secretary of the Electrical Power Engineers Association 1973–91.

thing – for him is to become Liberal. He might win a by-election on his own. He might even get some people with him. He could do the Libs a good turn. But there is no serious chance for a man so cut off from all roots and organization. BD now thinks it virtually certain that Owen etc. would never go with Jenkins. And indeed that looks certain so long as the Labour Party issue remains even slightly fudged. The conference looks like doing better than that.

JAMES PRIOR

18 September 1980

A story only for the memoirs. I was dining with Moss Evans¹ the night before the first Budget. I had been to MT and to Geoffrey earlier saying that I was worried about VAT going up too high. Margaret said it wouldn't. Geoffrey said he would think seriously about what I said. Moss Evans said he was worried about 15 per cent VAT. I said, Don't worry, I have been assured by the PM, etc. etc. Next day we got it. You can imagine what that did to my standing with Moss Evans.

Lawson is said to be very important in the Treasury.

I'm not going to be too critical, I'm a member of government, and I want it to succeed. I got a fourpenny one² in July for saying that I didn't believe in a sound money policy (not for use).

IAN GILMOUR

5 November 1980

REAGAN³ IG ceased to have a view long ago. Says that he knows reliable judges who say that Carter had become so bad that Reagan could not be worse and might well be better. This rests on a fallacy, says Ian: things always *can* be worse, however bad they are now. However, he did think that Carter had been pretty terrible.

POLICY He denies authorship of the phrase 'economics of the mad-house', but uses it as his latest shorthand. Says, amusingly, that the weekend before last he told his wife that he didn't want to speak to anyone who rang up – and then was rather miffed when no one did ring up. The same thing happened last weekend. So at least he feels safe from

¹ Arthur Mostyn 'Moss' Evans: president of the TGWU 1978–85.

² A fourpenny one: outdated slang for a punch, blow or clip round the ear.

³ Ronald Reagan, former actor, had defeated Jimmy Carter in the US presidential election the previous day.

culpability. Thinks that the phrase and other similar ones may have come from Rippon (Geoff the Ripper) and been transposed on to the Cabinet minister.

How will the madhouse economics change? We talk about the back benches. He says she has done more to cultivate them than any recent leader. Very sensible of her, he says. She must surely know that they are shifting. The enthusiasts are becoming agnostic, and the agnostics are becoming sceptics. This is very important. Probably the back benches will be the critical element in producing change. But how, and when? IG simply thinks that there must come a point when unemployment becomes insufferable politically, although he admits he has been wrong before. 'Perhaps another couple of speeches by Geoffrey' will be what does it.

With the economy in a poor way, the Chancellor, Geoffrey Howe, put the squeeze on social services and the military. Francis Pym, the Defence Secretary, would have none of it.

FRANCIS PYM

8 November 1980

DEFENCE I have no doubt what my position is. I made it quite clear that if we went beyond a certain point, it would have to be someone else who did it. I think I know what is tolerable. I am in no doubt what I shall do if things go very badly wrong this week. (He said that tomorrow, Wednesday, would be important, but not necessarily decisive. He also said that he thought it was a good thing for people to take the alternative which our system gives them. Not enough had done it in the past, he joked, as we collected our coats.) He said that the possibility of his resignation had had the most profound impact on No. 10. It was deemed, in his words, to be likely to have the most profound consequences. He therefore thinks he has probably won. He said, by the way, that he had seen Thatcher only this morning, and was seeing a lot of her.

Says that the whole public spending exercise leaves a lot to be desired. Not enough of an overview is seen by everybody. Thinks it might even be better to be done by a smaller group (as long as he was in it). The Treasury has no idea what the implications of cuts will be. Biffen simply named a figure which bore no relation to programmes or effects. Says that officials, on the other hand, have a close connection and know what is involved. Kept going back to the point that no one had a real view. Raised the question of Joseph as a particular example of a man who knew

what he wanted and then did something quite opposite when in power. All very well, says Francis, for him to be wringing his hands, but he announced from the start one set of policies and has been doing something quite different.

Worries about Thatcher: she is mad to cut off so many possibilities. Why the hell does she keep on saying that she's not for turning, etc. etc.? Maybe she's not, but why say so? Makes it far more difficult for herself. Also thinks she does not *really* understand the problems of real people faced with the present economy: the unemployed, the factory owners etc. etc. The more we talked, the more deeply critical and anxious he sounded about her political instincts, her breadth of judgement etc. etc.