

## CHAPTER VII

## No End of a Lesson

*The Heath Government 1970–1974*

## GLAD CONFIDENT MORNING

Shortly before 11 o'clock on Tuesday 23 June 1970 my new ministerial car dropped me in Downing Street, where with other colleagues I ran the gauntlet of press and television outside No. 10. The hubbub in the ante-room was of enthusiasm and laughter. There was a spring in our step as we filed into the Cabinet Room where Ted Heath, with the Cabinet Secretary Sir Burke Trend beside him, awaited us. I found my place at the Cabinet table, but my mind was at least as much on the department\* as on the large strategic issues before the Government. As I shall explain, it remained there – perhaps excessively so. But I felt an exhilaration which was prompted by more than the fact that this was my first ever Cabinet meeting: I felt, as I suspect we all did, that this was a decisive moment in the life of the country.

It was an impression which Ted himself did everything to justify. Speaking with the same intensity which had suffused his introduction to the manifesto on which we had just fought the election, he announced his intention of establishing a new style of administration and a fresh approach to the conduct of public business. The emphasis was to be upon deliberation and the avoidance of hasty or precipitate reactions. There was to be a clean break and a fresh start and new brooms galore.

The tone was just what we would all have expected from Ted.

\* For the Department of Education and Science, see the previous chapter.

He had a great belief in the capacity of open-minded politicians to resolve fundamental problems if the processes and structures of government were right and advice of the right technical quality was available and properly used. This was the approach which would lie behind the decision that autumn to set up the Central Policy Review Staff under Victor Rothschild, to reconstruct the machinery of government on more 'rational' lines (including the setting up of the mammoth Department of the Environment) and the establishment of the PAR system. More generally, it inspired what turned out to be an excessive confidence in the Government's ability to shape and control events.

Inevitably, this account contains a large measure of hindsight. I was not a member of the key Economic Policy Committee (EPC) of the Cabinet, though I would sometimes attend if teachers' pay or spending on schools was an issue. More frequently, I attended Terence Higgins's sub-committee on pay when the full rigours of a detailed statutory prices and incomes policy – the policy our manifesto pledged us to avoid – were applied, and made some contributions there. And, naturally, I was not a member of Ted's inner circle where most of the big decisions originated. The role of the Cabinet itself was generally of reduced importance after the first year of the Heath Government until its very end. The full account of these years will, therefore, have to await Ted Heath's own memoirs.

This, however, is said in explanation not exculpation. As a member of the Cabinet I must take my full share of responsibility for what was done under the Government's authority. Reviewing the events of this period with the benefit of two decades' hindsight (including more than one of these as Prime Minister), I can see more clearly how Ted Heath, an honest man whose strength of character made him always formidable, whether right or wrong, took the course he did. And as time went on, he *was* wrong, not just once but repeatedly. His errors – our errors, for we went along with them – did huge harm to the Conservative Party and to the country. But it is easy to comprehend the pressures upon him.

It is also important to remember that the policies Ted pursued between the spring of 1972 and February 1974 were urged on him

by most influential commentators and for much of the time enjoyed a wide measure of public support. The Nixon administration in the United States adopted a broadly similar approach, as did other European countries. There were brave and far-sighted critics who were proved right. But they were an embattled, isolated group. Although my reservations steadily grew, I was not at this stage among them.

3 ✓ But some of us (though never Ted, I fear) learned from these mistakes. I can well understand how after I became Leader of the Conservative Party Enoch Powell, who with a small number of other courageous Tory backbenchers had protested at successive U-turns, claimed that: 'If you are looking for somebody to pick up principles trampled in the mud, the place to look is not among the trampers.'

But Enoch was wrong. In Rudyard Kipling's words, Keith Joseph and I had 'had no end of a lesson':

Let us admit it fairly, as a business people should;  
We have had no end of a lesson; it will do us no end of good.\*

In this sense, we owed our later successes to our inside knowledge and to our understanding of the earlier failures. The Heath Government showed, in particular, that socialist policies pursued by Tory politicians are if anything even more disastrous than socialist policies pursued by Labour politicians. Collectivism, without even the tincture of egalitarian idealism to redeem it, is a deeply unattractive creed.

How did it happen? I have already outlined some of the background. In spite of the acclaim for the Selsdon Park manifesto, we had thought through our policies a good deal less thoroughly than appeared. In particular that was true of our economic policy. We had no clear theory of inflation or the role of wage settlements within it. And without such a theory we drifted into the superstition that inflation was the direct result of wage increases and the power

\* 'The Lesson' (1902). The lesson in question was the Boer War, in which Britain had suffered many military reverses.

of trade unions. So we were pushed inexorably along the path of regulating incomes and prices.

Ted was also impatient. I share this characteristic. I am often impatient with people. But I knew – partly of course by seeing what happened under Ted – that, in a broader sense, patience is required if a policy for long-term change is to work. This is especially true if, like Ted's Government in 1970 and mine in 1979, you are committed to a non-interventionist economic policy that relies on setting a framework rather than designing a plan. Sudden shifts of direction, taken because the results are too long in appearing, can have devastating effects in undermining the credibility of the strategy. And so a government which came to power proud of its principle and consistency left behind it, among other embarrassing legacies, a host of quips about 'the U-turn'. Ted's own words in his introduction to the 1970 manifesto came back to haunt him:

Once a decision is made, once a policy is established, the Prime Minister and his colleagues should have the courage to stick to it. Nothing has done Britain more harm in the world than the endless backing and filling which we have seen in recent years.

At another level, however – the level of day-to-day human experience in government – the explanation of what happened is to be found within the events themselves, in the forces which buffeted us and in our reactions to them. We thought we were well enough prepared to face these. But we were not. Little by little we were blown off course until eventually, in a fit of desperation, we tore up the map, threw the compass overboard and, sailing under new colours but with the same helmsman, still supremely confident of his navigational sense, set off towards unknown and rock-strewn waters.

The squalls began early. Within weeks of taking office the Government had been forced to declare a State of Emergency\* as

\* A State of Emergency may be proclaimed by the Crown – effectively by Ministers – whenever a situation arises which threatens to deprive the community of the essentials of life by disrupting the supply and distribution of food, water, fuel or light, or communications. It gives Government extensive powers to make regulations to restore these necessities. Troops may be used. If Parliament is not

a national docks strike began to bite. At the same time a Court of Inquiry was set up to find an expensive solution. Although the strike evaporated within a fortnight, it was an ambiguous triumph.

The following month the crisis was international. On Sunday 6 September terrorists from the Popular Front for the Liberation of Palestine (PFLP) hijacked four aircraft (none of them British) and demanded that they be flown to Jordan. Three of the hijacks were successful, but on the fourth – an Israeli plane *en route* to London – the hijackers were overpowered by security men. The surviving terrorist, Leila Khalid, was arrested at Heathrow.

The PFLP demanded her release, and just before Cabinet met on Wednesday 9 September they hijacked a British aircraft in order to bring more pressure to bear. The plane was flying to Beirut as we met. It was explained to Cabinet that we had already acquiesced in an American suggestion to offer the release of Leila Khalid in return for the freedom of the hostages. Over the next few weeks Cabinet discussed the question many times as negotiations ran on. Meanwhile, Jordan itself fell into a state of civil war as King Hussein fought the Palestinians for control of his country and the Syrians invaded and occupied much of the north. Ted resisted any British involvement on the King's side and was certain that we were right to negotiate with the PFLP. Though it went against the grain to release Khalid, in the end the deal was made. In due course all the hostages were released, though the hijacked aircraft were blown up by the terrorists, and King Hussein survived the events of 'Black September' – barely but triumphantly.

But by then the Government had already suffered a blow from which, perhaps, we never fully recovered. In mid-July Iain Macleod had gone into hospital for a small abdominal operation. It had been a success and he had returned to No. 11 for a few days' rest. At about midnight on Monday 20 July my telephone rang. It was Francis Pym, the Chief Whip. He said that Ted had asked him to ring round to tell us all that Iain had suffered a heart attack that evening and had just died. He was only fifty-six.

I felt the blow personally, for Iain had always been a generous

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sitting when the proclamation is made, it must be recalled within five days. A State of Emergency expires at the end of one month, but may be extended.

and kind man for whom to work. I knew that he had given me my chance to shine and so make my way into the Shadow and then the real Cabinet. But I also immediately recognized that we had lost our shrewdest political intellect and best communicator. How Iain would have performed as Chancellor I do not know. But if one accepts, as I did and do, that the worst mistakes of economic policy derived from Ted's overruling the Treasury, it is reasonable to suppose that matters might have turned out better if Iain had lived. He was succeeded by Tony Barber, a man of considerable intellectual ability, who by and large had an unhappy time at the Treasury. The economic problems of the next few years were founded in this transition. Although Tony may have had sounder economic instincts, Iain boxed at a much higher political weight.

The Cabinet which met after Iain Macleod's death was a sombre one. Around the Cabinet table already sat nearly all of those who would be my colleagues over the next four and a half years. Their personal qualities would be severely tested. Tony Barber was an old if not particularly close friend from the Bar, an able tax lawyer, but not someone to stand up against Ted. Reggie Maudling, Home Secretary until his resignation over the Poulson affair in 1972,\* was still interested in and had strong views about economic policy. By contrast, he was less than fascinated by his new brief. Technically still extremely competent, he was unlikely to oppose any shift back towards a more interventionist economic policy, which indeed he had always favoured.

Alec Douglas-Home had returned effortlessly to his old Foreign Office brief where, however, plenty of effort was soon required in giving effect to our promises made in Opposition to lift the arms embargo on South Africa and in trying to devise an affordable way of retaining a British military presence east of Suez. He was unlikely to take much part in domestic political affairs now, any more than he had in Shadow Cabinet. Quintin Hailsham had found his ideal role as Lord Chancellor, beginning a long spell in that office under Ted and then me, where he managed to combine his old sense of

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\* John Poulson was an architect convicted in 1974 of making corrupt payments to win contracts. A number of local government figures also went to gaol. Reggie Maudling had served on the board of one of Poulson's companies.

mischief and theatre with the sedate traditions of the Upper House. Peter Carrington was Defence Secretary, a post for which he was well suited and which he filled with aplomb. I knew that he was close to Ted. He doubtless became still closer when later as Party Chairman and Energy Secretary he had a crucial role in dealing with the final miners' strike which precipitated the general election of February 1974. He was one of Ted's 'inner circle'.

Keith Joseph, by contrast, though a senior Cabinet figure and someone whose views had always to be taken seriously, was certainly not part of that circle and was never, so far as I know, invited to join it. Having been appointed to be Secretary of State for Social Services, Keith's compassionate, social reforming side had become uppermost at the expense of his more conservative economic convictions, though he retained a profound distrust of corporatism in all its forms. His passion became the need to tackle the problem of the 'cycle of deprivation' which condemned successive generations to poverty. Like me, Keith had been given a high-spending 'social' department, and there was a natural opposition between what he (also like me) wanted for his own preferred programmes and the requirements of tight public expenditure control. Whether by chance or calculation, Ted had ensured that the two most economically conservative members of his Cabinet were kept well out of economic decision-making, which was left to those over whom he could wield maximum influence.

John Davies, the former Director General of the Confederation of British Industry (CBI) (who knew nothing of politics when he was summoned after Iain Macleod's death to become Minister of Technology), certainly fell into that category. John was someone I liked and indeed appointed later to a post in my Shadow Cabinet. But his warmest admirer would have been hard put to make a case for his handling of the turbulent industrial politics which would now become his responsibility. John also represented 'business', a concept which Ted, with his latent corporatism, considered had some kind of 'role' in government.

With Tony Barber and John Davies, Robert Carr was, as Employment Secretary, the third key figure responsible for economic strategy under Ted. He was a good deal senior to me and we had different views and temperaments. He was a decent, hard-

working though not a colourful personality. But he had a difficult, arguably impossible, brief in trying to make the flawed Industrial Relations Act work. His reputation as a left winger in Conservative terms was less useful than some might have expected; trade unionists used to regard left-wing Conservatives not as more compassionate but merely as less candid. As Employment Secretary at the time of the first (1972) miners' strike and Home Secretary at the time of the second (1974), few people faced greater difficulties during these years.

One who did was Willie Whitelaw as, successively, Leader of the House, Northern Ireland Secretary and finally Employment Secretary at the time of the three-day week. Willie was part of the generation which had fought the war. We seemed to have little in common and neither of us, I am sure, suspected how closely our political destinies would come to be linked. Since Education was not a department requiring at this time a heavy legislative programme, our paths rarely crossed. But I was already aware of Willie as a wise, reassuring figure whose manner, voice and stature made him an excellent Leader of the House. By the end of the Government his judgement and qualities were playing a role second in significance only to Ted's own. Willie's bluff public persona, however, concealed a shrewd political intelligence and instinct for managing men.

After Iain Macleod's untimely death, Geoffrey Rippon was given responsibility for negotiating the terms of our entry into the European Economic Community. Although we had superficially similar backgrounds – both having been Presidents of OUCA and barristers – Geoffrey and I were never close. It always seemed to me that he tried to overwhelm opponents with the force of his personality rather than with the force of his argument. This may have been because Ted had given him the task of getting the best deal he could in negotiations with the EEC – and that deal was not always in our best long-term interests. This was something we were to realize more and more as time went on.

My impression was that the two members of Cabinet Ted trusted most were Jim Prior and Peter Walker. Both had proved their loyalty, Jim as Ted's PPS in Opposition, and Peter as organizer of his 1965 leadership campaign. Jim was Agriculture Minister, a post

which his farming background and rubicund features helped him make his own, before becoming Deputy Chairman of the Party under Peter Carrington in April 1972. Peter Walker's thirst for the 'modernization' of British institutions must have helped draw him closer to Ted. He soon became Secretary of State for the huge new Department of the Environment, where he embarked with vigour upon the most unpopular local government reforms until my own Community Charge – and at the cost of far greater bureaucracy. Later he would go to the other conglomerate, the Department of Trade and Industry (DTI). Jim and, still more so, Peter were younger than me, but both had far more influence over the general direction of Government. Although their political views were very different from mine, I respected their loyalty to Ted and their political effectiveness.

The other members of Cabinet – Gordon Campbell at Scotland, George Jellicoe as Lord Privy Seal and Leader of the Lords, Peter Thomas, a close parliamentary neighbour and friend, as Secretary of State for Wales and Party Chairman, and Michael Noble briefly at Trade – did not figure large in discussions. I therefore found myself with just one political friend in Cabinet – Keith. Although I generally had polite and pleasant relations with my other colleagues, I knew that we were not soulmates. Doubtless they knew it too. Such things often show through more clearly in casual conversation and spontaneous reactions than in argument. What with the formidable difficulties I faced in Education, I therefore had little incentive to try to win wider strategic points in Cabinet.

Ted's mastery of the Cabinet was complete and unchallenged. He had won the 1970 election against all expectations and by means of a very personal campaign. We were aware of this and so was he. Moreover, argument from first principles was alien to his nature and disagreeable to his temperament. Until 1972–73 and the events of the U-turn, the unity of Cabinet under Ted's leadership was at least in part simply recognition that he was Prime Minister and had a right to expect support in carrying through the programme. Once the programme itself was abandoned and an exercise in corporate interventionism adopted in its stead, the atmosphere grew worse, not manifesting itself in dissent but in the occasional leaked grumble. We knew we were locked in.

### A ROLLS-ROYCE POLICY

For all the difficulties which were quickly upon us that summer and autumn of 1970, such melancholy reflections were still far from our thoughts. Indeed, Ted Heath, Tony Barber, Robert Carr and John Davies set out on the course of radical reform with impressive zeal; and the rest of us in the Cabinet were enthusiastic cheerleaders.

First, the Government embarked with a will on cutting public spending. (In fact this review was to be the only sustained Cabinet-level exercise of the kind during the entire period of 1970–74; the cuts of December 1973 would be made at speed and without detailed discussion in Cabinet.) Discussions began at the end of July. A target was agreed of £1,700 million net reduction in planned spending by 1974/75, and Ted circulated a paper on the economy to show his commitment to the strategy. The cuts were to fall most heavily on industrial spending, though as already noted I had my own departmental spending battles at Education. Investment grants were ended. The Industrial Re-organization Corporation (IRC) would be closed down. Aircraft and space projects would be subject to the closest scrutiny. Even with the reprieve of the hugely expensive Concorde project, largely on European policy grounds, it was an impressive free-market economic programme. And it made possible a tax-cutting Budget in October, which reduced the standard rate of income tax by 6d, down from 8s.3d in the pound (just over 41p), and made reductions in corporation tax to take effect at the beginning of the next financial year.

Nor was there any delay in bringing forward the other key feature of our economic programme – the Industrial Relations Bill. The framework of the Bill was already familiar: this was one of the areas of policy most thoroughly worked out in Opposition and we had published our proposals in 1968. It was to be an ambitiously comprehensive attempt to provide a new basis for industrial relations. The main principles were that collective bargaining agreements should be legally enforceable unless the parties to them agreed otherwise, and that the unions' historic immunities from

civil action should be both significantly narrowed and confined to those whose rule books met certain minimum standards ('registered unions').

Cases brought under this legislation would be dealt with by a new system of industrial courts and tribunals, headed by a branch of the High Court – the National Industrial Relations Court (NIRC). The Bill also gave new powers to the Secretary of State for Employment, as a last resort when negotiation had failed, to apply to the NIRC either for an order deferring industrial action for up to sixty days – a 'cooling off' period – or for one requiring a secret ballot of the workers involved before a strike.

There was a good deal in the Bill that actively favoured trade unionism, for all the hostility it encountered on the Left. For the first time in English law there would be a legally enforceable right to belong (or not to belong) to a trade union. There would be statutory protection against unfair dismissal – again, a new principle in English law. Finally, the Bill would repeal provisions under previous legislation that made it a criminal offence for gas, water and electricity workers to strike during the lifetime of their contracts.

At the time I was a strong supporter of the Bill, although I had doubts about particular parts, such as the measure on essential services. We were all conscious that the previous Labour Government had backed off from its *In Place of Strife* proposals for trade union reform under a mixture of union and Party pressure. We were, therefore, doubly determined to make the changes required.

In retrospect, the philosophy of the Bill was muddled. It assumed that if the unions were in general confirmed in their powers they would both discipline their own members industrially, reducing wildcat strikes for instance, and use their industrial strength in a regulated and orderly fashion on the American model. But it also contained provisions to strengthen the powers of individuals against the unions. So the Bill was in part corporatist and in part libertarian.

Specifically there were four flaws. First, the Bill was full of loopholes. By refusing to sign agreements unless the employer conceded that they need not be legally binding, the unions effectively by-passed one legal sanction. They also discovered an effective tactic

to stymie the Bill's ambition to transform the nature of British industrial relations – many simply de-registered and went on behaving as if they still possessed the old immunities, defying anyone damaged by their activities to bring an action, and defying the courts on the rare occasions when actions were brought.

Second, we were not clear how the Industrial Relations Act fitted into our overall economic strategy. Our movement towards a 'voluntary' incomes policy – starting with the so-called 'n-1' policy\* which had begun even before the Bill was introduced – increased the occasions for disputes about pay and put the fledgling Act under huge pressures. Eventually, the Industrial Relations Act was shelved, at least tacitly, as part of the attempt to stitch up a deal with the trade unions on pay.

Third, if we were to rely so heavily on the law to improve the climate of industrial relations, we should have avoided creating so many new institutions and procedures all at once. This allowed our opponents to claim that the system was rigged against them. And when we used the new powers to impose 'cooling off' periods and strike ballots, these were promptly discredited as disputes heated up and the votes went against us.

Finally, we naively assumed that our opponents would play by the same rules as we did. In particular, we imagined that there would not be either mass opposition to laws passed by a democratically elected government or mass infringement of the criminal law, as in the miners' strike of 1972. We did not recognize that we were involved in a struggle with unscrupulous people whose principal objectives lay not in industrial relations but in politics. Had we understood this we might have embarked upon a step-by-step approach, fighting on our own territory at our own timing, as we were to do after 1979. It was later, as Leader of the Opposition, that I realized how far the extreme Left had penetrated into trade union leaderships and why that 'giant's strength', of which the Tory pamphlet had spoken in the late 1950s, was now being used in such a ruthless manner. The communists knew that they could not be returned to Parliament, so they chose to advance their cause

\* 'n-1' was a semi-official policy that each year's pay increase should be 1 per cent less than the previous year's.

by getting into office in the trade union movement. And the fact that both the Wilson and Heath Governments had stood up to the unions and then lost increased their influence more than if we had not challenged their power in the first place.

But at this early stage we pressed ahead. The TUC was told by Robert Carr in October 1970 that the central aspects of the Industrial Relations Bill were not negotiable. The Bill was published and had its Second Reading in December. February and March 1971 saw mass protests and strikes against it. Labour used every device to fight the Bill, but in August 1971 it duly reached the Statute Book. The TUC Congress passed a resolution instructing unions to de-register. It therefore remained to be seen, when the Act came into force at the end of February 1972, what its practical effects would be – revolution, reform or business as usual. We were soon to find out.

Meanwhile other problems preoccupied us. It is sometimes suggested – and was at the time by Enoch Powell – that the Government's decision in February 1971 to take control of the aerospace division of Rolls-Royce marked the first U-turn. This is not so. Shortly before the company told the Government of the impossible financial problems it faced (as a result of the escalating cost of the contract with Lockheed to build the RB-211 engine for its Tri-star aircraft), a constituent of mine had told me that he was worried about the company. So I asked Denis to look at the figures. I arrived home late one evening to find him surrounded by six years' accounts. He told me that Rolls-Royce had been treating research and development costs as capital, rather than charging it to the profit and loss account. This spelt real trouble.

A few days later I was suddenly called to a Cabinet meeting and found Fred Corfield, the Aviation Minister, waiting in the Cabinet ante-room. 'What are you here for, Fred?' I asked. I wasn't surprised when he replied gloomily: 'Rolls-Royce.' His expression said it all. At the meeting itself we heard the full story. To the amazement of my colleagues I confirmed the analysis, based on what Denis had told me. We decided without much debate to let the company itself go into liquidation but to nationalize the aerospace division. Over the next few months there were many more complicated discussions as we renegotiated the original contract with

Lockheed, which was then itself in financial difficulties. One could argue – and people did – about the terms and the sum which needed to be provided. But I do not think any of us doubted that on defence grounds it was important to keep an indigenous aircraft engine capability. And in the long term, of course, this was one 'lame duck' which eventually found the strength to fly away again into the private sector, when I was Prime Minister.

The Rolls-Royce controversy proved to be of short duration, and it was to be a year before the serious economic U-turns – reflation, subsidies to industry, prices and incomes policy – occurred, and began the alienation of the Conservative right in Parliament and of many Tory supporters outside it. The failure of these U-turns to deliver success divided the Party still further and had other consequences. It created an inflationary boom which caused property prices to soar and encouraged a great deal of dubious financial speculation, tarnishing capitalism and, in spite of all the disclaimers, the Conservative Party with it. I shall return to the economic developments which led to all this shortly. But it is important not to underrate the impact on the Party of two non-economic issues – Europe and immigration.

#### FROM EMPIRE TO EUROPE

I was wholeheartedly in favour of British entry into the EEC for reasons which I have already outlined. General de Gaulle's departure from the Elysée Palace in April 1969 had transformed the prospects. His successor, Georges Pompidou, was keen to have Britain in; and, of course, no one on our side of the Channel was keener than the new Prime Minister, Ted Heath. There was never any doubt what the incoming Conservative Government's position would be; but nor was there doubt that many people across the political spectrum would oppose it. These included some of the most effective parliamentarians such as Michael Foot, Peter Shore and Enoch Powell. But the worlds of business, the media and fashionable opinion generally were strongly in favour, for a variety of high- and low-minded reasons.

Talks formally opened in Brussels at the end of October 1970, with Geoffrey Rippon reporting back to Ted and a Cabinet Committee and, on occasion, to the rest of us in full Cabinet. Twice in December we had detailed discussions of our negotiating position on the EEC budget. There was no doubt that the financial cost of entry would be high. It was estimated that the best we could hope for would be a gross British contribution of 17 per cent of total EEC expenditure, with a five-year transition, and three years of so-called 'correctives' after that (to hold it at 17 per cent). To defuse the inevitable criticism, Geoffrey Rippon also hoped to negotiate a special review provision which we could invoke at any time if the burden of our net contributions to the budget threatened to become intolerable; but he seemed to attach little significance to it, and assumed that we could reopen the question whether there was a formal review mechanism or not.

At the time Ted resolved discussion about the costs of entry by saying that no one was arguing that the burden would be so intolerable that we should break off negotiations. But this whole question of finance should have been considered more carefully. It came to dominate Britain's relations with the EEC for more than a decade afterwards, and it did not prove so easy to reopen. Though the Community made a declaration during the entry negotiations that 'should an unacceptable situation arise within the present Community or an enlarged Community, the very survival of the Community would demand that the Institutions find equitable solutions', the net British contribution quickly grew. The Labour Government of 1974-79 made no progress in reducing it. It was left to me to do so later.

Cabinet discussed the matter again in early May 1971, by which time the talks were reported to be 'deadlocked'. There were difficulties outstanding on preferential arrangements for New Zealand products (butter and lamb) and Commonwealth sugar, and shadow-boxing by the French about the role of sterling as an international currency. But the budget was still the real problem. We had an idea what deal might be on offer: promises to cut the cost of the Common Agricultural Policy and the creation of a Regional Development Fund from which Britain would benefit disproportionately. It was still not the settlement we would have wanted

– and anyway promises are not bankable – but at the time none of us foresaw how large the burden would turn out to be. Ted ended the discussion by telling us that he was planning a summit with President Pompidou in Paris to cut through the argument.

Ted spent two days talking to the French President. In view of all the past difficulties with the French, the summit was seen as a veritable triumph for him. Negotiations were completed rapidly afterwards – other than for the Common Fisheries Policy, which took years to resolve – and the terms approved by Cabinet the following month. Parliamentary approval could not be assumed, for both parties were deeply split and Labour had reversed its former support for British entry, arguing that the present terms were unacceptable. In the end, the Government decided that there would be a free vote on the Conservative side on the principle of entry. This embarrassed Labour, especially when sixty-nine Labour MPs ignored their own party whip and voted in favour, giving a majority of 112 for entry. But when it came to the terms rather than the principle of entry, the argument was far from won. The Second Reading of the European Communities Bill in February 1972 was only passed by 309 to 301, with the Liberals backing the Government and after much arm-twisting by Conservative Whips. The Bill itself was enacted in October.

The dog that barely barked at the time was the issue of sovereignty – both national and parliamentary – which as the years have gone by has assumed ever greater importance. There was some discussion of the question in Cabinet in July 1971, but only in the context of the general presentation of the case for entry in the White Paper. The resulting passages of the document – paragraphs 29-32 – can now be read in the light of events, and stand out as an extraordinary example of artful confusion to conceal fundamental issues. In particular, two sentences are masterpieces:

There is no question of any erosion of essential national sovereignty; what is proposed is a sharing and an enlargement of individual national sovereignties in the general interest.

And:



The common law will remain the basis of our legal system, and our Courts will continue to operate as they do at present.

I can claim to have had no special insight into these matters at the time. It then seemed to me, as it did to my colleagues, that the arguments about sovereignty which were advanced by Enoch Powell and others were theoretical points used as rhetorical devices.

In the debate on Clause 2 of the Bill, Geoffrey Howe, as Solicitor-General, gave what appeared to be satisfactory assurances on the matter in answer to criticisms from Derek Walker-Smith, saying that 'at the end of the day if repeal [of the European Communities Act], lock, stock and barrel, was proposed, the ultimate sovereignty of Parliament must remain intact'. Asking himself the question: 'What will happen if there is a future Act of Parliament which inadvertently, to a greater or lesser extent, may be in conflict with Community law?' Geoffrey said: 'The courts would . . . try in accordance with the traditional approach to interpret Statute in accordance with our international obligations.' But what if they could not be reconciled? He went on, elliptically:

One cannot do more than that to reconcile the inescapable and enduring sovereignty of Parliament at the end of the road with the proposition that we should give effect to our treaty obligations to provide for the precedence of Community law . . . If through inadvertence any such conflict arose, that would be a matter for consideration by the Government and Parliament of the day . . .\*

The decision of the European Court that the Merchant Shipping Act, 1988, is in contravention of the Treaty of Rome has made it impossible to put off consideration of these matters any longer.\*\*

It was not, however, this question which was to make the Common Market such a difficult issue for the Government. The main political error was to overplay the advantages due to come

\* *Hansard*, 13 June 1972: Volume 838, columns 1319-20.

\*\* See pp. 497-8.

from membership. As regards the Government itself, this tendency led ministers to adopt and excuse unsound policies. In order to 'equip' British industry to meet the challenges of Europe, subsidies and intervention were said to be necessary - reasoning which was endorsed in the 1972 Budget speech. Still worse, loose monetary and fiscal policies were justified on the grounds that high levels of economic growth - of the order of 5 per cent or so - were now sustainable within the new European market of some 300 million people. It was also suggested that competition from Europe would compel the trade unions to act more responsibly. As regards the general public, expectations of the benefits of membership rose - and then were sharply dashed as economic conditions deteriorated and industrial disruption worsened. Yet the White Paper had promised that 'membership of the enlarged Community will lead to much improved efficiency and productivity in British industry, with a higher rate of investment and a faster growth of real wages'.

The success of the negotiations for British entry and their ratification by Parliament also seemed to have a psychological effect on Ted Heath. His enthusiasm for Europe had already developed into a passion. As the years went by it was to become an obsession - one increasingly shared by the great and the good. The argument became less and less about what was best for Britain and more and more about the importance of being good Europeans.

There was a mood of euphoria in the Establishment. It reached a peak with the 'Fanfare for Europe' celebrations of January 1973, held to mark Britain's accession to the Common Market. After a gala performance by British and international figures at the Royal Opera House, where among many other performances our former next-door neighbour Sybil Thorndike recited Browning, Denis and I were among hundreds invited to a State Banquet at Lancaster House. I could not help but be reminded of two madrigals sung at one of Ted's Downing Street dinners a couple of years before: 'All creatures are merry, merry-minded' and, more particularly, 'Late is my rash accounting'.

The other issue which alienated many Conservative supporters, particularly in the West Midlands, was immigration. As I have suggested, Ted's and the Government's line on this was in fact extremely firm. Our Immigration Bill which received its Second

Reading in March 1971 proposed a single system of control for Commonwealth citizens and aliens, while giving free entry to 'patrials', that is those with a right of abode.\* Admittedly, the pledge on grants for voluntary repatriation was effectively shelved. But then it is doubtful whether any such system would have had much impact on net immigration.

The trouble arose when in August 1972 President Idi Amin of Uganda announced the mass expulsion of Asians who had prudently held on to their British passports following independence. In September a full Cabinet was devoted to the Ugandan Asian question. In the back of our minds was the possibility that Asian UK passport holders might also now be expelled from Kenya and Tanzania. My first thoughts when I arrived at Cabinet were that we should hold fast to our manifesto commitment that there should be 'no further large-scale immigration'. But Ted opened by saying that there was no question of our refusing to admit the expelled British passport holders. The Attorney-General, Peter Rawlinson, explained that we were under an obligation in international law to accept them – regardless of domestic immigration laws. After this there could not be much argument. Later I came to feel that the decision was right on other grounds. There was just no way of evading the humanitarian duty we had – a duty that no one else would accept. I found the Asians who came to my constituency admirable, hard-working people. And this measure really did turn out to be an exception to the rule of strict immigration control, rather than the first step towards its abandonment.

My instincts, however, had accurately reflected Party feeling. There was deep disquiet about the decision. Enoch Powell spoke strongly against it at that year's Party Conference. In late November the Government was defeated as a result of a large backbench revolt on new immigration rules. Ted himself had been shaken and was convinced that public opinion would not tolerate a repetition. He set up a small group of ministers to consider legislation to

\* Patrials were those citizens of the United Kingdom and Colonies whose parents or grandparents were born in the UK; citizens of the UK and Colonies who had been settled here for five years; any Commonwealth citizen who had a father or mother or grandparent born in the UK.

prevent another influx, but when it reported back in December – favouring not a Bill but a 'declaration' that Britain would not necessarily accept future expellees in large numbers but would consult internationally – Cabinet was divided and the idea fell. It was one of the few occasions on which the Prime Minister did not get his way.

The immigration issue itself, as we recognized in discussion in Cabinet after the Commons defeat, had been fuelled by discontent on a whole range of other issues. To understand how this had occurred it is necessary to turn back to economic matters.

#### REVERSING COURSE

January and February 1972 saw three events which together tried the Government's resolve and found it wanting – the miners' strike, the financial problems of Upper Clyde Shipbuilders (UCS) and the unemployment total reaching one million. It is always a shock when unemployment reaches a new high figure, especially one as dramatic as a million. Unemployment is what economists call a lagging indicator. Although we did not know it at the time, it had just peaked and was to begin a downward trend. The rise of unemployment in 1971 was in fact the consequence of Roy Jenkins' tight fiscal and monetary policies of 1969–70. Since monetary policy had already been significantly eased in 1971, largely as a result of financial decontrol, we could have sat tight and waited for it to work through in lower unemployment from 1972 onwards. In fact, Ted never bought this analysis, and he greatly underestimated the stimulating effects of removing credit controls. He felt that emergency fiscal measures were necessary to boost demand and reduce unemployment. And this conviction influenced his decisions across the board. Ironically, because it led to higher inflation whose main effects were suffered under the following Labour Government, and because inflation destroys jobs rather than preserves them, it ultimately led to higher unemployment as well.

In particular, the approach of the Government to Upper Clyde Shipbuilders flowed from fear of the consequences of higher

unemployment. But because it was also seen as caving in to the threats of left-wing militants, it added a new charge against us. When we first discussed the company's problems in December 1970 the Cabinet gave a fairly robust response. It was agreed that existing Government support for the UCS Group would not be continued, though there was a lifeline: we would continue with credit guarantees so long as the management agreed to close the Clydebank yard and separate out Yarrow Shipbuilders from the rest of the group. Yarrow – an important Royal Navy supplier – seemed salvageable. But by June 1971 the UCS Group was insolvent and its liquidation was announced. There followed a protest strike on Clydeside. In July trade unionists led by militant shop stewards occupied the four UCS shipyards.

There was further discussion in Cabinet in the autumn of 1971, and the Government allowed itself to be sucked into talks with the trade unions, who it was believed might be able to influence the militant shop stewards behind the occupation. The Economic Committee of the Cabinet had agreed that money should be provided to keep open the yards while the liquidator sought a solution, but only on condition that the unions gave credible undertakings of serious negotiations on new working practices. There was strong criticism of this from some of my colleagues, rightly alert to the danger of seeming to give in on the basis of worthless undertakings. But the money was provided and negotiations went ahead.

It was the unemployment prospect rather than the prospects for shipbuilding which by now were undisguisedly foremost. In November Ted Heath affirmed in a Party Political Broadcast that the 'Government is committed completely and absolutely to expanding the economy and bringing unemployment down'. The fateful one million mark was passed on 20 January 1972. On 24 February at Cabinet we heard that the Economic Committee had agreed the previous day to provide £35 million to keep three of the four yards open. John Davies openly admitted to us that the new group had little chance of making its way commercially and that if the general level of unemployment had been lower and the economy reviving faster, he would not have recommended this course. There was tangible unease. It was pointed out that we could expect a rough reception from our supporters for the decision. But Cabinet

endorsed it and at the end of February John announced the decision. It was a small but memorably inglorious episode. I discussed it all privately with Jock Bruce-Gardyne, who was scathing about the decision. He regarded it as a critical, unforgivable U-turn. I was deeply troubled.

But by now we all had other things to worry about. In framing the Industrial Relations Act we had given too much emphasis to achieving the best possible legal framework and not enough to how the attacks on our proposals were to be repelled. The same mentality prevailed as regards the threat which the National Union of Mineworkers (NUM) posed to the Government and the country. We knew, of course, that the miners and the power workers held an almost unbeatable card in pay negotiations, because they could turn off the electricity supply to industry and people. Industrial action by the power workers in December 1970 had been settled after the setting-up of a Court of Inquiry under Lord Wilberforce which recommended a large increase in February the following year. Within the NUM, however, there was a large militant faction at least as interested in bringing down the Conservative Government as in flexing industrial muscle to increase miners' earnings. The NUM held a strike ballot in October 1970 and narrowly turned down an offer from the National Coal Board (NCB). Fearing unofficial action, Cabinet authorized the NCB to offer a productivity bonus to be paid in mid-1971. The NUM again turned the offer down, following which Derek Ezra, the NCB Chairman, without consulting ministers, offered to pay the bonus at once and without strings attached to productivity. Cabinet accepted this *fait accompli*. Perhaps John Davies and other ministers continued to monitor events. If they did I heard nothing about it. Nor does what subsequently happened suggest that any monitoring was accompanied by forward thinking.

Only in early December 1971 did the issue of miners' pay surface at Cabinet, and then in what seemed a fairly casual way. The NUM's annual conference earlier that year had significantly revised the rules which provided for an official strike, so that now only a 55 per cent, as opposed to a two-thirds, majority was required. The NUM ballot, which was still going on, had, it was thought, resulted in a 59 per cent majority vote for strike action.

Yet nobody seemed too worried. We were all reassured that coal stocks were in any case high.

Such complacency proved unwarranted. At the last Cabinet before Christmas Robert Carr confirmed to us that the NUM was indeed calling a national strike to begin on 9 January 1972. There was more trouble over pay in the gas and electricity industries. And we only needed to glance outside to know that winter was closing in, with all that meant for power consumption. But there was no real discussion and we all left for the Christmas break.

There was still some suggestion over Christmas that the strike might not be solid and would be concentrated in the more militant areas. But two days after it began it was all too clear that the action was total. There was then discussion in Cabinet about whether we should use the 'cooling off' provisions of the Industrial Relations Act. But it was said to be difficult to satisfy the legal tests involved – 'cooling off' orders would only be granted by the courts if there was a serious prospect that they would facilitate a settlement, which in this case was doubtful. The possibility of using the ballot provisions of the Act remained. But there was no particular reason to think that a ballot forced on the NUM would lead to anything other than a continuation of the strike, and perhaps also a hardening of attitudes. It was an acutely uncomfortable demonstration of the fragility of the principal weapons with which the Act had equipped us. Moreover, important parts of the Act had yet to come into force, and we were also aware that there was a good deal of public sympathy with the miners.

The pressure on the Government to intervene directly to try to end the dispute now increased. Looking back, and comparing 1972 with the threatened miners' strike of 1981 and the year-long strike of 1984–85, it is extraordinary how little attention we gave to 'endurance' – the period of time we could keep the power stations and the economy running with limited or no coal supplies – and how easily Cabinet was fobbed off by assurances that coal stocks were high, without considering whether those stocks were in the right locations to be usable, i.e. actually at the power stations. The possibility of effective mass picketing, which would prevent oil and coal getting to power stations, was simply not on the agenda.

Instead, our response was to discuss the prospects for conciliation by Robert Carr and the use of 'emergency powers' which would allow us to conserve power station stocks a few weeks longer by imposing power cuts. There was a great deal of useless talk about 'keeping public opinion on our side'. But what could public opinion do to end the strike? This was one more thing I learned from the Heath years – and anyway, on the whole public opinion *wasn't* on our side. A further lesson from this period – when no fewer than five States of Emergency were called – was that for all the sense of urgency and decision that the phrase 'emergency powers' conveys they could not be relied upon to change the basic realities of an industrial dispute.

The situation steadily worsened. The crunch came on the morning of Thursday 10 February when we were all in Cabinet. A State of Emergency had been declared the previous day. By now Robert Carr was directly involved with the NCB and the NUM in trying to find a way out. But it was John Davies who dropped the bombshell. He told us that picketing had now immobilized a large part of the remaining coal stocks, and that the supplies still available might not even suffice beyond the end of the following week. Thereafter electricity output would fall to as little as 25 per cent of normal supply. Drastic power cuts were inevitable, and large parts of industry would be laid off. The Attorney-General reported that the provisions of the Industrial Relations Act against secondary boycotts, blacking of supplies and the inducement of other workers to take action resulting in the frustration of a commercial contract, would not come into force until 28 February. He thought that most of the picketing which had taken place during the strike was lawful. As regards the criminal law, some arrests had been made but, as he put it, 'the activities of pickets confronted the police with very difficult and sensitive decisions'.

This was something of an understatement. The left-wing leader of the Yorkshire miners, Arthur Scargill, who was to organize the politically motivated miners' strike I faced in 1984–85, was already busy winning his militant's spurs. In the course of Cabinet a message came through to the Home Secretary, Reggie Maudling, which he read out. The Chief Constable of Birmingham had asked that the West Midlands Gas Board's Saltley Coke Depot be closed because

lorries were being prevented from entering by 7,000 'pickets' who were facing just 500 police.

There was no disguising that this was a victory for violence. To the Left it came to assume legendary proportions. To large numbers of politicians and commentators it proved that no one could hope to stand up to the miners. Police self-confidence was shattered. From now on many senior policemen put greater emphasis on maintaining 'order' than on upholding the law. In practice, that meant failing to uphold the rights of individuals against the rule of the mob – though to be fair the police lacked the equipment as much as the stomach for the action required. For me, what happened at Saltley took on no less significance than it did for the Left. I understood, as they did, that the struggle to bring trade unions properly within the rule of law would be decided not in the debating chamber of the House of Commons, nor even on the hustings, but in and around the pits and factories where intimidation had been allowed to prevail.

Ted now sounded the retreat. He appointed a Court of Inquiry under the ubiquitous Lord Wilberforce. By now the power crisis had reached such proportions that we sat in Cabinet debating whether we had time to wait for the NUM to ballot its members on ending a strike; a ballot might take over a week to organize. There was therefore no inclination to quibble when Wilberforce recommended a massive pay increase, way beyond the level allowed for in the 'n-1' voluntary pay policy already in force.

But we were stunned when the militant majority on the NUM Executive rejected the court's recommendation, demanding still more money and a ragbag of other concessions – 'a list as long as your arm', in the words of the miners' President, Joe Gormley.

Ted summoned us all together on the evening of Friday 18 February to decide what to do. The dispute simply had to be ended quickly. If we had to go an additional mile, so be it. Later that night Ted called the NUM and the NCB to No. 10 and persuaded the union to drop the demand for more money, while conceding the rest. The NUM Executive accepted, and just over a week later so did the miners in a ballot. The dispute was over. But the devastation it had inflicted on the Government and indeed on British politics as a whole lived on.

The immediate effect was to convince *bien pensant* opinion that in a country like Britain there was simply no alternative to corporatism. The *Sunday Times* leader of 20 February put the point crisply:

After the Wilberforce settlement, there is only one course for the Government to adopt if it is to derive any profit from the ruin of its wages policy. It must open formal and serious talks with the Confederation of British Industry and the Trades Union Congress to plot a way forward towards an organized policy for incomes. This will involve all sides of industry, but above all the Government itself, in the liquidation of old nostrums. But far from losing face, the Government would thereby seize the best chance to rebuild its economic policy.

Such a message found a ready hearing from shocked and bewildered ministers. The combination of the rise in unemployment, the events at Upper Clyde Shipbuilders and the Government's humiliation by the miners resulted in a fundamental reassessment of policy. I suspect that this took place in Ted's own mind first, with other ministers and the Cabinet very much second. It was not so much that he jettisoned the whole Selsdon approach, but rather that he abandoned some aspects of it, emphasized others and added a heavy dose of statism which probably appealed to his temperament and his Continental European sympathies. We had always been keen advocates of economic growth: but now we promoted growth at the expense of sound finance. We had always been in favour of industrial and technological modernization: but now we relied on government intervention rather than competition to ensure it. We had always entertained a basic confusion between a 'monetarist' and a wage-push theory of inflation: we now ignored the first and swallowed the second to such an extent that we introduced the most comprehensively regulated system of wages and prices that peacetime Britain has known.

None of this pleased me. But our inability to resist trade union power, whether exerted through irresponsible wage demands which forced companies into liquidation and workers out of jobs, or through strikes which brought the country to a halt, was now manifest. The Industrial Relations Act itself already seemed hollow: it

was soon to be discredited entirely. Like most Conservatives, I was prepared to give at least a chance to a policy which retained some of the objectives we had set out in 1969/70. I was even prepared to go along with a statutory prices and incomes policy, for a time, to try to limit the damage inflicted by the arrogant misuse of trade union power. But I was wrong. State intervention in the economy is not ultimately an answer to over-mighty vested interests: for it soon comes to collude with them.

It is unusual to hold Cabinets on a Monday, and I had arranged a long-standing scientific engagement for Monday 20 March 1972, so I was not present at the Cabinet which discussed the Budget and the new Industry White Paper on that day. Both of them signalled a change in strategy, each complementing the other. The Budget was highly reflationary, comprising large cuts in income tax and purchase tax, increased pensions and social security benefits and extra investment incentives for industry. It was strongly rumoured that Tony Barber and the Treasury were very unhappy with the Budget and that it had been imposed on them by Ted. The fact that the Budget speech presented these measures as designed to help Britain meet the challenge opened up by membership of the EEC in a small way confirms this. It was openly designed to provide a large boost to demand, which it was argued would not involve a rise in inflation, in conditions of high unemployment and idle resources. Monetary policy was mentioned, but only to stress its 'flexibility'; no numerical targets for monetary growth were set.

On Wednesday 22 March John Davies published his White Paper on *Industry and Regional Development*, which was the basis for the 1972 Industry Act. Even more than the Budget, this was seen by our supporters and opponents alike as an obvious U-turn. Keith and I and probably others in the Cabinet were extremely unhappy, and some of this found its way into the press. As far as I can recall there had been no prior discussion of the White Paper in Cabinet: it was presented to the Commons in the Budget statement and its preparation within Government was subject to all the secrecy usually applied to Budget measures. From this point on I was conscious that on the Labour benches enmity had been transformed into contempt. I was not in the House at the time, but I read *The Times*

report which sums up the reaction to John Davies's speech on the Bill:

Lame ducks never looked healthier as Mr Davies, Secretary of State for Trade and Industry, opened today's debate on the Second Reading of the Industry Bill with possibly the most remarkable speech heard in the Commons during the life of the present Government. At the end, the cheers from the Labour benches and the almost total silence from Conservative MPs showed more clearly than anything the Opposition could say how complete had been the Government *volte face* on intervention in industry and on aid to the regions.

I was not, I know, the only Conservative to squirm on reading stuff like this. Should I have resigned? Perhaps so. But those of us who disliked what was happening had not yet either fully analysed the situation or worked out an alternative approach. Nor, realistically speaking, would my resignation have made a great deal of difference. I was not senior enough for it to be other than the littlest 'local difficulty'. All the more reason for me to pay tribute to people like Jock Bruce-Gardyne, John Biffen, Nick Ridley and, of course, Enoch Powell who did expose the folly of what was happening in Commons speeches and newspaper articles.

There is also a direct connection between the policies pursued from March 1972 and the very different approach of my own administration later. A brilliant, but little-known, monetary economist called Alan Walters resigned from the CPRS and delivered not only scathing criticism of the Government's approach but also accurate predictions of where it would lead.\*

One more blow to the approach we adopted in 1970 had still to fall: and it was not long in coming. This was the effective destruction of the Industrial Relations Act. It had never been envisaged that the Act would result in individual trade unionists going to gaol. Of course, no legal provisions can be proof against some remote possibility of that happening if troublemakers are intent on

\* Alan Walters became my economic adviser as Prime Minister 1981-84 and again in 1989.

martyrdom. It was a long-running dispute between employers and dockers about 'containerization' which provided the occasion for this to happen. In March 1972 the National Industrial Relations Court (NIRC) fined the Transport and General Workers' Union (TGWU) £5,000 for defying an order to grant access to Liverpool Docks. The following month the union was fined £50,000 for contempt on the matter of secondary action at the docks. The TGWU maintained that it was not responsible for the action of its shop stewards, but the NIRC ruled against this in May. Then, out of the blue, the Court of Appeal reversed these judgements and ruled that the TGWU was *not* responsible, and so the shop stewards themselves were personally liable. This was extremely disturbing, for it opened up the possibility of trade unionists going to jail. The following month three dockers involved in blacking were threatened with arrest for refusing to appear before the NIRC. 35,000 trade unionists were now on strike. At the last moment the Official Solicitor applied to the Court of Appeal to prevent the dockers' arrest. But then in July another five dockers were jailed for contempt.

The Left were merciless. Ted was shouted down in the House. Sympathetic strikes spread, involving the closure of national newspapers for five days. The TUC called a one-day general strike. On 26 July, however, the House of Lords reversed the Court of Appeal decision and confirmed that unions were accountable for the conduct of their members. The NIRC then released the five dockers.

This was more or less the end of the Industrial Relations Act, though it was not the end of trouble in the docks. A national dock strike ensued and another State of Emergency was declared. This only ended – very much on the dockers' terms – in August. In September the TUC General Congress rubbed salt into the wound by expelling thirty-two small unions which had refused, against TUC instructions, to de-register under the Act. Having shared to the full the Party's enthusiasm for the Act, I was appalled.

#### A U-TURN TOO FAR

In the summer of 1972 the third aspect – after reflation and industrial intervention – of the new economic approach was revealed to us. This was the pursuit of an agreement on prices and incomes through 'tripartite' talks with the CBI and the TUC. Although there had been no explicit pay policy, we had been living in a world of 'norms' since the autumn of 1970 when the 'n-1' was formulated in the hope that there would be deceleration from the 'going rate' figure in successive pay rounds. The miners' settlement had breached that policy spectacularly, but Ted drew the conclusion that we should go further rather than go back. From the summer of 1972 a far more elaborate prices and incomes policy was the aim, and more and more the centre of decision-making moved away from Cabinet and Parliament. I can only, therefore, give a partial account of the way in which matters developed. Cabinet simply received reports from Ted on what policies had effectively been decided elsewhere, though individual ministers became increasingly bogged down in the details of shifting and complicated pay negotiations. This almost obsessive interest in the minutiae of pay awards was matched by a large degree of impotence over the deals finally struck. In fact, the most important result was to distract ministers from the big economic issues and blind us with irrelevant data when we should have been looking ahead to the threats which loomed.

The period of the tripartite talks with the TUC and the CBI from early July to the end of October did not get us much further as regards the Government's aim of controlling inflation by keeping down wage demands. It did, however, move us down other slippery slopes. In exchange for the CBI's offer to secure 'voluntary' price restraint by 200 of Britain's largest firms, limiting their price increases to 5 per cent during the following year, we embarked on the costly and self-defeating policy of holding nationalized industry price increases to the same level, even though this meant that they continued to make losses. The TUC, for its part, used the role it had been accorded by the tripartite discussions to set out its own

alternative economic policy. In flat contradiction to the policies we had been elected to implement, they wanted action to keep down council rents (which would sabotage our Housing Finance Act – intended to bring them closer to market levels). They urged the control of profits, dividends and prices, aimed at securing the redistribution of income and wealth (in other words the implementation of socialism), and the repeal of the Industrial Relations Act. These demands, made at the TUC Congress in September, were taken sufficiently seriously by Ted for him to agree studies of methods by which the pay of low-paid workers could be improved without entailing proportionate increases to other workers. We had, in other words, moved four-square onto the socialist ground that ‘low pay’ – however that might be defined – was a ‘problem’ which it was for government rather than the workings of the market to resolve. In fact, the Government proposed a £2 a week limit on pay increases over the following year, with the CBI agreeing maximum 4 per cent price increases over the same period and the extension of the Government’s ‘target’ of 5 per cent economic growth.

In any case, it was not enough. The TUC was not willing – and probably not able – to deliver wage restraint. At the end of October we had a lengthy discussion of the arguments for now proceeding to a statutory policy, beginning with a pay freeze. It is an extraordinary comment on the state of mind that we had reached that, as far as I can recall, neither now nor later did anyone at Cabinet raise the objection that this was precisely the policy we had ruled out in our 1970 general election manifesto. Yet no one could accuse Ted of not being willing to go the extra mile. Only with the greatest reluctance did he accept that the TUC were unpersuadable. And so on Friday 3 November 1972 Cabinet made the fateful decision to introduce a statutory policy beginning with a ninety-day freeze of prices and incomes. No one ever spoke a truer word than Ted when he concluded by warning that we faced a troubled prospect.

The change in economic policy was accompanied by a Cabinet reshuffle. Maurice Macmillan – Harold’s son – had already taken over at Employment from Robert Carr in July 1972, when the latter replaced Reggie Maudling at the Home Office. Ted now promoted his younger disciples. He sent Peter Walker to replace John Davies

at the DTI and promoted Jim Prior to be Leader of the House. Geoffrey Howe, an instinctive economic liberal, was brought into the Cabinet but given the poisoned chalice of overseeing prices and incomes policy. It has been said that I was thought of for the job; if so, I can only be thankful that I wasn’t asked.

For a growing number of backbenchers the new policy was a U-turn too far. When Enoch Powell asked in the House whether the Prime Minister had ‘taken leave of his senses’, he was publicly cold-shouldered, but many privately agreed with him. Still more significant was the fact that staunch opponents of our policy like Nick Ridley, Jock Bruce-Gardyne and John Biffen were elected to chairmanships or vice-chairmanships of important backbench committees, and Edward du Cann, on the right of the Party and a sworn opponent of Ted, became Chairman of the 1922 Committee.

As the freeze – Stage 1 – came to an end we devised Stage 2. This extended the pay and price freeze until the end of April 1973; for the remainder of 1973 workers could expect £1 a week and 4 per cent, with a maximum pay rise of £250 a year – a formula designed to favour the low-paid. A Pay Board and a Prices Commission were set up to administer the policy. Our backbench critics were more perceptive than most commentators, who considered that all this was a sensible and pragmatic response to trade union irresponsibility. In the early days it seemed that the commentators were right. A challenge to the policy by the gas workers was defeated at the end of March. The miners – as we hoped and expected after their huge increase the previous year – rejected a strike (against the advice of their Executive) in a ballot on 5 April. The number of working days lost because of strikes fell sharply. Unemployment was at its lowest since 1970. Generally, the mood in Government grew more relaxed. Ted clearly felt happier wearing his new collectivist hat than he ever had in the disguise of Selsdon.

Our sentiments should have been very different. The effects of the reflationary Budget of March 1972 and the loose financial policy it typified were now becoming apparent. The Treasury, at least, had started to worry about the economy, which was growing at a clearly unsustainable rate of well over 5 per cent. The money supply, as measured by M<sub>3</sub> (broad money), was growing too fast – though the (narrower) M<sub>1</sub>, which the Government preferred, less



so.\* The March 1973 Budget did nothing to cool the overheating and was heavily distorted by the need to keep down prices and charges so as to support the 'counter-inflation policy', as the prices and incomes policy was hopefully called. In May modest public expenditure reductions were agreed. But it was too little, and far too late. Although inflation rose during the first six months of 1973, Minimum Lending Rate (MLR) was steadily cut and a temporary mortgage subsidy was introduced. The Prime Minister also ordered that preparations be made to take statutory control of the mortgage rate if the building societies failed to hold it down when the subsidy ended. These fantastic proposals only served to distract us from the need to tackle the growing problem of monetary laxity. Only in July was MLR raised from 7.5 per cent, first to 9 per cent and then to 11.5 per cent. We were actually ahead of Labour in the opinion polls in June 1973, for the first time since 1970. But in July the Liberals took Ely and Ripon from us at by-elections. Economically and politically we had, without knowing it, already begun to reap the whirlwind.

Over the summer of 1973 Ted held more talks with the TUC, seeking their agreement to Stage 3. The detailed work was done by a group of ministers chaired by Ted, and the rest of us knew little about it. Nor did I know at the time that close attention was already being given to the problem which might arise with the miners. Like most of my colleagues, I imagine, I believed that they had had their pound of flesh already and would not come back for more.

I hope, though, that I would have given a great deal more attention than anyone seems to have done to building up coal stocks against the eventuality, however remote, of another miners' strike. The miners either had to be appeased or beaten. Yet, for all its technocratic jargon, this was a government which signally lacked a sense of strategy. Ted apparently felt no need of one since, as we now know, he had held a secret meeting with Joe Gormley in the

\* M1 comprised the total stock of money held in cash and in current and deposit accounts at a particular point in time; M3 included the whole of M1, with the addition of certain other types of bank accounts, including those held in currencies other than sterling.

garden of No. 10 and thought he had found a formula to square the miners – extra payment for 'unsocial hours'. But this proved to be a miscalculation. The miners' demands could not be accommodated within Stage 3.

In October Cabinet duly endorsed the Stage 3 White Paper. It was immensely complicated and represented the high-point – if that is the correct expression – of the Heath Government's collectivism. Pay increases were to be limited to £2.25 a week or 7 per cent with a maximum £350 per annum; there were complex provisions to pay shift workers more for 'unsocial hours', and room was made for additional payments in respect of productivity agreements and moves towards equal pay for women. In addition, there were 'threshold payments' to be made if inflation rose to specified levels – we made some rosy assumptions about future rates of inflation – and there was also money for pensioners and a new mortgage subsidy for first-time buyers. But the most significant new development – and one whose necessity ultimately demonstrated the futility of the kind of approach we were pursuing – was the provision that the Pay Board should set up an inquiry into 'relativities' between groups of workers, with the aim of accommodating grievances on this score in Stage 4. All possible eventualities, you might have thought, were catered for. But as experience of past pay policies ought to have demonstrated, you would have been wrong.

My only direct involvement in the working of this new, detailed pay policy was when I attended from time to time the relevant Cabinet Economic Sub-Committee, usually chaired by Terence Higgins, a Treasury Minister of State. Even those attracted by the concept of incomes policy on grounds of 'fairness' begin to have their doubts when they see its provisions applied to individual cases. My visits to the Higgins Committee were usually necessitated by questions of teachers' pay. But on one occasion when I found myself there with Sir William Armstrong, the Head of the civil service, it was to discuss the pay of Under-Secretaries. I knew that it was at this level in my department that the most important policy work was carried on, and I saw that with inflation running at about 10 per cent and differentials squeezed as a result of union power and government pay policy, these people needed proper motivation through a decent pay rise. Of course, the same could have been

said of many groups. What struck me though was that no one doubted that this *particular* group needed a larger pay increase than pay policy allowed. And what was true for Under-Secretaries in the civil service was true for innumerable other groups throughout the economy. Our pay policy was not just absurd: far from being 'fair', it was fundamentally unjust. It was, in fact, an excellent demonstration that market forces, operating within the right framework, make for fairness, and that even beneficent state control only makes for equality.

On another sublime occasion we found ourselves debating the proper rate of pay for MPs' secretaries. This was the last straw. I said that I hadn't come into politics to make decisions like this, and that I would pay my secretary what was necessary to keep her. Other ministers agreed. But then, they knew their secretaries; they did not know the other people whose pay they were deciding.

In any case, reality soon started to break in. Two days after the announcement of Stage 3 the NUM rejected an NCB offer worth 16.5 per cent in return for a productivity agreement. The Government immediately took charge of the negotiations. (The days of our 'not intervening' had long gone.) Ted met the NUM at No. 10. But no progress was made. In early November the NUM began an overtime ban. Maurice Macmillan told us that though an early strike ballot seemed unlikely and, if held, would not give the necessary majority for a strike, an overtime ban would cut production sharply. The general feeling in Cabinet was still that the Government could not afford to acquiesce in a breach of the recently introduced pay code. Instead, we should make a special effort to demonstrate what was possible within it. The miners were not the only ones threatening trouble. The firemen, electricians and engineers were all in differing stages of dispute. It is one of the penalties of pay policy that you have to fight on too many fronts.

Similarly, it is an unavoidable weakness of the planned economy to which we were now rapidly moving that economic plans take little or no account of external events. The argument that all of us used in February 1974 (and some people continued to use long afterwards) to explain the failure of the Heath Government's economic strategy was that the quadrupling of the oil price resulting

from the Arab-Israeli war of 1973 shattered our policy when it was just beginning to work. This is plainly false. Loose monetary policy had already sown the seeds of inflation, which was to surge under the incoming Labour Government. Incomes policy, which does no more than redistribute inflation through time, could do little about this. Whatever limited successes it achieved would, like those of all other incomes policies, have unwound in the form of higher demands and settlements later. Moreover, the level of economic growth, particularly for an economy still unreformed by deregulation, privatization or reductions in trade union power, was far too high to be sustainable. Public expenditure had risen too fast as well, and we were already discussing cuts before the full implications of the oil price rise were known. We had not, in fact, 'modernized' British industry as we had boasted – not least because only industry, not Government, can efficiently 'modernize' itself. Worse, by fuelling inflation and taking too many decisions out of the hands of managers and wage bargainers we had created precisely the wrong climate for industrial success.

Yet, even ignoring all of this, the basic proposition that the oil price hike was just 'bad luck' is fundamentally mistaken. It is the very fact that governments *cannot* take all relevant circumstances into account that militates against economic planning. And it is because a properly operating market economy adjusts so sensitively to every signal that it avoids those sharp dislocations when cumulative pressures break through.

Admittedly, the threatened oil embargo and oil price rises resulting from the Arab-Israeli war that autumn made things far worse. As the effects of the miners' industrial action bit deeper, the sense that we were no longer in control of events deepened. Somehow we had to break out. This made a quick general election increasingly attractive. Quite what we would have done if we had been re-elected is, of course, problematic. Perhaps Ted would have liked to go further towards a managed economy. Others would probably have liked to find a way to pay the miners their Danegeld and seek a quieter political life. Keith and I and a large part of the Parliamentary Conservative Party would have wanted to discard the corporatist and statist trappings with which the Government was now surrounded and try to get back to the free market

approach from which we had allowed ourselves to be diverted in early 1972.

Indeed, quite apart from our exchanges about the shortcomings of economic policy, Keith and I had also been intensely irritated by the posture the Government took during the Arab-Israeli war. In the hope of securing favourable treatment from the oil-producing states – which were limiting oil supplies to Western nations – the Government refused to condemn the Arab states which had broken the 1967 ceasefire and we applied an arms embargo to both sides, depriving the Israelis of the spare parts they needed. The Government also refused to allow the Americans to use British bases to resupply Israel.

As MP for Finchley, I knew at first hand what the Jewish community in Britain felt about our policies. The early days of the war were particularly bad for Israel – the situation was far worse than in 1967 – and I followed the news hour by hour. There were some difficult discussions in Cabinet with Alec Douglas-Home defending the policy courteously and Ted exercising a rigid determination to control an issue which – as he saw it – would determine the success or failure of our whole economic strategy. Finally, he told us bluntly that he was having a note circulated laying down the public line ministers were expected to take.

#### REAPING THE WHIRLWIND

At Cabinet on Tuesday 13 November it was all gloom as the crisis accelerated on every front. Tony Barber told us that the October trade figures that day would show another large deficit. There was talk of public expenditure cuts and tax increases. (MLR was in fact raised to a record 13 per cent.) A declaration of yet another State of Emergency would have to be made. Orders would be laid restricting lighting and heating in commercial premises. There was even talk of issuing petrol coupons. What I did not know was that included in the measures were plans to stop electrical heating in schools. In fact I only heard about it on the next day's radio news. I was furious, partly because it was a politically stupid act and

partly because I had not been consulted. I went in to see Tom Boardman, the Industry Minister, and after what the diplomats would describe as frank exchanges had it stopped.

The disagreement over school heating was, however, part of a wider argument which continued up to and beyond the calling of the election. Should we err on the side of stringency or of liberality when it came to deciding on measures to conserve energy? This was not something which could be settled on technical grounds alone; for we could not know how long the miners' overtime ban would last, when or whether it would escalate into a strike, or how well industry would be able to cope with power shortages. In these circumstances, it was natural to look at least as closely at the political impact. But here too there were large uncertainties. Adopting the most stringent measures would certainly help convince the general public that this was a real emergency provoked by union militancy at a time of grave international economic problems. But there was a risk that people would become angry with the restrictions, particularly any which seemed needlessly petty – such as the decision to close down television broadcasting at 10.30 at night. And then, of course, any subsequent relaxation would be met with the retort that it showed we had overreacted, doubtless for party political reasons, in the first place.

One shrewd move on Ted's part at the beginning of December was to bring Willie Whitelaw back from Northern Ireland to become Employment Secretary in place of Maurice Macmillan. Willie was both conciliatory and cunning, a combination of qualities which was particularly necessary if some way were to be found out of the struggle with the miners. The Government's hand was also strengthened by the fact that, perhaps surprisingly, the opinion polls were now showing us with a clear lead over Labour as the public reacted indignantly to the miners' actions. In these circumstances, all but the most militant trade unionists would be fearful of a confrontation precipitating a general election. Speculation on these lines soon began to grow in the press.

On Thursday 13 December Ted announced the introduction of a three-day working week to conserve energy. He also gave a broadcast that evening. This gave an impression of crisis which polarized opinion in the country. At first industrial output remained more

or less the same, itself an indication of the inefficiency and overmaning of so much of British industry. But we did not know this at the time. Nor could we know how long even a three-day week would be sustainable. I found strong support among Conservatives for the measures taken. There was also understanding of the need for the £1.2 billion public spending cuts, which were announced a few days later.

At this stage we believed that we could rely on business leaders. Shortly before Christmas, Denis and I went to a party at a friend's house in Lamberhurst. There was a power cut and so night lights had been put in jam jars to guide people up the steps. There was a touch of wartime spirit about it all. The businessmen there were of one mind: 'Stand up to them. Fight it out. See them off. We can't go on like this.' It was all very heartening. For the moment.

There still seemed no honourable or satisfactory way out of the dispute itself. Negotiations with the NUM got nowhere. The Government offer of an immediate inquiry into the future of the mining industry and miners' pay if the NUM went back to work on the basis of the present offer was turned down flat. One possible opportunity was missed when Tony Barber rejected an offer by the TUC, made at the NEDC on 9 January 1974, that they would not use a larger offer to the NUM as an argument in negotiations for other settlements. Tony explained to us the next day that he considered this had been a propaganda exercise rather than a serious offer. Although Cabinet agreed afterwards that we should follow up the offer, and the TUC were invited to No. 10 for several long meetings, the damage had been done; it looked as if we were not interested. We might have done better to accept it and put the TUC on the spot. As it was, the TUC offer undoubtedly put us on the defensive. The incident taught me neither to accept nor to reject any offer until the consequences had been fully weighed.

By candlelight in the flat in Flood Street, Denis and I talked through the predicament in which the Government found itself. It was clear that many mistakes had been made, and that if and when we managed to come through the present crisis, fundamental questions would need to be asked about the Government's direction. Yet, whatever we might have done differently, there was no doubting that we now faced a struggle which had to be won. The

miners, backed in varying degrees by other trade unions and the Labour Party, were flouting the law made by Parliament. The militants were clearly out to bring down the Government and to demonstrate once and for all that Britain could only be governed with the consent of the trade union movement. This was intolerable not just to me as a Conservative Cabinet minister but to millions of others who saw the fundamental liberties of the country under threat. Denis and I, our friends and most of my Party workers, felt that we now had to pick up the gauntlet and that the only way to do that was by calling and winning a general election. From now on, this was what I urged whenever I had the opportunity.

I was, though, surprised and frustrated by Ted Heath's attitude. He seemed out of touch with reality. He was still more interested in the future of Stage 3 and in the oil crisis than he was in the pressing question of the survival of the Government. Cabinet discussions concentrated on tactics and details, never the fundamental strategy. Such discussions were perhaps taking place in some other forum; but I rather doubt it. Certainly, there was a strange lack of urgency. I suspect it was because Ted was secretly desperate to avoid an election and did not seriously wish to think about the possibility of one. In the end, perhaps – as some of us speculated – because his inner circle was split on the issue, Ted finally did ask some of us in to see him, in several small groups, on Monday 14 January in his study at No. 10.

By this stage we were only days away from the deadline for calling a 7 February election – the best and most likely 'early' date. At No. 10 in our group John Davies and I did most of the talking. We both strongly urged Ted to face up to the fact that we could not have the unions flouting the law and the policies of a democratically elected Government in this way. We should have an early election and fight unashamedly on the issue of 'Who governs Britain?' Ted said very little. He seemed to have asked us in for form's sake, rather than anything else. I gathered that he did not agree, though he did not say as much. I went away feeling depressed. I still believe that if he had gone to the country earlier we would have scraped in, because we might have been able to focus the campaign on the issue of trade union power.

On Thursday 24 January Cabinet met twice. Peter Carrington,

now both Secretary of State for Energy and Party Chairman, urged some relaxation of the power restrictions. But many of us were worried about any such move, for the reasons I have outlined earlier. The second meeting of the day, held in the evening, took place after the NUM Executive had decided on a strike ballot. This more or less tipped the balance in favour of caution, though there was some minor easing of restrictions. It seemed likely to me that there would be a sufficient vote for a strike, and in this case that a general election campaign would follow.

The following Wednesday, 30 January, with the ballot still pending, an emergency Cabinet was called. Ted told us that the Pay Board's report on relativities had now been received. The question was whether we should accept the report and set up new machinery to investigate 'relativities' claims. The miners had always claimed to be demanding an improvement in their relative pay – hence their rejection of Ted's 'unsocial hours' provision, which applied to *all* shift workers. The Pay Board report might provide a basis for them to settle within the incomes policy – all the more so because it specifically endorsed the idea that changes in the relative importance of an industry due to 'external events' could also be taken into account when deciding pay. The rapidly rising price of oil was just such an 'external event'.

We felt that the Government had no choice but to set up the relativities machinery. Not to do so – having commissioned the relativities report in the first place – would make it seem as if we were actively trying to prevent a settlement with the miners. And with an election now likely we had to consider public opinion at every step.

But there were important tactical questions as to how we did this. We could demand that the TUC accept the principle of pay policy as a condition. We could require that the miners go back to work and accept the NCB's existing offer while the Pay Board undertook its inquiry. These were not unreasonable conditions in the circumstances, but they were very unlikely to be acceptable to either the TUC or the NUM.

Ted and a group of ministers had drafted a letter to the TUC and CBI that made the reference conditional on the miners accepting the existing NCB offer and returning to work. The letter

invited the TUC and the CBI for talks. I suspect that Ted was less than happy with this tough draft. In his heart of hearts he wanted a settlement and up to the very last moment believed he could achieve it. But by this stage even some of his closest friends in Cabinet wanted to bring matters to a head with the miners. The split within the inner circle of the Government had already been exposed on the issue of an early election: I assumed that the same divisions existed in the group which drafted the letter.

In the end Cabinet watered down the contents of the letter, removing the condition that the miners accept the NCB offer and attaching no strings to the proposal that the TUC meet ministers for talks. The letter was published. When we met again the following day there was a general feeling that the press coverage had been good and that we had regained some of the initiative lost over the TUC offer earlier in the month. But in practice we were committed now to accepting the relativities machinery and any offer that it might come up with. There was no hiding the fact that the miners were likely to win a large increase. If we went ahead and held an election, the prospect was that we would face another Wilberforce immediately afterwards. At the time it made tactical sense. But looking back I have to believe that others were preparing the ground to buy the miners off.

An election became all but certain when, on Tuesday 5 February, we learned that 81 per cent of those voting in the NUM ballot had supported a strike. Election speculation reached fever pitch from which there was no going back. I suspect none of us was surprised when Ted told us at Cabinet two days later that he had decided to go to the country. The general election would take place on Thursday 28 February – that is, as soon as possible.

Willie proposed formally to refer the miners' claim to the Pay Board for a relativities study. He couched his argument for this course entirely in terms of its giving us something to say during the election in reply to the inevitable question: How will you solve the miners' dispute if you win? Cabinet then made the fateful decision to agree to Willie's proposal.

Because of the emergency nature of the election, I had not been involved in the early drafts of even the education section of the manifesto, which was now published within days. There was little

new to say, though the record was set out. In any case, the dominant theme of the document – the need for firm and fair government at a time of crisis – was clear and stark. The main new pledge was to change the system whereby Social Security benefits were paid to strikers' families. Apart from the questions of inflation and trade union power, the mortgage rate of 11 per cent created political difficulties for us. Naturally, I was mainly questioned about education matters, as when Willie Whitelaw and I joined Robin Day on *Election Call* in the course of the campaign. But in answer to one questioner I set out my strongly held views on a coalition government: 'I think it's a false assumption that if you get a government of all the best brains, the best brains will agree what to do. You can get two experts on anything and they will not in fact agree on what the solution is . . . You have in a coalition government to drop many of your own beliefs.'

This statement was to be unexpectedly relevant to the period after the election when the Conservative leadership, licking its wounds and seeking some new vehicle to carry it back to power, was attracted by the notion of a 'Government of National Unity'. I might also have added that if you have no beliefs, or if you have already abandoned them, 'Government of National Unity' has rather more attractions.

During most of the campaign I was reasonably confident that we would win. Conservative supporters who had been alienated by the U-turns started drifting back to us. Indeed, their very frustrations at what they saw as our past weaknesses made them all the more determined to back us now that we had decided, as they saw it, to stand up to trade union militancy. Harold Wilson set out Labour's approach in the context of a 'social contract' with the unions. Those who longed for a quiet life could be expected to be seduced by that. But I felt that if we could stick to the central issue summed up by the phrase 'Who governs?' we would win the argument, and with it the election.

I felt victory – almost tangibly – slip away from us in the last week. I just could not believe it when I heard on the radio of the leak of evidence taken by the Pay Board which purported to show that the miners could have been paid more within Stage 3, with the implication that the whole general election was unnecessary.

The Government's attempts to deny this – and there did indeed turn out to have been a miscalculation – were stumbling and failed to carry conviction. We had become caught up in the complexities of pay policy and finally been strangled by them. From now on it was relentlessly downhill.

Two days later, Enoch Powell urged people to vote Labour in order to secure a referendum on the Common Market. I could understand the logic of his position, which was that membership of the Common Market had abrogated British sovereignty and that the supreme issue in politics was therefore how to restore it. But what shocked me was his manner of doing it – announcing only on the day the election was called that he would not be contesting his Wolverhampton seat and then dropping this bombshell at the end of the campaign. It seemed to me that to betray one's local supporters and constituency workers in this way was heartless. I suspect that Enoch's decision in February 1974, like his earlier intervention in 1970, had a crucial effect.

Then three days later there was another blow. Campbell Adamson, the Director General of the CBI, publicly called for the repeal of the Industrial Relations Act. It was all too typical of the way in which Britain's industrial leaders were full of bravado before battle was joined, but lacked the stomach for a fight. I must admit, though, that our own interventionist policies had hardly encouraged British businessmen and managers to accept the risks and responsibilities of freedom.

Partly because of these developments, but partly too no doubt because it was bound to be difficult to focus on just one issue for a three-week campaign, we lost our momentum. I still thought that we might possibly win, but I was aware of a slackening of enthusiasm for our cause and confusion about our objectives. I also knew from the opinion polls and soundings in my own constituency that the Liberals were posing a serious threat. So by polling day my optimism had been replaced by unease.

That sentiment grew as I heard from Finchley and elsewhere around the country of a surprisingly heavy turn-out of voters to the polls that morning. I would have liked to think that these were all angry Conservatives, coming out to demonstrate their refusal to be blackmailed by trade union power. But it seemed more likely

that they were voters from the Labour-dominated council estates who had come out to teach the Tories a lesson. I was glad to be wearing a spray of blue flowers in my buttonhole instead of the usual paper rosette. They had been given me by Mark and they stayed fresh all day, helping to keep up my spirits.

The results themselves quickly showed that we had nothing to be cheerful about. We lost thirty-three seats. It would be a hung Parliament. Labour had become the largest party with 301 seats – seventeen short of a majority; we were down to 296, though with a slightly higher percentage of the vote than Labour; the Liberals had gained almost 20 per cent of the vote with fourteen seats, and smaller parties, including the Ulster Unionists, held twenty-three. My own majority in Finchley was down from 11,000 to 6,000, though some of that decline was the result of boundary changes in the constituency.

I was upset at the result. We had finally squared up to the unions and the people had not supported us. Moreover, I had enjoyed my time as Education Secretary, or most of it. I would miss the workload and the decisions, and of course the conveniences like the ministerial car: from now on I would be driving myself around once more in my Vauxhall Viva. At least the painful process of clearing out desks and cupboards full of personal belongings was largely spared me. I had never taken much personal clutter to the DES in any case and, prudently, I had brought most of what there was back home at the start of the campaign and popped into the office to sign urgent letters when in central London. I could make a more or less clean break.

On Friday afternoon we met, a tired and downcast fag-end of a Cabinet, to be asked by Ted Heath for our reactions as to what should now be done. There were a number of options. Ted could advise the Queen to send for Harold Wilson as the leader of the largest single party. Or the Government could face Parliament and see whether it could command support for its programme. Or he could try to do a deal with the smaller parties for a programme designed to cope with the nation's immediate difficulties. Having alienated the Ulster Unionists through our Northern Ireland policy, this in effect meant a deal with the Liberals – though even that would not have given us a majority. There was little doubt

from the way Ted spoke that this was the course he favoured. We argued in circles about these possibilities.

My own instinctive feeling was that the party with the largest number of seats in the House of Commons was justified in expecting that they would be called to try to form a government. But Ted argued that with the Conservatives having won the largest number of votes, he was duty bound to explore the possibility of coalition. So he offered the Liberal Leader Jeremy Thorpe a place in a coalition Government and promised a Speaker's conference on electoral reform. Thorpe went away to consult his party. Although I wanted to remain Secretary of State for Education, I did not want to do so at the expense of the Conservative Party's never forming a majority government again. Yet that is what the introduction of proportional representation, which the Liberals would be demanding, might amount to. I was also conscious that this horse-trading was making us look ridiculous. The British dislike nothing more than a bad loser. It was time to go.

When we met again on Monday morning Ted gave us a full account of his discussions with the Liberals. They had in any case not been willing to go along with what Jeremy Thorpe wanted. A formal reply from him was still awaited. But it now seemed almost certain that Ted would have to tender his resignation. The final Cabinet was held at 4.45 that afternoon. By now Jeremy Thorpe's reply had been received. From what Ted said, there were clues that his mind was already turning to the idea of a National Government of all parties, something which would increasingly attract him. It did not, of course, attract me at all. In any case, the Liberals were not going to join a coalition Government with us. There was nothing more to say.

I left Downing Street, sad but with some sense of relief. I had given little thought to the future. But I knew in my heart that it was time not just for a change in government but for a change in the Conservative Party.

## CHAPTER VIII

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## Seizing the Moment

*The October 1974 general election and the campaign  
for the Tory Leadership*

### THE 9½ PER CENT SOLUTION

It is never easy to go from government to opposition. But for several reasons it was particularly problematical for the Conservatives led by Ted Heath. First, of course, we had up until almost the last moment expected to win. Whatever the shortcomings of our Government's economic strategy, every department had its own policy programme stretching well into the future. This now had to be abandoned for the rigours of Opposition. Secondly, Ted himself desperately wanted to continue as Prime Minister. He had been unceremoniously ejected from 10 Downing Street and for some months had to take refuge in the flat of his old friend and PPS Tim Kitson, having no home of his own – from which years later I drew the resolution that when my time came to depart I would at least have a house to go to. Ted's passionate desire to return as Prime Minister lay behind much of the talk of coalitions and Governments of National Unity which came to disquiet the Party, though doubtless there was a measure of genuine conviction as well. Indeed, the more that the Tory Party moved away from Ted's own vision, the more he wanted to see it tamed by coalition. Thirdly, and worst of all perhaps, the poisoned legacy of our U-turns was that we had no firm principles, let alone much of a record, on which to base our arguments. And in Opposition argument is everything.

For my part, I was glad that Ted did not ask me to cover my old department at Education but gave me the Environment portfolio

instead. I had learned during our previous period in Opposition in the 1960s that there are difficulties in attacking proposals many of which will have been in some stage of gestation within one's own department. Moreover, I was convinced from my own soundings in the course of the general election campaign that both rates and housing – particularly the latter – were issues which had contributed to our defeat. The task of devising and presenting sound and popular policies in these areas appealed to me.

There were rumblings about Ted's own position, though that is what they largely remained. This was partly because most of us expected an early general election to be called in order to give Labour a working majority, and it hardly seemed sensible to change leaders now. But there were other reasons as well. Ted still inspired nervousness, even fear among many of his colleagues. In a sense, even the U-turns contributed to the aura around him. For he had single-handedly and with barely a publicly expressed murmur of dissent reversed Conservative policies and had gone far, with his lieutenants, in reshaping the Conservative Party. Paradoxically too, both those committed to Ted's approach and those – like Keith and me and many on the backbenches – who thought very differently agreed that the vote-buying policies which the Labour Party was now pursuing would inevitably lead to economic collapse. Just what the political consequences of that would be was uncertain. But there were many Tory wishful thinkers who thought that it might result in the Conservative Party somehow returning to power with a 'doctor's mandate'. And Ted had no doubt of his own medical credentials.

He did not, though, make the concessions to his critics in the Party which would have been required. He might have provided effectively against future threats to his position if he had changed his approach in a number of ways. He might have shown at least some willingness to admit and learn from the Government's mistakes. He might have invited talented backbench critics to join him as Shadow spokesmen and contribute to the rethinking of policy. He might have changed the overall complexion of the Shadow Cabinet to make it more representative of parliamentary opinion.

But he did none of these things. He replaced Tony Barber – who



announced that he intended to leave the Commons though he would stay on for the present in the Shadow Cabinet without portfolio – with Robert Carr, who was even more committed to the interventionist approach that had got us into so much trouble. He promoted to the Shadow Cabinet during the year those MPs like Michael Heseltine and Paul Channon who were seen as his acolytes, and were unrepresentative of backbench opinion of the time. Only John Davies and Joe Godber, neither of whom was ideologically distinct, were dropped. Above all, he set his face against any policy rethinking that would imply that his Government's economic and industrial policy had been seriously flawed. When Keith Joseph was not made Shadow Chancellor, he said he wanted no portfolio but rather to concentrate on research for new policies – something which would prove as dangerous to Ted as it was fruitful for the Party. Otherwise, these were depressing signals of 'more of the same' when the electorate had clearly demonstrated a desire for something different. Added to this, the important Steering Committee of Shadow Ministers was formed even more in Ted's image. I was not at this stage invited to join it, and of its members only Keith and perhaps Geoffrey Howe were likely to oppose Ted's wishes.

With everyone expecting another election before the end of the year – October being the favoured date – the Tory Party entered on an almost frantic search for attractive policies to be deployed in our next manifesto. These had to meet two criteria: they had to be novel, and they had to cast no doubt on the underlying correctness of the recent Conservative Government's policies. I added a third complication: as far as my area of responsibility was concerned, the new policies also had to be recognisably Conservative. Meeting all these criteria involved us in some extremely testing acrobatics.

Between the February and October 1974 elections most of my time was taken up with work on housing and the rates. I had an effective housing policy group of MPs working with me. Hugh Rossi, a friend and neighbouring MP, was a great housing expert, with experience of local government. Michael Latham and John Stanley were well versed in the building industry. The brilliant Nigel Lawson, newly elected, always had his own ideas. We also

had the help of people from the building societies and construction industry. It was a lively group which I enjoyed chairing.

The political priority was clearly lower mortgage rates. The technical problem was how to achieve these without open-ended subsidy. Of course, the purist view would be that artificially controlling the price of borrowing for house purchase was bound to be counter-productive. And in this matter the purist, as so often, was right. If we had pursued a responsible economic policy there would have been no boom and bust of property prices, and rising inflation would not have driven up mortgage rates. Policies providing for sound money and the release of sufficient quantities of development land are the proper way to ensure an orderly housing market. But of course we had not pursued policies of that sort. And Labour was already embarking on a vendetta against property development. In these circumstances, holding the mortgage rate down below the level the market – or more precisely the building societies – would otherwise have set made short-term political sense. In Government we had introduced a mortgage subsidy, and there had even been talk of taking powers to control the mortgage rate. The Labour Government quickly came up with its own scheme devised by Harold Lever to make large cheap short-term loans to the building societies. Our task was to devise something more attractive.

As well as having an eye for a politically attractive policy, I had reasons of conviction for action on the mortgage rate and for the other measures we devised to help homebuyers. I had always believed in a property-owning democracy and wider home ownership. At this point too, I was acutely aware of how much the middle classes were suffering. Because of the inflation which we and the Labour Party had conspired to create, the value of people's savings had been eroded by negative real interest rates. On top of that, by 1974 house values had slumped. So had the stock market: the FT Ordinary Share index went down to 146, the lowest level for twenty years. Trade union power and left-wing socialism were in the ascendant. Tax increases were bearing down on businesses and people.

In such circumstances, it can be right to make modest temporary provision for the interests of the middle classes of a country on whom future prosperity largely depends. Moreover, it is cheaper

to assist people to buy homes with a mortgage – whether by a subsidized mortgage rate, or by help with the deposit, or just by mortgage interest tax relief – than it is to build more council houses or to buy up private houses through municipalization. I used to quote the results of a Housing Research Foundation study which observed: ‘On average each new council house now costs roughly £900 a year in subsidy in taxes and rates (including the subsidy from very old council houses) . . . Tax relief on an ordinary mortgage, if this be regarded as a subsidy, averages about £280 a year.’

My housing policy group met regularly on Mondays. Housing experts and representatives from the building societies gave their advice. I reported from time to time to Shadow Cabinet where, in the absence of real agreement on economic policy or much constructive thinking on anything else, attention focused heavily on my areas of responsibility. It was clear to me that Ted and others were determined to make our proposals on housing and possibly rates the centrepiece of the next election campaign, which we expected sooner rather than later. For example, at the Shadow Cabinet on Friday 3 May we had an all-day discussion of policies for the manifesto. I reported on housing and was authorized to set up a rates policy group. But this meeting was more significant for another reason. At it Keith Joseph argued at length but in vain for a broadly ‘monetarist’ approach to dealing with inflation.

The question of the rates was a far more difficult one than any aspect of housing policy, and I had a slightly different group to help me. There was a huge amount of technical information to master. Moreover, reform, let alone abolition, of the rates had profound implications for the relations between central and local government and for the different local authority services, particularly education. I drew on the advice of the experts – municipal treasurers proved the best source, and gave readily of their technical advice. But working as I was under tight pressure of time and close scrutiny by Ted and others who expected me to deliver something radical, popular and defensible, my task was not an easy one.

That said, I could well understand how much was at stake politically. For example, on Tuesday 21 May I met 350 protesters from Northamptonshire – one from every town and village in the county

– who were furious about rate rises of between 30 and 100 per cent. Several factors combined to raise the issue to such political prominence: there was the basic unfairness of a system which taxed a single widow at the same rate as a family with three grown-up working sons; our own rating revaluation in 1973 had led to inordinate rate rises;\* and, more recently, Labour’s rate support grant settlement had treated the rural shire counties particularly harshly. There was, in short, on the rates issue as on housing, a full-scale middle-class anti-socialist revolt, and it was essential that it be harnessed, not dissipated. This I was determined to do.

The housing policy group had already held its seventh meeting and our proposals were well developed by the time the rates group started work on 10 June. I knew Ted and his advisers wanted a firm promise that we would abolish the rates. But I was loath to make such a pledge until we were clear about what to put in their place. Anyway, if there was to be an autumn election, there was by now little chance of doing more than finding a sustainable line to take in the manifesto.

Meanwhile, throughout that summer of 1974 I received far more publicity than I had ever previously experienced, mainly as a result of our housing policy. Some of this was inadvertent. The interim report of the housing policy group which I circulated to Shadow Cabinet appeared on the front page of *The Times* on Monday 24 June. On the previous Friday Shadow Cabinet had spent the morning discussing the fourth draft of the manifesto. By now the main lines of my proposed housing policy were agreed. The mortgage rate would be held down to some unspecified level by cutting the composite rate of tax paid by building societies on depositors’ accounts, in other words by subsidy disguised as tax relief. A grant would be given to first-time buyers saving for a deposit, though again no figure was specified. There would be a high-powered inquiry into building societies; this was an idea I modelled on the James Inquiry into teachers’ training. I hoped it might produce a long-term answer to the problem of high mortgage rates and yet save us from an open-ended subsidy.

The final point related to the right of tenants to buy their council

\* A property revaluation was due every five years, but was often postponed.

houses. Of all our proposals this was to prove the most far-reaching and the most popular. The February 1974 manifesto had offered council tenants the chance to buy their houses, but retained a right of appeal for the council against sale, and had not offered a discount. We all wanted to go further than this; the question was how far. Peter Walker constantly pressed for the 'Right to Buy' to be extended to council tenants at the lowest possible prices. My instinct was on the side of caution. It was not that I underrated the benefits of wider property ownership. Rather, I was wary of alienating the already hard-pressed families who had scrimped to buy a house on one of the new private estates at the market price and who had seen the mortgage rate rise and the value of their house fall. These people were the bedrock Conservative voters for whom I felt a natural sympathy. They would, I feared, strongly object to council house tenants who had made none of their sacrifices suddenly receiving what was in effect a large capital sum from the Government. We might end up losing more support than we gained. In retrospect, this argument seems both narrow and unimaginative. And it was. But there was a lot to be said politically for it in 1974 at a time when the value of people's houses had slumped so catastrophically.

In the event, we went a long way in Peter's direction. The October 1974 manifesto offered council tenants who had been in their homes for three years or more the right to buy them at a price a third below market value. If the tenant sold again within five years he would surrender part of any capital gain. Also by the time the manifesto reached its final draft we had quantified the help to be given to first-time buyers of private houses and flats. We would contribute £1 for every £2 saved for the deposit up to a given ceiling. (We ducked the question of rent decontrol.)

It was, however, the question of how low a maximum mortgage interest rate we would promise in the manifesto that caused me most trouble. Although, for the reasons I have already outlined, I had convinced myself that some kind of pledge in this area was justified, I was very aware of how the cost to the Exchequer might escalate alarmingly if inflation and interest rates kept on rising. Ted and those around him seemed to entertain no such caution. On Thursday 1 August he summoned me back from Lamberhurst

for a meeting at his new house in Wilton Street with Peter Walker, Ian Gilmour and Robert Carr. I was put under great pressure to go beyond the phrase which had by now been agreed for the manifesto of pegging the mortgage rate at a 'reasonable' level. Ted and the others wanted a specific figure. I argued strongly against, but in the end I had to concede a pledge that we would hold the rate 'below 10 per cent'. Beyond that, I did not agree to a specific figure. I hoped it would be the end of the matter.

But when I was in the car on the way from London to Tonbridge on Wednesday 28 August in order to record a Party Political Broadcast the bleeper signalled that I must telephone urgently. Ted apparently wanted a word. Willie Whitelaw answered the phone and it was clear that the two of them, and doubtless others of the inner circle, were meeting. Ted came on the line. He asked me to announce on the PPB the precise figure to which we would hold down mortgages, and to take it down as low as I could. I said I could understand the psychological point about going below 10 per cent. That need could be satisfied by a figure of 9½ per cent, and in all conscience I could not take it down any further. To do so would have a touch of rashness about it. I was already worried about the cost. I did not like this tendency to pull figures out of the air for immediate political impact without proper consideration of where they would lead. So I stuck at 9½ per cent.

It was a similar story on the rates. When we had discussed the subject at our Shadow Cabinet meeting on Friday 21 June I had tried to avoid any firm pledge. I suggested that our line should be one of reform to be established on an all-party basis through a Select Committee. I was the first to admit that this was not likely to set the world on fire. But even more than housing, this was not an area in which precipitate pledges were sensible. Ted would have none of this and said I should think again. The need for something clearer was indeed demonstrated by the Commons debate on the rates a few days later. We called for fundamental reform, some interim rate relief and a provision that water charges should qualify for rate rebate. In my speech I also argued for central government having the power to cap local government spending and then for a general inquiry into the rates. But though I emerged with my reputation as a parliamentarian intact, Tony Crosland, the

Environment Secretary, arguing for an increased central government subsidy to local authorities without major reform of the system, was generally thought to have had the better of the debate. His victory was pyrrhic. For increased subsidies led not to lower rates but to higher local spending. Within a year Mr Crosland was announcing sternly: 'The party is over.'

In July Charles Bellairs at the Conservative Research Department and I worked on a draft rates section for the manifesto. We were still thinking in terms of an inquiry and an interim rate relief scheme. I went along to discuss our proposals at the Shadow Cabinet Steering Committee. I argued for the transfer of teachers' salaries – the largest item of local spending – from local government onto the Exchequer. Another possibility I raised was the replacement of rates with a system of block grants, with local authorities retaining discretion over spending but within a total set by central government. Neither of these possibilities was particularly attractive. But at least discussion revealed to those present that 'doing something' about the rates was a very different matter from knowing what to do.

On Saturday 10 August I used my speech to the Candidates' Conference at the St Stephen's Club to publicize our policies. I argued for total reform of the rating system to take into account individual ability to pay, and suggested the transfer of teachers' salaries and better interim relief as ways to achieve this. It was a good time of the year – a slack period for news – to unveil new proposals, and we gained some favourable publicity.

It seemed to me that this proved that we could fight a successful campaign *without* being more specific; indeed, looking back, I can see that we were *already* a good deal too specific because, as I was to discover fifteen years later, such measures as transferring the cost of services from local to central government do not in themselves lead to lower local authority rates.

I had hoped to have a pleasant family holiday at Lamberhurst away from the sticky heat of London and the demands of politics. It would have been the first for three years. It was not to be. The telephone kept ringing, with Ted and others urging me to give more thought to new schemes. Then I was called back for another meeting at Wilton Street on Friday 16 August. Ted, Robert Carr,

Jim Prior, Willie Whitelaw and Michael Wolff from Central Office were all there. It was soon clear what the purpose was – to bludgeon me into accepting a commitment in the manifesto to abolish the rates altogether within the lifetime of a Parliament. I argued against this for very much the same reason that I argued against the '9½ per cent' pledge on the mortgage rate. But so shell-shocked by their unexpected defeat in February were Ted and his inner circle that in their desire for re-election they were clutching at straws, or what in the jargon were described as manifesto 'nuggets'.

There were various ways to raise revenue for expenditure on local purposes. We were all uneasy about moving to a system whereby central government just provided block grants to local government. So I had told Shadow Cabinet that I thought a reformed property tax seemed to be the least painful option. But in the back of my mind I had the additional idea of supplementing the property tax with a locally collected tax on petrol. Of course, there were plenty of objections to both, but at least they were better than putting up income tax.

In any case, what mattered to my colleagues was clearly the pledge to abolish the rates, and at Wilton Street Ted insisted on it. I felt bruised and resentful to be bounced again into policies which had not been properly thought out. But I thought that if I combined caution on the details with as much presentational bravura as I could muster I could make our rates and housing policies into vote-winners for the Party. This I now concentrated my mind on doing.

It was at a press conference on the afternoon of Wednesday 28 August that I unveiled our final proposals. I delivered the package of measures – built around 9½ per cent mortgages and the abolition of the rates – without a scintilla of doubt, which as veteran *Evening Standard* reporter Robert Carvel said, 'went down with hardened reporters almost as well as the sherry' served by Central Office. We dominated the news. It was by general consent the best fillip the Party had had since losing the February election. There was even some talk of the Conservatives being back in the lead in the opinion polls, though this was over-optimistic. The Building Societies' Association welcomed the proposals for 9½ per cent mortgages but questioned my figures about the cost. In fact, as I

indignantly told them, it was their sums which were wrong and they subsequently retracted. Some on the economic right were understandably critical, but among the grassroots Conservatives that we had to win back the mortgage proposal was extremely popular. So too was the pledge on the rates. The Labour Party was rattled and unusually the party-giving Tony Crosland was provoked into overreaction, describing the proposals as 'Margaret's midsummer madness'. All this publicity was good for me personally as well. Although I was not to know it at the time, this period up to and during the October 1974 election campaign allowed me to make a favourable impact on Conservatives in the country and in Parliament without which my future career would doubtless have been very different.

#### FIRST SECOND THOUGHTS

Although it was my responsibilities as Environment spokesman which took up most of my time and energy, from late June I had become part of another enterprise which would have profound consequences for the Conservative Party, for the country and for me. The setting-up of the Centre for Policy Studies (CPS) is really part of Keith Joseph's story rather than mine. Keith had emerged from the wreckage of the Heath Government determined on the need to rethink our policies from first principles. If this was to be done, Keith was the ideal man to do it. He had the intellect, the integrity and not least the humility required. He had a deep interest in both economic and social policy. He had long experience of government. He had an extraordinary ability to form relationships of friendship and respect with a wide range of characters with different viewpoints and backgrounds. Although he could, when he felt strongly, speak passionately and persuasively, it was as a listener that he excelled. Moreover, Keith never listened passively. He probed arguments and assertions and scribbled notes which you knew he would go home to ponder. He was so impressive because his intellectual self-confidence was the fruit of continual self-questioning. His bravery in adopting unpopular positions

before a hostile audience evoked the admiration of his friends, because we all knew that he was naturally shy and even timid. He was almost too good a man for politics, except that without a few good men politics would be intolerable.

I could not have become Leader of the Opposition, or achieved what I did as Prime Minister, without Keith. But nor, it is fair to say, could Keith have achieved what he did without the Centre for Policy Studies and Alfred Sherman. Apart from the fact of their being Jewish, Alfred and Keith had little in common, and until one saw how effectively they worked together it was difficult to believe that they could cooperate at all.

I understand that Keith and Alfred first met in 1962 when Keith was Housing Minister and Alfred covered local government matters at the *Daily Telegraph*. From time to time they were in touch, and then after a discussion at the Reform Club Keith asked Alfred's thoughts about a speech draft he had with him. From then on Keith took to asking for Alfred's suggestions. During the early years of the Heath Government they had less contact, but it was during the three-day week that Keith met Alfred to discuss the Middle East, on which Alfred was something of an expert, writing for the main Hebrew-language daily in Israel.

Alfred had his own kind of brilliance. He brought his convert's zeal (as an ex-communist), his breadth of reading and his skills as a ruthless polemicist to the task of plotting out a new kind of free-market Conservatism. He was more interested, it seemed to me, in the philosophy behind policies than the policies themselves. He was better at pulling apart sloppily constructed arguments than at devising original proposals. But the force and clarity of his mind, and his complete disregard for other people's feelings or opinion of him, made him a formidable complement and contrast to Keith. Alfred helped Keith to turn the Centre for Policy Studies into the powerhouse of alternative Conservative thinking on economic and social matters.

I was not involved at the beginning, though I gathered from Keith that he was thinking hard about how to turn his Shadow Cabinet responsibilities for research on policy into constructive channels. In March Keith had won Ted's approval for the setting-up of a research unit to make comparative studies with other

European economies, particularly the so-called 'social market economy' as practised in West Germany. Ted had Adam Ridley put on the board of directors of the CPS (Adam acted as his economic adviser from within the Conservative Research Department), but otherwise Keith was left very much to his own devices. Nigel Vinson, a successful entrepreneur with strong free-enterprise convictions, was made responsible for acquiring a home for the Centre, which was found in Wilfred Street, close to Victoria. Simon Webley, who ran the British/North American Research Association, ensured that the Centre's publications never forgot the realities of industry and commerce amid the economic theories. Later in 1974 Gerry Frost, the present Director, also joined the CPS and established some administrative order out of what might have been a chaos of intellectuals. Other figures who made crucial contributions from time to time were Jock Bruce-Gardyne and Peter Utley. A further reason for the Centre's success was the dedication of secretaries and cooks who twice a week provided some of the best low-cost meals in London. (Perhaps not always low-cost: Gerry Frost once complained in a memo: 'We seem to be bent on disproving the dictum that there is no such thing as a free lunch.') Increasingly, the CPS acted as a focus for a large group of free-market thinkers, by no means all of them Conservative, who sought to change the climate of opinion and achieve wider understanding of the role of the market and the shortcomings of statism.

It was at the end of May 1974 that I first became directly involved with the CPS. Whether Keith ever considered asking any other members of the Shadow Cabinet to join him at the Centre I do not know: if he had they certainly did not accept. His was a risky, exposed position, and the fear of provoking the wrath of Ted and the derision of left-wing commentators was a powerful disincentive. But I jumped at the chance to become Keith's Vice-Chairman.

The CPS was the least bureaucratic of institutions. It could not properly be called a 'think tank' for it had none of the corporate grandeur of the prestigious American foundations which that term evokes. Alfred Sherman has caught the feel of it by saying that it was an 'animator, agent of change, and political enzyme'. The original proposed social market approach did not prove particularly

fruitful and was eventually quietly forgotten, though a pamphlet called *Why Britain Needs a Social Market Economy* was published. The concept of the social market was – like other terms of foreign provenance too literally translated – bedevilled with problems. How much was it simply a matter of restating the truth that only a successful market economy can sustain social improvement? How much did it signify a market economy with a high degree of 'social protection', i.e. regulation? Even its most prominent exponent, West German Chancellor Ludwig Erhard, apparently had his doubts about the way it was being implemented in later years.

What the Centre then developed was the drive to expose the follies and self-defeating consequences of government intervention. It continued to engage the political argument in open debate at the highest intellectual level. The objective was to effect change – change in the climate of opinion and so in the limits of the 'possible'. In order to do this it had, to employ another of Alfred's phrases, to 'think the unthinkable'. It was not long before more than a few feathers began to be ruffled by that approach.

Keith had decided that he would make a series of speeches over the summer and autumn of 1974 in which he would set out the alternative analysis of what had gone wrong and what should be done. The first of these, which was also intended to attract interest among potential fund-raisers, was delivered at Upminster on Saturday 22 June. Alfred was the main draftsman. But as with all Keith's speeches – except the fateful Edgbaston speech which I shall describe shortly – he circulated endless drafts for comment. All the observations received were carefully considered and the language pared down to remove every surplus word. Keith's speeches always put rigour of analysis and exactitude of language above style, but taken as a whole they managed to be powerful rhetorical instruments as well.

The Upminster speech infuriated Ted and the Party establishment because Keith lumped in together the mistakes of Conservative and Labour Governments, talking about the 'thirty years of socialistic fashions'. The last time anyone had been bold enough to speak like this was when Hayek wrote *The Road to Serfdom* in 1944. Keith pre-empted the criticism which would inevitably be levelled at him by accepting now and later his full share of the

blame for what had gone wrong. One after the other he led the sacred cows to the abattoir. He said of the frantic pursuit of economic growth: 'Growth is welcome, but we just do not know how to accelerate its pace. Perhaps faster growth, like happiness, should not be a prime target but only a by-product of other policies.'

He said bluntly that the public sector had been 'draining away the wealth created by the private sector', and challenged the value of public 'investment' in tourism and the expansion of the universities. He condemned the socialist vendetta against profits and noted the damage done by rent controls and council housing to labour mobility. Finally – and, in the eyes of the advocates of consensus, unforgivably – he talked about the 'inherent contradictions [of the] . . . mixed economy'. It was a short speech but it had a mighty impact, not least because people knew that there was more to come.

A distinctive feature of Keith's approach was that he went out of his way to avoid suggesting that malice had prompted the excessive state spending, nationalization, regulation, taxation and trade union power which had done so much harm to Britain. On the contrary, he argued, all this had occurred with the best of intentions. Perhaps in this he was over-generous, attributing his own high-mindedness to others. But the patent sincerity and charity which accompanied his devastating criticism of the politics of the last thirty years increased the effect. He returned to the same theme at Leith in August, by which time I was myself more actively involved in the CPS, attending Keith's meetings, commenting on his suggestions and preparing my own notes and papers on the areas of education and social services which I knew best.

From Keith and Alfred I learned a great deal. I renewed my reading of the seminal works of liberal economics and conservative thought. I also regularly attended lunches at the Institute of Economic Affairs where Ralph Harris, Arthur Seldon, Alan Walters and others – in other words all those who had been right when we in Government had gone so badly wrong – were busy marking out a new non-socialist economic and social path for Britain. I lunched from time to time with Professor Douglas Hague, the economist, who would later act as one of my unofficial economic advisers.

At about this time I also made the acquaintance of a polished and amusing former television producer called Gordon Reece, who

was advising the Party on television appearances and who had, it seemed to me, an almost uncanny insight into that medium. In fact, by the eve of the October 1974 general election I had made a significant number of contacts with those on whom I would come to rely so heavily during my years as Party Leader.

The third of Keith's troika of policy speeches was delivered in Preston on Thursday 5 September (by which time he was Shadow Home Secretary). After some early inconclusive discussion in Shadow Cabinet of Keith's various ideas, Ted had refused the general economic re-evaluation and discussion which Keith wanted. Keith decided that he was not prepared to be either stifled or ignored, and gave notice that he was intending to make a major speech on economic policy. Ted and most of our colleagues were desperate to prevent this. Geoffrey Howe and I, as the two members of Shadow Cabinet considered most likely to be able to influence Keith, were accordingly dispatched to try to persuade him not to go ahead, or at least to tone down what he intended to say. In any case, Keith showed me an early draft. It was one of the most powerful and persuasive analyses I have ever read. I made no suggestions for changes. Nor, as far as I know, did Geoffrey. The Preston speech must still be considered as one of the very few speeches which have fundamentally affected a political generation's way of thinking.

It set out in much greater detail than ever before the monetarist approach. It began with the sombre statement: 'Inflation is threatening to destroy our society.' At most times this would have seemed hyperbole, but at this time, with inflation at 17 per cent and rising, people were obsessed with its impact on their lives. That only made more explosive Keith's admission that *successive* governments bore the responsibility for allowing it to get such a grip. He rejected the idea embraced by the Shadow Cabinet that inflation had been 'imported' and was the result of rocketing world prices. In fact, it was the result of excessive growth of the money supply. Explaining as he did that there was a time lag of 'many months, or even as much as a year or two' between loose monetary policy and rising inflation, he also implicitly – and of course accurately – blamed the Heath Government for the inflation which was now beginning to take off and which would rise to even more ruinous levels the

following year. He also rejected the use of incomes policy as a means of containing it. The analysis was subtle, detailed and devastating.

Incomes policy alone [the word 'alone' being a minor concession I suppose to the official Shadow Cabinet line] as a way to abate inflation caused by excessive money supply is like trying to stop water coming out of a leaky hose without turning off the tap; if you stop one hole it will find two others . . . But long before this year, we knew all the arguments. We had used them in Opposition in 1966-70. Why then did we try incomes policy again? I suppose that we desperately wanted to believe in it because we were so apprehensive about the alternative: sound money policies.

(Of course I too in my 1968 CPC lecture had accepted the monetarist analysis: so I felt that this applied equally to me.)

Keith then put his finger on the fundamental reason why we had embarked on our disastrous U-turns – fear of unemployment. It had been when registered unemployment rose to one million that the Heath Government's nerve broke. But Keith explained that the unemployment statistics concealed as much as they revealed because they included 'frictional unemployment' – that is, people who were temporarily out of work moving between jobs – and a large number of people who were more or less unemployable for one reason or another. Similarly, there was a large amount of fraudulent unemployment, people who were drawing benefit while earning. In fact, noted Keith, the real problem had been labour shortages, not surpluses. He said that we should be prepared to admit that control of the money supply to beat inflation would temporarily risk some increase in unemployment. But if we wanted to bring down inflation (which itself destroyed jobs, though this was an argument to which Keith and I would subsequently have to return on many occasions), monetary growth had to be curbed. Keith did not argue that if we got the money supply right, everything else would be right. He specifically said that this was not his view. But if we did *not* achieve monetary control we would never be able to achieve any of our other economic objectives.

The Preston speech had a huge impact. It was, of course, highly

embarrassing for Ted and the Party establishment. Some still hoped that a combination of dire warnings about socialism, hints of a National Government and our new policies on mortgages and the rates would see us squeak back into office – an illusion fostered by the fact that on the very day of Keith's speech an opinion poll showed us two points ahead of Labour. The Preston speech blew this strategy out of the water, for it was clear that the kind of reassessment Keith was advocating was highly unlikely to occur if the Conservatives returned to government with Ted Heath as Prime Minister. Keith himself discreetly decided to spend more time at the CPS in Wilfred Street than at Westminster, where some of his colleagues were furious. For my part, I did not think that there was any serious chance of our winning the election. In the short term I was determined to fight as hard as I could for the policies which it was now my responsibility to defend. In the longer term I was convinced that we must turn the Party around towards Keith's way of thinking, preferably under Keith's leadership.

#### TED'S LAST THROW

The Conservative Party manifesto was published early, on Tuesday 10 September – about a week before the election was announced – because of a leak to the press. I was taken by surprise by a question on it when I was opening the Chelsea Antiques Fair. The release of the manifesto in this way was not a good start to the campaign, particularly because we had so little new to say. It was clear, however, from the course of the Shadow Cabinet two days later, that what was really worrying Ted and his circle was what Keith – and to a lesser extent I – *was* likely to say. Ted laid down the law: we must speak to the manifesto and nothing else, and any amplification of policies must be made only after discussions between the relevant spokesmen, the Party Chairman and himself. Shadow Cabinet members must concentrate particularly on their *own* subjects. No one had the slightest doubt about the target for these remarks.

I was effectively on the campaign trail even before the formal



announcement the following Wednesday of a general election to take place on Thursday 10 October. On Monday I spoke in the north-west for Fergus Montgomery, my splendid PPS (a front-bencher's eyes and ears in the Commons). On Tuesday I was answering questions about our policies at a meeting of the House-builders' Federation. On Wednesday itself I gave an interview to a magazine called *Pre-Retirement Choice*: this was, as I shall explain, to come back to haunt me. On Thursday there was a further general discussion of the campaign in Shadow Cabinet. The following day Parliament was dissolved and the campaign got properly under way with MPs leaving for their constituencies.

I had never had so much exposure to the media as in this campaign. The Labour Party recognized that our housing and rates proposals were just about the only attractive ones in our manifesto, and consequently they set out to rubbish them as soon as possible. On Tuesday 24 September Tony Crosland described them as 'a pack of lies'. (This was the same press conference at which Denis Healey made his notorious claim that inflation was running at 8.4 per cent, calculating the figure on a three-month basis when the annual rate was in fact 17 per cent.) I immediately issued a statement rebutting the accusation, and in order to keep the argument going, for it would highlight our policies, I said at Finchley that evening that the cut in mortgage rates would be among the first actions of a new Conservative Government. Then, in pursuit of the same goal, and having consulted Ted and Robert Carr, the Shadow Chancellor, I announced at the morning press conference at Central Office on Friday that the mortgage rate reduction would occur 'by Christmas' if we won. The main morning papers led with the story the following day - 'Santa Thatcher' - and it was generally said that we had taken the initiative for the first time during the campaign. On the following Monday I described this on a Party Election Broadcast as a 'firm, unshakeable promise'. And the brute political fact was that, despite my reservations about the wisdom of the pledge, we would have had to honour it at almost any cost.

It was at this point that the way in which I was presenting our housing and rates policies first began to run up against the general approach Ted wanted to take in the campaign. At his insistence I had made the policies I was offering as hard and specific as possible.

But the manifesto, particularly in the opening section, deliberately conveyed the impression that the Conservatives might consider some kind of National Government and would therefore be flexible on the policies we were putting forward. The passage read:

The Conservative Party, free from dogma and free from dependence upon any single interest, is broadly based throughout the nation. It is our objective to win a clear majority in the House of Commons in this election. But we will use that majority above all to unite the nation. We will not govern in a narrow partisan spirit. *After the election we will consult and confer with the leaders of other parties and with the leaders of the great interests in the nation, in order to secure for the Government's policies the consent and support of all men and women of goodwill. We will invite people from outside the ranks of our party to join with us in overcoming Britain's difficulties.* [Emphasis added.]

These undefined people who would join the Conservatives in government might include, one presumed, some members of the right wing of the Labour Party and perhaps the Liberals. The latter had all along been openly campaigning for a coalition government. This kind of rhetoric made me deeply uneasy. It was not just that, like Disraeli's England, I did not like coalitions. In practical terms, such talk reduced the credibility of the pledges I was making in my own area. For who could tell what inter-party horse-trading might do to them?

At the Conservative press conference on Friday 2 October Ted stressed his willingness as Prime Minister to bring non-Conservatives into a government of 'all the talents' (party and talent being in this context considered synonyms). This tension between firm pledges and implied flexibilities was in danger of making nonsense of our campaign and dividing Shadow ministers.

We were now entering the last week. I still did not believe we were likely to win. The opinion polls had shown us well behind since the beginning of the campaign. But I felt that in spite of criticism in the heavyweight press my housing and rates policies had proved a political success. I also thought that we might manage

to get by with the present somewhat ambiguous attitude to National Governments for the few days remaining.

On Thursday I continued when campaigning in the London areas with the vigorous defence of our housing policies and combined this with attacks on 'creeping socialism' through municipalization. In the evening I was asked to come and see Ted at Wilton Street. His advisers had apparently been urging him to go further and actually start talking about the possibility of a Coalition Government. Because I was known to be firmly against this for both strategic and tactical reasons, and because I was due to appear on the radio programme *Any Questions* in Southampton the following evening, I had been called in to have the new line spelt out to me. Ted said that he was now prepared to call for a Government of National Unity which, apparently, 'the people' wanted. I was extremely angry. He had himself, after all, insisted on making the housing and rates policies I had been advocating as specific as possible: now at almost the end of the campaign he was effectively discarding the pledges in the manifesto because that seemed to offer a better chance of his returning to Downing Street.

Why, in any case, he imagined that he himself would be a Coalition Government's likely Leader quite escaped me. Ted at this time was a divisive figure, and although he had somehow convinced himself that he represented the 'consensus', this accorded with neither his record, nor his temperament, nor indeed other people's estimation. For myself, I was not going to retreat from the policies which at his insistence I had been advocating. I went away highly disgruntled.

On *Any Questions* I conceded that if there were no clear majority, a coalition would probably be necessary. But I qualified this by saying that I myself could never sit in a government with left wingers like Michael Foot or Tony Benn. I might have added that the likelihood of Keith Joseph and my being included in a coalition of the great and the good was tiny – hardly greater in fact than Ted himself leading it.

The last few days of the campaign were dominated by all the awkward questions which talk of coalitions brings. But I stuck to my own brief, repeating the manifesto pledges sitting alongside Ted Heath at the last Conservative press conference on Tuesday

7 October. The general election result two days later suggested that in spite of the natural desire of electors to give the minority Labour Government a chance to govern effectively, there was still a good deal of distrust of them. Labour finished up with an overall majority of three, which was unlikely to see them through a full term. But the Conservative result – 277 seats compared with Labour's 319 – though it might have been worse, was hardly any kind of endorsement for our approach.

#### KEITH BOWS OUT

I myself had fared quite well, though my majority fell a little in Finchley. I was thought to have had a good campaign. Talk of my even possibly becoming Leader of the Party, a subject which had already excited some journalists a great deal more than it convinced me, started to grow. I felt sorry for Ted Heath personally. He had his music and a small circle of friends, but politics was his life. That year, moreover, he had suffered a series of personal blows. His yacht, *Morning Cloud*, had sunk and his godson had been among those lost. The election defeat was a further blow.

Nonetheless, I had no doubt that Ted now ought to go. He had lost three elections out of four. He himself could not change and he was too defensive of his own past record to see that a fundamental change of policies was needed. So my reluctance to confirm suggestions that I might myself become Leader had little to do with keeping Ted in his present position. It had everything to do with seeing Keith take over from him. Indeed, by the weekend I had virtually become Keith's informal campaign manager. Accordingly I discouraged speculation about my own prospects. For example, I told the London *Evening News* on Friday 11 October: 'You can cross my name off the list.'

Similarly I told the *Evening Standard* on Tuesday 15 October: 'I think it would be extremely difficult for a woman to make it to the top . . . I have always taken the view that to get to the very top one has to have experience in one of the three important posts\*

\* i.e. Foreign Secretary, Chancellor of the Exchequer, Home Secretary.

... they give you confidence in yourself and give others confidence in you.'

Then on Saturday 19 October Keith spoke at Edgbaston in Birmingham. It was not intended as part of the series of major speeches designed to alter the thinking of the Conservative Party, and perhaps for this reason had not been widely circulated among Keith's friends and advisers: certainly, I had no inkling of the text. The Edgbaston speech is generally reckoned to have destroyed Keith's leadership chances. It was the section containing the assertion that 'the balance of our population, our human stock, is threatened', and going on to lament the high and rising proportion of children being born to mothers 'least fitted to bring children into the world', having been 'pregnant in adolescence in social classes 4 and 5', which did the damage. Ironically, the most incendiary phrases came not from Keith's own mouth, but from passages taken from an article by two left-wing sociologists published by the Child Poverty Action Group. This distinction, however, was lost upon the bishops, novelists, academics, socialist politicians and commentators who rushed to denounce Keith as a mad eugenicist.

On the other hand, there was an outpouring of public support for Keith in opinion polls and five bulging mail bags. One of these letters, a sample of which was analysed by Diana Spearman in the *Spectator*, summed up the feeling. In an unlettered hand, it read simply:

Dear Sir Joseph,  
You are dead right.

For, with the exception of those few unfortunate phrases, the speech sent out powerful messages about the decline of the family, the subversion of moral values and the dangers of the permissive society, connecting all these things with socialism and egalitarianism, and proposing the 'remoralization of Britain' as a long-term aim. It was an attempt to provide a backbone for Conservative social policy, just as Keith had started to do for economic policy. The trouble was that the only short-term answer suggested by Keith for the social problems he outlined was making contraceptives more widely available – and that tended to drive away those

who might have been attracted by his larger moral message.

The Edgbaston speech was bound to be dynamite, but it might at least have been a controlled explosion. Unfortunately, that is not how it happened. The speech was due to be given on Saturday night, and so the text was issued in advance with an embargo for media use. But the *Evening Standard*, for whatever reason, broke the embargo and launched a fierce attack on Keith, distorting what he said. I read its version on Waterloo Station and my heart sank. Afterwards Keith himself did not help his cause by constantly explaining, qualifying and apologizing. The Party establishment could barely contain their glee. Keith had been found guilty of that one mortal sin in the eyes of mediocrities – he had shown 'lack of judgement', i.e. willingness to think for himself. The press camped outside his house and refused to leave him or his family alone. He had probably never experienced anything quite like it. Having been vilified as the 'milk snatcher', I felt his hurt as if it were my own. But there was nothing to do except hope that it would all die down.

Doubtless as a result of all this, Ted felt a good deal more secure. He even told us in Shadow Cabinet the following Tuesday that the election campaign had been 'quite a good containment exercise and that the mechanics had worked well'. A strange unreality pervaded our discussions. Everyone except Ted knew that the main political problem was the fact that he was still Leader. But he thought that we should now concentrate on Scotland, on how to improve our appeal to the young and on how to increase our support among working-class voters. Even on its own terms this analysis was flawed. As I was to point out two days later in an interview with Max Hastings in the *Evening Standard*, which appeared under the headline 'Mrs Thatcher and the Twilight of the Middle Classes', we should be trying to re-establish our middle-class support, for '[being middle class] has never been simply a matter of income, but a whole attitude to life, a will to take responsibility for oneself'. And I was surely not the only one present at Shadow Cabinet who felt that our recent election defeat was hardly a cause for even modest self-congratulation.

Ted was now locked in a bitter battle with the 1922 Executive. In reply to their demands for a leadership contest – and indeed for reform of the leadership election procedure – he disputed their

legitimacy as representatives of the backbenches on the grounds that they had been elected during the previous Parliament and must themselves first face re-election by Tory MPs. Ted and his advisers hoped that they might be able to have his opponents thrown off the Executive and replaced by figures more amenable to him. As part of a somewhat belated attempt to win over backbenchers, Ted also proposed that extra front bench spokesmen should be appointed from among them and that officers of the Parliamentary Committees might speak from the front bench on some occasions. It was also widely rumoured that there would shortly be a reshuffle of the Shadow Cabinet.

Not for the first time, I found the press more optimistic about my prospects than I was. The *Sunday Express* and the *Observer* on 3 November ran stories that I was to be appointed Shadow Chancellor. This was a nice thought and I would have loved the job; but I regarded it as extremely unlikely that Ted would give it to me. That was more or less confirmed by stories in the *Financial Times* and the *Daily Mirror* on the Monday which said that I would get a top economic job, but not the Shadow Chancellorship. And so indeed it turned out. I was appointed Robert Carr's deputy with special responsibility for the Finance Bill and also made a member of the Steering Committee. Some of my friends were annoyed that I had not received a more important portfolio. But I knew from the years when I worked under Iain Macleod on the Finance Bill that this was a position in which I could make the most of my talents. What neither Ted nor I knew was just how important that would be over the next three months. The reshuffle as a whole demonstrated something of the weakness of Ted's political standing. Edward du Cann refused to join the Shadow Cabinet, which was therefore no more attractive to the right of the Party, some of whom at least Ted needed to win over. Tim Raison and Nicholas Scott who did come in were more or less on the left and, though able, not people who carried great political weight.

The re-election of all the members of the 1922 Executive, including Edward du Cann, on the day of the reshuffle – Thursday 7 November – was bad news for Ted. A leadership contest could no longer be avoided. He wrote to Edward saying that he was now willing to discuss changes to the procedure for electing the Party

Leader. From now on it was probably in Ted's interest to have the election over as soon as possible, before any alternative candidate could put together an effective campaign.

At this time I started to attend the Economic Dining Group which Nick Ridley had formed in 1972 and which largely consisted of sound money men like John Biffen, Jock Bruce-Gardyne, John Nott and others. Above all, I buried myself in the details of my new brief. It was a challenging time to take it up, for on Tuesday 12 November Denis Healey introduced one of his quarterly Budgets. It was a panic reaction to the rapidly growing problems of industry and consisted of cuts in business taxation to the tune of £775 million (£495 million of new business taxes having been imposed only six months before) and some curbs on subsidies to nationalized industries. Ted's reply – in which, against the background of an audible gasp from Tory backbenchers, he criticized the Chancellor for allowing nationalized industry prices to rise towards market levels – did him no good at all.

My chance came the following Thursday when I spoke for the Opposition in the Budget Debate. I had done my homework and I set about contrasting the Labour Government's past statements with its present actions. Some of the speech was quite technical and detailed, as it had to be. But it was my answers to the interruptions which had the backbenchers roaring support. I was directly answering Harold Lever (without whom Labour would have been still more economically inept) when he interrupted early in my speech to put me right on views I had attributed to him. Amid a good deal of merriment, not least from Harold Lever himself, a shrewd businessman from a wealthy family, I replied: 'I always felt that I could never rival him [Lever] at the Treasury because there are four ways of acquiring money. To make it. To earn it. To marry it. And to borrow it. He seems to have experience of all four.'

At another point I was interrupted by a pompously irate Denis Healey when I quoted the *Sunday Telegraph* which reported him as saying: 'I never save. If I get any money I go out and buy something for the house.' Denis Healey was most indignant, so I was pleased to concede the point, saying (in reference to the fact that like other socialist politicians he had his own country house): 'I am delighted

that we have got on record the fact that the Chancellor is a jolly good saver. I know that he believes in buying houses in good Tory areas.'

No one has ever claimed that House of Commons repartee must be subtle in order to be effective. This performance boosted the shaky morale of the Parliamentary Party and with it my reputation.

Meanwhile, Alec Douglas-Home, now returned to the Lords as Lord Home, had agreed to chair a review of the procedure for the Leadership election. On Wednesday 20 November I received a note from Geoffrey Finsberg, a neighbouring MP and friend, which said: 'If you contest the leadership you will almost certainly win – for my part I hope you will stand and I will do all I can to help.' But I still could not see any likelihood of this happening. It seemed to me that for all of the brouhaha caused by his Edgbaston speech Keith must be our candidate.

The following afternoon I was working in my room in the House, briefing myself on the Finance Bill, when the telephone rang. It was Keith to check I was there because he had something he wanted to come along and tell me. As soon as he entered, I could see it was serious. He told me: 'I am sorry, I just can't run. Ever since I made that speech the press have been outside the house. They have been merciless. Helen [his wife] can't take it and I have decided that I just can't stand.'

There was no mistaking his mood. His mind was quite made up. I was on the edge of despair. We just could not abandon the Party and the country to Ted's brand of politics. I heard myself saying: 'Look, Keith, if you're not going to stand, I will, because someone who represents our viewpoint *has* to stand.'

There was nothing more to say. My mind was already a whirl. I had no idea of my chances. I knew nothing about leadership campaigns. I just tried to put the whole thing to the back of my mind for the moment and concentrate on the Finance Bill. Somehow or other the news got out and I started to receive telephone calls and notes of support from MP friends. Late that night I went back to Flood Street and told Denis of my intention.

'You must be out of your mind,' he said. 'You haven't got a hope.' He had a point. But I never had any doubt that he would support me all the way.

The following day Fergus Montgomery telephoned me, and I told him that Keith was not going to stand but that I would. I wondered how best to break the news to Ted. Fergus thought I should see him personally. I spent the weekend at Lamberhurst retreating from the press comment and speculation which now swirled about. There was plenty to think about. The main thing was that though I had few ideas about how to proceed, I was sure my reaction to Keith had been the right one. Ted had to go, and that meant that someone had to challenge him. If he won, I was politically finished. That would be sad but bearable; there are worse places than the backbenches. And it seemed to me most unlikely that I *would* win. But I did think that by entering the race, I would draw in other stronger candidates who, even if they did not think like Keith and me, would still be open to persuasion about changing the disastrous course on which the Party was set.

I arranged to see Ted on Monday 25 November. He was at his desk in his room at the House. I need not have worried about hurting his feelings. I went in and said: 'I must tell you that I have decided to stand for the leadership.' He looked at me coldly, turned his back, shrugged his shoulders and said: 'If you must.' I slipped out of the room.

Monday was, therefore, the first day I had to face the press as a declared contender for the Tory Leadership. I was glad to be able to rely on the help and advice of Gordon Reece, who had now become a friend and who sat in on some of my early press interviews, which went quite well. It was, of course, still the fact that I was a woman that was the main topic of interest. The evening was spent in the somewhat tense and awkward circumstances of Shadow Cabinet and the Steering Committee. Looking around the table, I felt that apart from Keith I would find few supporters here. I suspect that it was only due to the fact that they considered my decision ridiculous that there was not more open hostility. No such inhibitions were evident when I attended the Conservative Board of Finance shortly afterwards. I felt like the female equivalent of 'the man who said he wanted to be Tory Leader', with enraged colonels and indignant dowagers exploding about him in one of Bateman's more excruciating cartoons.

Ted's *coterie* and, I believe, at least one Central Office figure had

in any case alighted on something which they hoped would destroy me as effectively as had happened to Keith. In the interview I had given to *Pre-Retirement Choice* more than two months before I had given what I considered to be practical advice to elderly people trying to make ends meet in circumstances where food prices were rising sharply. I said that it made sense to stock up on tinned food. This was precisely the sort of advice I myself had been given as a girl. Any good housewife shops around and buys several items at a time when prices are low, rather than dashing out at the last minute to buy the same thing at a greater cost.

But to my horror the press on Wednesday 27 November was full of stories of my 'hoarding' food. Someone had clearly used this obscure interview in order to portray me as mean, selfish and above all 'bourgeois'. In its way it was cleverly done. It allowed the desired caricature to be brought out to the full. It played to the snobbery of the Conservative Party, because the unspoken implication was that this was all that could be expected of a grocer's daughter. It reminded the public of all that had been said and written about me as the 'milk snatcher' at Education.

A veritable circus of indignation was now staged. Pressure groups were prompted to complain. A deputation of housewives was said to be travelling from Birmingham to urge me to give them the tins. Food chemists gave their views about the consequences of keeping tinned food too long in the larder. Martin Redmayne, the former Chief Whip, reliable Party establishment figure and now Deputy Chairman of Harrods, appeared on television to say that 'any sort of inducement to panic buying was . . . against the public interest' – although Lord Redmayne's larder probably contained something more enticing than a few tins of salmon and corned beef. There was nothing for it but to invite the cameramen in and have them check the contents of my Flood Street larder and cupboards. This may have convinced some of the Tory hierarchy that my and my family's tastes and standards were not at all what should be expected from someone who aspired to lead their party. But it certainly showed that the 'hoarding' allegation was malicious nonsense.

Finally, in order to keep the dying story alive my opponents went too far. On Friday 29 November I was in John Cope's South

Gloucestershire constituency when my secretary, Alison Ward, telephoned to say that the radio was now broadcasting that I had been seen in a shop on the Finchley Road buying up large quantities of sugar. (There was a sugar shortage at the time.) Alison had already checked and discovered that in fact no such shop existed; in any case the family consumption of sugar was minimal. It was just a straightforward lie. A firm denial prevented its circulation in the press, and marked the effective end of this surreal campaign.

I suspect that it ultimately backfired. It demonstrated to women throughout the country how ignorant male politicians were about what constituted ordinary housekeeping. It showed many people from modest backgrounds like mine how close to the surface of the Tory grandees lay an ugly streak of contempt for those they considered voting fodder. Most seriously for my opponents, it evoked a good deal of sympathy from fair-minded Conservative MPs who could see that I had been made the target of false and silly attacks.

At the time, however, I was bitterly upset by it. Sometimes I was near to tears. Sometimes I was shaking with anger. But as I told Bill Shelton, the MP for Streatham and a friend: 'I saw how they destroyed Keith. Well, they're not going to destroy me.'

What had happened made me all the more determined to throw my hat into the ring. But there was also much talk of Edward du Cann's putting himself forward as a candidate. As Chairman of the 1922 Committee – and a man – he might reasonably be expected to command more support than me. On Thursday 5 December, with the hoarding story having more or less run its course, I was in Robert Adley's constituency of Christchurch for a Party function. He was a great du Cann supporter and told me that he thought Edward was going to stand. I said that if he did, I would have to think again about my position. We must not split the right-wing vote.

One of Edward du Cann's chief supporters, Airey Neave, the MP for Abingdon and a colleague of Edward's on the 1922 Executive, was someone whom I already knew quite well. Our paths had crossed many times. As barristers we had shared the same Chambers, and he had been a neighbour at Westminster Gardens. When I was Opposition Social Security spokesman I had helped

him with his Bill to make provision for pensions for the over-eighties. We both had a strong interest in science. As Secretary of State for Education and Science I had helped persuade Airey to stay on as Chairman of the Select Committee on Science and Technology when he was thinking of resigning.

Airey was a man of contrasts. His manner was quiet yet entirely self-assured. As a writer and a war hero who escaped from Colditz there was an air of romance about him. He had seen much more of the world than most MPs, and suffered a good deal too. He had the benefit, in Diana, of a marvellous political wife who backed him loyally. He had briefly been a junior minister in the late 1950s but had to resign because of ill health, and I understand Ted had unfeelingly told him that that was the end of his career. It was difficult to pin down Airey's politics. I did not consider him ideologically a man of the right. He probably did not look at the world in those terms. We got on well and I was conscious of mutual respect, but we were not yet the close friends we were to become.

Airey had come to see me shortly after my decision to stand was known. He hoped to persuade Edward du Cann to stand, but Edward himself remained undecided. Excluded by Ted from high office, he had devoted himself to a City career he was now reluctant to give up. Until Edward decided one way or the other it was not, of course, possible for Airey to support me actively, but I knew that I could rely on his advice and he promised to stay in touch, which we did: he came to my room in the House to exchange notes on several occasions between then and the end of the year. The whole 'hoarding' episode certainly demonstrated how tough a battle I could expect. If I did finally and formally enter the lists, Airey was the sort of person it would be good to have on my side.

A new factor that weakened Ted and strengthened his potential rivals was the announcement of the Home Committee's conclusions on Tuesday 7 December. There would be annual elections for the Tory Leader, challengers needed only a proposer and a seconder to put themselves forward, and the majority required to win on the first ballot was significantly increased to 50 per cent plus 15 per cent of those eligible to vote. It was in effect an incentive to challengers, since it meant that a Leader in difficulties needed to retain the confidence of a super-majority of those voting.

Still, Christmas at Lamberhurst that year was less festive than on some other occasions. We could not even walk as much as we usually did; the weather was awful. I knew that I could expect a trying time when I returned to Westminster, whether I actually stood for the Leadership or not. Denis also had business worries because Burmah Oil had run into deep trouble. Neither of us was too confident about what the future held.

#### SMALL EARTHQUAKE IN WESTMINSTER

On my return to London I resolved to clarify matters as regards the leadership. I invited Airey to lunch at Flood Street to have a proper discussion. I also found waiting for me a letter from Robert Adley urging that Edward du Cann and I should sort out which of us should stand rather than split the vote. The trouble was that this was impossible until Edward knew what he wanted to do, and it was clear from a conversation with him that he remained undecided. This was still the case when Airey and I had our lunch on Thursday 9 January 1975. I told him that I thought Geoffrey Howe might support me. I also told him how impossible proper discussion was under Ted's chairmanship. Airey gave me his own account of his recent talks with Ted. It was clear to both of us that there had to be a change, and the only question was whether Edward du Cann or I was better placed to effect it. Interestingly and shrewdly, as it turned out, Airey thought that Ted's support in the Parliamentary Party was overrated.

On Wednesday 15 January Edward du Cann made it publicly known that he would not run for the leadership. The way was therefore open for me. It was now vitally necessary to have an effective campaign team.

Events began to move fast. That same afternoon I was leading for the Opposition on the Committee Stage of the Finance Bill. Fergus had just learned that he would have to go on a parliamentary visit to South Africa, though he still thought (wrongly as it turned out) that he would be back in time for the leadership first ballot. He therefore asked Bill Shelton, when they met in the

Division Lobby, to run my campaign in his absence, and Bill agreed. I was delighted when Bill told me, for I knew he was loyal and would be a skilful campaigner. Then, as I learned later, in the course of a subsequent vote Airey approached Bill and said: 'You know that I have been running Edward du Cann's campaign? Edward is withdrawing. If we could come to some agreement I will bring Edward's troops behind Margaret.' In fact, the 'agreement' simply consisted of Airey taking over the running of my campaign with Bill assisting him.

This arrangement was confirmed when Airey came up to see me in my room, and we performed a diplomatic minuet. Slightly disingenuously, he asked me who was running my campaign. Hardly less so, I replied that I didn't really have a campaign. Airey said: 'I think I had better do it for you.' I agreed with enthusiasm. I knew that this meant he would swing as many du Cann supporters as possible behind me. Suddenly much of the burden of worry I had been carrying around fell away. From now on Airey, with Bill as his chief lieutenant, went to work quietly and remorselessly on their colleagues to win me support.

When I began to make suggestions to Airey about people to contact, he told me firmly not to bother about any of that, to leave it to him and to concentrate on my work on the Finance Bill. This was good advice, not least because both in the upstairs Committee Room and on the floor of the Chamber I had every opportunity to show my paces. It was, after all, the members of the Parliamentary Conservative Party who would ultimately make the decision about the Conservative leadership, and they were just as likely to be impressed by what I said in debate as by anything else. The campaign team began as a small group of about half a dozen, though it swelled rapidly and by the second ballot had become almost too large, consisting of as many as forty or fifty. Canvassing was done with great precision, and MPs might be approached several times by different people in order to verify their allegiances. Airey and his colleagues knew that there was no short cut to this process, and day after day it went on, with Bill Shelton crossing off names and keeping the tally. From time to time Airey would report to me on the position, though with the caveats which any shrewd canvasser always adds. The campaign group would also come to Flood Street,

usually on the Sunday, to discuss with me articles, speeches and other initiatives for the week.

During these early days I was encouraged by the number of backbenchers who came up to offer me their support. One of the first was Peter Morrison, later to become my PPS at Downing Street, who told me that three years earlier his father, Lord Margdale, a former Chairman of the 1922 Committee, had said of me: 'That woman will be the next leader of the Tory Party.' This may be the first recorded instance of the phrase 'that woman'.

Meanwhile, dealings with the media were suddenly becoming important. In these Gordon Reece was invaluable. Angus Maude, a journalist who combined profound insights with pithy wit and who had been unceremoniously sacked from the front bench by Ted for writing a critical article in the *Spectator* in 1966, helped me with the crucial *Daily Telegraph* article called 'My Kind of Tory Party'. (I also received useful advice from a group of *Telegraph* journalists such as Peter Utley, John O'Sullivan and Frank Johnson – and of course Alfred Sherman – who were advocates of my cause in spite of their newspaper giving Ted reluctant endorsement.) George Gardiner, who was one of the February 1974 intake of MPs, a journalist himself and as editor of *Conservative News* party to some of the Central Office gossip, also helped me with drafting. It was a lively team.

In fact, the attitude towards my candidature was tangibly changing. I spoke on Tuesday 21 January to a lunch in St Stephen's Tavern of the Guinea Club, consisting of leading national and provincial newspaper journalists. By this time as a result of the soundings Airey had taken I was actually beginning to feel that I was in with a chance. I said to them wryly at one point: 'You know, I really think you should begin to take me seriously.' They looked back in amazement, and perhaps some of them soon started to do so. For by the weekend articles had begun to appear reappraising my campaign in a different light.

Nor were my prospects harmed by another exchange in the Commons the following day with the ever-obliging Denis Healey. In bitter but obscure vein he described me as the '*La Pasionaria* of privilege'. I jotted down a reply and delivered it a few moments later with relish: 'Some Chancellors are microeconomic. Some



Chancellors are fiscal. This one is just plain cheap.' The Tory benches loved it.

With just a week to go, Airey, Keith and Bill came round to Flood Street on Sunday 26 January to discuss the latest position. The number of pledges – mine at around 120 and Ted's less than eighty – looked far too optimistic. People would need to be revisited and their intentions re-examined. Presumably the Heath campaign, in which Peter Walker and Ted's PPSs Tim Kitson and Ken Baker were the main figures, was receiving equally or even more optimistic information; but they made the mistake of believing it. Certainly, in marked contrast to Airey's public demeanour, they were loudly predicting a large victory on the first ballot.

At Flood Street it was agreed that I should address my core campaigners in Committee Room 13 on Monday night. I could not tell them anything about campaigning. They had forgotten far more about political tactics and indeed political skulduggery than I would ever know. So instead I spoke and answered questions on my vision of a Conservative society from 10.30 till midnight. It was marvellous to be able to speak from the heart about what I believed, and to feel that those crucial to my cause were listening. Apparently my audience felt the same way; several MPs told me that they had never heard any senior Tory discuss policy in such philosophical terms. Plainly it was not I alone who was dispirited by the directionless expediency of the previous few years.

The Heath camp now changed the direction of their campaign, but still failed to get to the point. Ridicule had failed. Instead, the accusation became that the sort of Conservatism I represented might appeal to the middle-class rank and file supporters of the Party, particularly in the South, but would never win over the uncommitted. My article in the *Daily Telegraph*, which appeared on Thursday 30 January, took this head-on:

I was attacked [as Education Secretary] for fighting a rear-guard action in defence of 'middle-class interests'. The same accusation is levelled at me now, when I am leading Conservative opposition to the socialist Capital Transfer Tax proposals. Well, if 'middle-class values' include the encouragement of variety and individual choice, the provision of fair incentives

and rewards for skill and hard work, the maintenance of effective barriers against the excessive power of the state and a belief in the wide distribution of individual *private* property, then they are certainly what I am trying to defend . . . If a Tory does not believe that private property is one of the main bulwarks of individual freedom, then he had better become a socialist and have done with it. Indeed one of the reasons for our electoral failure is that people believe too many Conservatives *have* become socialists already. Britain's progress towards socialism has been an alternation of two steps forward with half a step back . . . And why should anyone support a party that seems to have the courage of no convictions?

This theme – the return to fundamental Conservative principles and the defence of middle-class values – was enormously popular in the Party. I repeated it when speaking to my Constituency Association the following day. I rejected the idea that my candidature was representative of a faction. I emphasized that I was speaking up for all those who felt let down by recent Conservative Governments. I was also prepared to accept my share of the blame for what had gone wrong under Ted.

But [I added] I hope I have learned something from the failures and mistakes of the past and can help to plan constructively for the future . . . There is a widespread feeling in the country that the Conservative Party has not defended [Conservative] ideals explicitly and toughly enough, so that Britain is set on a course towards inevitable socialist mediocrity. That course must not only be halted, it must be reversed.

It was in an open letter to the Chairman of my constituency released on Saturday afternoon, however, that I really summed up the gravamen of the charge against Ted and his leadership. Ted was a political paradox. He combined a belief in strong leadership (especially his own) with a record of buckling under the pressure of events. He was always talking about reaching out to win over the support of people from other parties, but he had no willingness to listen to the Conservative Party. By contrast, I said that what

was required was a 'leadership that listens', adding that 'in office . . . we allowed ourselves to become detached from many who had given us their support and trust'.

I knew from my talks with Conservative MPs that there were many contradictory factors which would influence their votes. Some would support Ted simply because he was the Leader *in situ*. Many would not dare go against him because, even after two successive election defeats, he inspired fear that there would be no forgiveness for mutiny. Moreover, many thought that I was inexperienced – and as I had publicly admitted, there was more than a little truth in that. There was also some suspicion of me as too doctrinaire and insensitive. And then, of course, there was the rather obvious fact that I was a woman.

As a result of these conflicting considerations, many MPs were undecided. They wanted to be able to talk to me, to find out what I was like and where I stood. Airey and his team would send these Members along to see me in the room of Robin Cooke – one of our team – in the House where, singly or in small groups, over a glass of claret or a cup of tea, I would try to answer their points as best I could. Ted, by contrast, preferred lunch parties of MPs where, I suspect, there was not much straight talking – at least not from the guests. Doubtless his campaign team marked them down as supporters, which many were not.

The press on Monday 3 February was full of the fact that the National Union of the Party had reported that 70 per cent of Constituency Associations favoured Ted Heath and that the great majority of Conservative supporters agreed with them. We were not surprised by this. The Conservative Associations, nudged by Central Office, were understandably loyal to the existing Leader: and the opinion poll results reflected the fact that I was a relatively unknown quantity outside the House of Commons. But obviously it did not help, and it certainly boosted confidence in the Heath camp. Indeed, there was evidence of a late surge of support for Ted among MPs. Airey's and Bill's final canvass returns suggested that I was neck and neck with Ted, with the third candidate, the gallant and traditionalist Hugh Fraser, picking up a few right-wing misogynist votes. But I was told that I came over quite well on the *World in Action* television programme that night.

On Tuesday 4 February, the day of the first ballot, I was up early to prepare Denis's breakfast and see him off to work before driving from Flood Street to the House of Commons, exhibiting what I hoped was a confident smile and a few friendly words for the press gathered outside. For me it was another day on the Finance Bill Committee, while in another House of Commons Committee Room the voting for the leadership took place. The ballot was due to close at 3.30. I went up to Airey Neave's room to await the result. Bill Shelton represented me at the count and Tim Kitson represented Ted. I believe that even after they had heard the sombre news of the outcome of that day's voting the Heath camp had hoped that the proxy votes, counted last, would see Ted through. But most of the proxies also went to me. I was trying to concentrate on anything other than the future when the door opened and Airey came in. Softly, but with a twinkle in his eye, he told me: 'It's good news. You're ahead in the poll. You've got 130 votes to Ted's 119.' Hugh Fraser had sixteen.

I could barely believe it. Although I was thirty-one votes short of the required margin to win outright on the first ballot – 50 per cent plus a lead of 15 per cent of those eligible to vote – and therefore there would have to be a second round, I was nonetheless decisively ahead. I had no doubt that if I had failed against Ted that would have been the end of me in politics. As it was, I might be Leader. Who knows? I might even be Prime Minister. I went downstairs and someone opened some champagne. But I had to keep a clear head, for I was soon back to the Finance Bill amid a certain raillery from friends and opponents alike, for the news had spread like wildfire. Later that evening I went back to Airey's flat for a council of war.

My own surprise at the result was as nothing compared to the shattering blow it had delivered to the Conservative establishment. I felt no sympathy for them. They had fought me unscrupulously all the way. But I did feel sorry for Ted, who quickly announced his decision to resign as Leader and not to contest the second ballot. Willie Whitelaw now put his name forward and immediately became the favourite. I myself thought that Willie had a very good chance of winning; and though I could not seriously imagine him changing the direction of the Party as I wished, it did please me

to think that between us there would be none of the bitterness which had soured my relations with Ted. Jim Prior, John Peyton and Geoffrey Howe also entered the contest. I was a little worried about Geoffrey's candidature because he held similar views to mine and might split the right-wing vote, which in a close contest could be crucial. Hugh Fraser withdrew and urged his supporters to vote for Willie.

In fact, without knowing it, I had what the Americans call 'momentum'. I had always reckoned that a substantial number of those voting for me in the first round would only do so as a tactical way of removing Ted and putting in someone more acceptable but still close to his way of thinking, such as Willie. But in fact, far from draining away, my support actually hardened. Perhaps there was an odd sense of gratitude to me for having done what no one else dared, that is to remove from the leadership someone who quite simply made the Party unelectable. Perhaps a sufficient number of my colleagues genuinely felt that the way forward for the Party was the root and branch reconsideration that Keith and I advocated. Perhaps there was a feeling that it was 'a bit offside' for those who had failed to challenge Ted when he looked unbeatable to step in to scoop up the prize once he had lost it. There were probably also doubts about whether Willie, for all his amiable qualities, was the right man to rethink Conservatism in the face of a Labour Government with a newly militant and aggressive left wing.

Certainly, many people in the Party at Westminster and outside it were now desperately anxious to bring the whole process to a swift end. The very circumstances which had counted against me in the first ballot now assisted me as the leading candidate in the second. The *Daily Telegraph*, an important barometer of Tory grassroots feeling, swung decisively onto my side. When I talked with Willie at a dinner organized by the British-American Parliamentary Group at Lancaster House on Thursday 6 February he seemed fairly confident that he was the front-runner. The new canvass returns which Airey and his team were making strongly suggested otherwise. But I was cautious. There had been some whispers that I was secretly anti-Common Market, which it was thought might damage me. So at George Gardiner's suggestion I made a short statement of my views endorsing Europe. I also

continued to see – and sometimes communicate by note with – MPs who needed reassurance on particular points.

Willie and I both attended the Young Conservative Conference at Eastbourne on Saturday 8 February. One woman on the platform was dressed in funereal black and glowering. I was rather concerned and asked her whether anything was wrong. 'Yes,' she said. 'I'm in mourning for Mr Heath.' There were few other mourners present. Willie and I were photographed as we kissed for the cameras. I remarked: 'Willie and I have been friends for years. I've done that to Willie many times and he to me. It was not that difficult for him to do it, I think.' Willie replied: 'I've kissed her often. But we have not done it on a pavement outside a hotel in Eastbourne before.' It was all good fun and the atmosphere lightened.

I used my own speech to the Conference to give a full-blooded rendering of my views. I said:

You can get your economic policies right, and still have the kind of society none of us would wish. I believe we should judge people on merit and not on background. I believe the person who is prepared to work hardest should get the greatest rewards and keep them after tax. That we should back the workers and not the shirkers: that it is not only permissible but praiseworthy to want to benefit your own family by your own efforts.

Conservatives had not heard this sort of message for many years, and it went down well.

Airey, Keith, my other advisers and I looked at the situation after the first ballot. Our general approach was to concentrate on the electorate – the 276 Tory MPs – pointing out that I had already won a near majority of them, that I was pulling steadily away from the field and that my four rivals were fighting for second place. In these circumstances we felt that I had little to gain from debates with the other candidates. But a slight stir was created when I decided not to appear on *Panorama* with them. They went ahead without me. But this was *Hamlet* without a Princess. It merely emphasized my status as the front-runner.

And then on Tuesday the second ballot took place. Again I waited nervously in Airey's room. And again it was Airey who came to give me the news. This time it was subtly but decisively different. He smiled and said: 'You are now Leader of the Opposition.' I had obtained 146 votes to Willie's seventy-nine. The other candidates were out of the picture.\*

I rapidly scribbled some thoughts in the back of my diary because I knew I would now have to go and give my first press conference as Party Leader. The first item was 'TED', because it was most important to pay tribute to his leadership.

I now had to hurry down to the Grand Committee Room, off Westminster Hall, where the press were waiting. I told them: 'To me it is like a dream that the next name in the lists after Harold Macmillan, Sir Alec Douglas-Home, Edward Heath, is Margaret Thatcher. Each has brought his own style of leadership and stamp of greatness to his task. I shall take on the work with humility and dedication.'

Then it was off for the Leader's traditional first visit to Conservative Central Office. On entering, I could not help remembering how hard some of the people there had worked to stop my becoming Leader. I shook hands with a line of Party officials, stopping to kiss Russell Lewis, the Conservative Political Centre Director who I knew had actually wanted me to win. I have no doubt there were many anxious thoughts behind the polite, smiling faces that evening. And not without reason. For though I was not interested in paying off old scores, I was already sure that changes must be made.

Then I was driven back to Bill Shelton's house in Pimlico for a celebration with my friends. Denis was there. I had tried to telephone the news through to him myself, but somehow the Press Association beat me to it. Mark learned the news while he was at work as a trainee accountant. As for Carol, she could not be disturbed until she had finished the solicitors' exam she was taking that afternoon.

Only much later that night, after I had returned from dinner with the Chief Whip, Humphrey Atkins, could all of the family

\* Jim Prior and Geoffrey Howe had nineteen votes each and John Peyton eleven.

celebrate the good news. It was wonderful to be together. I suspect that they knew, as I did, that from this moment on our lives would never be quite the same again.

Nor would the Conservative Party, as a perceptive leader in the *Daily Telegraph* the following morning observed:

What kind of leadership Mrs Thatcher will provide remains to be seen . . . But one thing is clear enough at this stage. Mrs Thatcher is a bonny fighter. She believes in the ethic of hard work and big rewards for success. She has risen from humble origins by effort and ability and courage. She owes nothing to inherited wealth or privilege. She ought not to suffer, therefore, from that fatal and characteristic twentieth-century Tory defect of guilt about wealth. All too often this has meant that the Tories have felt themselves to be at a moral disadvantage in the defence of capitalism against socialism. This is one reason why Britain has travelled so far down the collectivist road. What Mrs Thatcher ought to be able to offer is the missing *moral* dimension to the Tory attack on socialism. If she does so, her accession to the leadership could mark a sea-change in the whole character of the party political debate in this country.

It was a mighty challenge. At the time I did not realize how mighty.