

MR. O'SULLIVAN

cc. Mr. Wicks

Professor Griffiths

I return your paper which you and Bernard wrote for the Prime Minister on Scotland. She has not yet seen this because you said you were likely to want to do a revised paper. I therefore suggest that you make contact with John Whittingdale early in the New Year about how you wish to proceed with either this or a revised paper.

I ought to add that I have been thinking about whether there might be some advantage in the Prime Minister having a quarterly meeting - of no more than about 30 or 45 minutes - to discuss Scotland, our political prospects there and the general situation also. It would be a pretty small meeting and would probably comprise the Prime Minister, Lord Goold (Scottish Chairman), Peter Brooke (Party Chairman), Malcolm Rifkind, John Whittingdale and someone from the Policy Unit. However, I have not even floated this with the Prime Minister and I think that before anybody did, it would be sensible for someone to chat it through a little with Nigel Wicks. The last thing I would want is to set up a meeting of this kind which had the result of creating problems for Rifkind and Goold.

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STEPHEN SHERBOURNE

18.12.87

Prime Minister

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PRIME MINISTER

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SCOTLAND

The Election Result

The 1987 election in Scotland produced the worst result for the Tories since 1945. We achieved only 24.0 of the popular vote - less than half our support in 1955. Why?

- (1) Much of this decline was historically fore-ordained. In 1945-55, the Scottish Tories and their allies (i.e. the National Liberals) enjoyed a monopoly of the anti-socialist political forces in Scotland. This was a legacy of the 1931 crisis when a large Liberal group joined the National Government. It could not last. The National Liberals disappeared between 1955 and 1964, taking one-fifth of the Tory vote with them. That simultaneously breathed new life into Jo Grimond's Liberal Party and reduced the Tory share of the popular vote from a range of 46-50% to one of 37-41%.

There was a further erosion of support after 1970 because of (a) the decline of the sectarian working class Tory vote in the Strathclyde region as religious bigotries lost their force (the same process occurred in Liverpool a decade earlier), and (b) the rise of the SNP in rural areas.

The result is a low reservoir of Conservative support North of the Border. Since 1974, the Conservative share of the popular vote has fluctuated between 24% and 33%.

- (2) But why is the 1987 result at the bottom end of this 24-33% range? A political map of Britain shows Tory support at its strongest in the South-East heartland, gradually diminishing the further North and West it spreads. This correlates, though not precisely, with the uneven spread of returning prosperity throughout the country. In short, Scottish Tory

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support was at the lower end of its potential range because Scotland, though better-off than some English regions, was recovering from the recession of the early eighties more slowly than the rest of the UK.

- (3) What gave the final twist to this anti-Tory trend was tactical voting. The ITN-Harris exit poll has 22% Scottish voters claiming to have voted tactically compared to only 17% in the rest of the UK. The Editor of the Glasgow Herald thinks that some Tories, confident of an overall majority at Westminster, voted for other parties as a protest of some kind. This may explain a small part of the Tory performance - though Keith Britto at Central Office is sceptical. But the overwhelming majority of tactical voters were plainly and simply anti-Tory. In Tory seats, for instance, the voters switched between the Alliance and SNP depending on which candidate had the better chance of defeating the Conservative. As a result, the 1987 election was significantly worse in terms of seats than in terms of voting percentages - 10 seats as against 16 in October 1974.

What are the roots of these trends in Scottish opinion?

Scotland's Economic Performance

As Gavin McCrone of the Scottish Office points out, since 1985 the United Kingdom as a whole has surged ahead with 3.7% growth in GDP in 1985, 3.1% in 1986 and 3.5% anticipated in 1987. Manufacturing output in the UK is now ahead of the 1979 level. Scotland on the other hand has had a much weaker performance - due in part to the fall in the oil price. After 3.1% growth in GDP in 1985, there was nil growth in 1986 and growth in 1987 is expected to be considerably weaker than in the UK. Manufacturing output regained its 1979 level in 1985 but fell again in 1986 and there was a further fall at the beginning of 1987.

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Since 1973, therefore, the performance of manufacturing has been much weaker than in previous decades when it moved in step with the growth in GDP; and although there has been a steady recovery in the UK since 1983, the dip in Scotland's performance since 1985 is against the UK trend. The result is that Scottish manufacturing output though very different in composition -- the electronics industry, for instance, has shown a growth of 133 per cent since 1979 while steel and shipbuilding have declined sharply -- is in aggregate still below its 1979 level. As a result, when the UK's economic recovery was bearing real fruit, Scotland looked left out.

This was most visible in relation to unemployment. Throughout the 1970's the Scottish unemployment rate was 1% higher than the rate for the UK. In the 1980's, this differential rose to 2%. Then in 1986, unemployment in Britain began to fall while Scottish unemployment continued to rise. By February 1987, the differential had reached 3%. It has remained at 3% since then as Scottish and British unemployment rates have fallen in unison.

This continuing differential goes a considerable way to explain two factors: (a) the reluctance of Scottish opinion to accept that Scotland has a comparatively high standard of living in UK terms; and (b) the fact that Scotland voted against the Tory Party by much larger margins than the English regions which are economically more depressed.

Scotland's recovery and adaptation to new forms of world demand are now well-advanced. But the Scottish voters, unlike the Southern counterparts have not yet shaken off a depression psychology. It is a psychology which naturally disposes people to prefer security over enterprise and thus Labour and Liberals over Tories.

Scotland's Dependency Culture

Scotland has a socialist dependency culture rather than an enterprise one. As we argued in an earlier paper, successful politicians are seen as going down to England, begging bowl in hand, to secure more crumbs from the rich man's table.

This cultural dependency is reflected in three ways:

- a. Larger public sector. 25% of the Scottish workforce is employed in the public sector (central Government, local Government and the NHS) compared to 21% in the UK as a whole. This employment, moreover, has held up better North of the Border since 1979, falling by 1% in the UK but by only 0.1% in Scotland.

More people in Scotland are therefore dependent on the state. Fewer have lost that dependence by switching to the private sector. The net effect may be that, in a climate of stricter control of public spending, more people feel threatened by the prospect of job losses.

- b. Larger Public Housing Sector

Scotland has approximately half its population in local authority housing compared to 25% in England. Owner-occupiers account for only two-fifths of the total compared to two-thirds in England.

Since December 1978, moreover, there has been a much smaller decrease in the total number of council houses - 10% in England compared to 3% in Scotland. The Scots have built proportionately more new council houses (1.5% of housing stock compared to 0.8% in England) and sold fewer existing council houses (9% in Scotland, 20% in England). The net result is that in Scotland more

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people remain tenants on large, soulless council estates which are, in effect, 'dependency factories'.

c. Self-Employment and Small Business Sector

Small businesses and self-employment are the opposite of council estates. They train people in initiative and independence. Here, again, the evidence suggests that Scotland is less enterprising than the more go-ahead parts of the UK. But the difference is not dramatic and Scotland out-performs some of the English regions.

Thus, self-employment as one measure of local enterprise, is below the national average - with 9.8% of the workforce in self-employment in Scotland as against 10.9% for the whole of Great Britain and 11.1% in the South East. Perhaps more significantly self-employment has grown less rapidly in Scotland during recent years - an increase of 14.5% from 1983-86, compared to 18.8% for Great Britain and 24% in the South East. However, the Scottish performance was considerably better than either the East or West Midlands (6.3% and 5.6% respectively) or East Anglia (11.7%).

These various factors daily reinforce the assumptions of dependency - that the state (or the large employer) is the great provider and the individual citizen of little significance. They are further sustained by an additional factor.

Scotland's Labour Establishment

Scotland has a permanent establishment of Labour councils and trade unions. Malcolm Rifkind and some other Tories may reign in St Andrew's House from time to time, but Labour is always in control of Strathclyde and the Scottish TUC is a force to be dealt with by Governments of all stripes. We

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might draw an analogy with the US where the White House is sometimes held by Democrats and sometimes by Republicans, but Congress is always under Democratic sway. That makes the Democrats the real power to be reckoned with.

In Scotland it goes beyond that. The major newspapers and television stations are all in Labour (or at least anti-Government) hands. The Catholic Church in the West of Scotland has traditional links with the Labour Party (partly because both have a large Irish membership), and the Church of Scotland exhibits the general tendency of the European Protestant churches to reinterpret their faith in the secular language of the "social(ist) gospel".

These different influences unite to produce a public rhetoric of collective political action to relieve poverty and promote equality (the dismal practical effects of such policies in Glasgow's outlying council estates notwithstanding). It reinforces the worst and most self-destructive attitudes of Scotland's dependency culture. And it allows the Scots to feel morally superior to the more successful practitioners of Thatcherism down south.

What role does political nationalism play in this public rhetoric? A distinctly limited one. Opinion polls show wide but listless support for devolution - among the voters. Passionate support is concentrated among the new class of writers, media people, bureaucrats, and politicians who stand to benefit from the new institutions, cultural demands and bureaucratic jobs which devolutionary reforms would create. Seen from an economic standpoint, Scottish nationalism is a public good in which groups invest as a way of redistributing income to themselves.

Labour employs a devolutionist rhetoric on occasions to strengthen its old-fashioned collectivism, but this devolution is skin-deep and would be abandoned altogether if

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the polls pointed that way. The business community, which disbelieves this rhetoric, is apparently cowed by the general ideological atmosphere. It avoids political involvement and remains silent about policies that damage its and Scotland's interests - in particular, devolution, but other policies too.

By this silence, of course, Scottish business underwrites the collectivist mentality of the surrounding society. What makes matters worse is that the Conservative Party has not yet found a way of successfully challenging that mentality.

Tory Schizophrenia

Nationally, the Tory Party is associated with general ideas like self-reliance and non-intervention which find no echo in Scotland's non-enterprise culture. In Britain as a whole council house sales and economic recovery have greatly expanded the market for such ideas. But the Tory Party has been tentative in implementing such Thatcherite reforms north of the border.

The result is that we have obtained the worst of both worlds. We have not laid the groundwork for changing the culture of dependency, and the social basis of the enterprise culture has remained small. Nor, however, have we received the credit for high spending and political subsidies of which we are known to disapprove. Instead, that has gone to the Scottish Development Agency and Labour controlled local authorities. And Scotland's continuing problems are blamed by public opinion upon a policy of "non-intervention" which has never been more than rhetorical.

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What is to be done?

Social realities, the problems of economic transition, and political influences have all combined to reinforce a culture of dependency and an ideology of collective action which are an uncomfortable environment for Conservative ideas. This should not lead to despair. Scotland's lagging performance on unemployment - one of the major reasons for the poor election result - is already improving. A more aggressive Tory stance on education and housing since the election has paid off with Labour forced to debate largely on our terms. And Labour is in an exposed position on devolution. If it encourages disruptive tactics, it undermines its own attempt to offer a more moderate image. And if it does not, it risks losing nationalist support to the SNP.

There is more potential for Tory advance, therefore, than the gloomy election statistics alone would suggest. What we must do, however, is tackle this enforced consensus at virtually every point:

- (1) The single most important step towards undermining the dependency culture would be to encourage private housing for which there is a large unsatisfied demand in Scotland, including Glasgow. A number of schemes to do this are circulating, notably the Adam Smith Institute's proposal to give the Scottish Special Housing Association the task of taking over, renovating and selling off the worst council estates. Private investment is already playing a part here, but more can and should be done.
- (2) We should firmly associate the Government with Scottish economic successes. For instance, Mr Rifkind might deliver a major lecture in England on how Glasgow's success has lessons for reviving the English inner

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cities. (They are, in fact, non-socialist lessons). We should also begin to praise the Scottish Development Association as a specifically "Thatcherite" institution bringing the values of the enterprise culture to the statist Scottish economy. And, finally, we should replace the rhetoric of non-intervention with that of "making the market work for the people". That is equally respectable and more accurate. Such tactics are likely to be the more effective in a period of economic recovery like the present.

- (3) We should use institutions like Urban Development Corporations and Scottish Homes to erect a Tory counter-establishment in Scotland. The same objective could be sought by the appearance of popular Scottish names in the Honours List, the Lords, the Government and the world of quangos.

For this reason, the tradition that UK Ministers do not intrude on the Scottish Office's affairs by making speeches north of the border has to be re-examined. John Moore, Kenneth Baker, Cecil Parkinson are "stars" throughout the UK and should be used to influence Scottish opinion. Any constitutional problem could surely be met by their appearing on a joint platform or television programme with Mr Rifkind. We particularly recommend that Mr John McGregor should embark on a heavy programme of speeches in rural constituencies. These are the constituencies we must either hold or win back; he has a reasonably good song to sing; and, above all, he is recognisably a Scot.

- (4) We must make a determined effort to draw the financial and business communities into a more explicit political commitment, perhaps as above by making use of patronage. It would be a considerable plus for the Scottish Tories, for instance, if they could persuade

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a leading businessman like Sir Robin Duthie to get involved at the top of the party organisation.

These are a few proposals from a general programme which would have two broad aims. First, to advance practical Thatcherite reforms and so expand the social basis of Conservatism. Second, to divert Scottish attention from political nationalism onto economic nationalism by such measures as privatising the SSEB and the hydro-board separately, and allowing Scottish investors and institutions preferential terms of purchase. We might group these two approaches under the rubric of "Tartan Thatcherism", citing Adam Smith, David Hume and Adam Ferguson as the Scottish progenitors of a social revolution that may have transformed England but which was first launched in Scotland.

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