

PRIME MINISTER

Robert Rhodes James

1. As arranged, I saw him last evening, following his letter to me dated 1st June, which you had seen.
2. During our talk last evening, Robert said that despite the phrase in his letter that he was "intellectually and practically highly sceptical of the Government's economic strategy", those were doubts which he expressed privately, and which he would not dream of expressing publicly, and certainly not at any meeting or gathering where his role as our liaison officer with the Universities is concerned.
3. I reported that conversation to Michael Jopling last evening. Michael, quite rightly, wondered, knowing Robert, whether he might, nonetheless, be expressing doubts about the whole strategy during discussions after a University meeting.
4. Robert has since written again. I attach his letter dated 4th June, together with a copy of my reply.

5th June 1980

Ian Gow



HOUSE OF COMMONS
LONDON SW1A 0AA

4.. 6.. 1980.

My dear Ian,

I greatly appreciate our talk, and I hope I was able to convey to you how profound are my anxieties and how firmly based they are on current economic realities.

I think that some confusion has arisen over our respective definitions of "strategies." I absolutely accept and support the Government's basic strategy; what alarms me is the apparent absence of strategy on issues such as incomes settlements in the public sector or interest rates, which I regard as crucial to the success of the overall strategy. In this equation I regard control of the money supply as only one weapon - however important - in the armory.

I was rather dismayed to think that Margaret would suspect me of publicly expounding doubts and anxieties which I have confined to

selected and trusted colleagues. I am determined to do all I
can to make her Premiership a triumphant success, and
although I know that the candid friend is never very
popular he does have a role to fulfill. And I hope
that she does realize that I am a true friend, and
not a fair-weather one.

It's real genius is her ability to face facts, and
what I endeavored to do in my letter to was to
spell out some of those facts.

So let's keep in touch. We have much in common, and
I am full of admiration for the manner in which you are
conducting your responsibilities.

Yours ever,

Admiral

Personal

5th June, 1980

Many thanks for your letter of 4th June, which was written following our talk last evening.

Of course I was very pleased to have the assurance which you then gave, and which you have repeated in your letter.

Of course we will keep in touch.

IAN GOW

Robert Rhodes James, Esq. M.P.
House of Commons,
Westminster,
London SW1

b.c.c. The Rt. Hon.. Michael Jopling, M.P.



10 DOWNING STREET

Prime Minister

ROBERT RHODES JAMES

1. This man is becoming a pain in the neck.
2. Scarcely a day goes by without him moaning about something, and predicting disaster.
3. Herewith his latest effort dated 1st June, and copy of my reply.

3rd June, 1980

Ian Gow.

Robert Rhodes James, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

June 1st, 1980

My dear Ian,

Could I draw to your attention certain very sage comments by Douglas Hurd on the lessons of the 1970-74 Government, which have a considerable relevance to our current difficulties?

"Britain cannot be governed dogmatically or by the exercise of willpower. However well-founded the dogma, however strong the will, Britain can only be governed with the consent of people of widely differing opinions. A Government which in its main decisions ignores the opinions of those who disagree with it is going to come to grief!"

"It is easy for a Minister to be swallowed up in the engrossing work of his own department. He can lose touch with colleagues, with his Party, with the political strategy of the Government. If questioned, he will deny this indignantly. "What nonsense! I see them all the time!" So he does, on formal or purely social occasions, but he has lost real contact, he is drifting out of sight!"

In my judgement both comments have a very real application to our present situation. On the first, those of us who are intellectually and practically highly sceptical of the Government's economic strategy are tired of being denigrated and ignored, and the mounting hostility of the serious industrial and economic journalists should set alarm bells ringing. I doubt if they are.

On the second, I can only say that it is not enough to regard PPSs as an extension of the Whips' Office, which appears to be Jopling's understanding of the situation. Nor is it enough for Ministers to ignore Parliament and trust to their PPSs to inform them of what the rank and file is thinking.

Unless there is some fairly substantial shift in attitudes, we are heading for shipwreck. It is bad enough to make our own mistakes; to repeat them faithfully does not exactly inspire confidence in the long term future of Conservatism. Perhaps we are "the stupid Party" after all?

Yours,

A handwritten signature in dark ink, appearing to read 'R Rhodes James'.

Ian Gow, Esq., T.D., M.P.



10 DOWNING STREET

PERSONAL

3rd June, 1980

Many thanks for your letter of 1st June.

I remember well the two passages which you quote from Douglas Hurd's book.

I am not sure what he means by "dogmatically" or by "dogma"; I do know that a steady and progressive reduction in the rate of growth of the supply of money, until we reach a stage where, as a matter of course, the rate of growth of the supply of money is broadly in balance with the rate of growth of the supply of goods and services, is an essential prerequisite for ending inflation.

The ending of inflation is not the sole economic objective of the Government but I believe that we have been right to identify inflation as the principal destroyer of wealth, of jobs, and of social cohesion. If this is dogma, then I am a dogmatist.

I reject the implication in your letter that the present administration is not governing "with the consent of people of widely differing opinions". Even the last Labour Government governed with my "consent" though you and I were both doing our utmost to bring it down. "Consent" does not imply approval.

I acknowledge readily the dangers to which Douglas was referring in your second quotation. I quite agree that Ministers ought to remind themselves of this passage.

You write that you are "intellectually and practically highly sceptical of the Government's economic strategy." I am in precisely the opposite position. I am certain that the strategy is right and that, if persevered in, ~~that~~ it will work.

I hope that you may have found John Biffen's excellent speech yesterday (Col. 1143) reassuring:-

"During the debate it has been argued frequently that monetarism - as the slogan goes - is not enough. The first person to coin that phrase was my Rt. Hon Friend the Secretary of State for Industry. Everybody realises that the Government's basic economic policies need supporting social policies. Above all, they need to be prosecuted on a scale that will enable our social fabric to adjust to all the disagreeable consequences implicit in a significant drop in the inflation. We are determined to remain on the road to monetary stability."

I did not know that Michael Jopling regarded PPSs as an extension of the Whips' office although clearly PPSs ought to keep in close touch with the Whips' office.

I do not agree that we are heading for shipwreck. That could only come about if sufficient members of the crew were to become fainthearted or were to believe that it is right to abandon a sound ship simply because the sea is rough.

Ian Gow

Robert Rhodes James, Esq., M.P.

b. c. c. Michael Jopling