

PREM 15/2069

1974 ELECTIONS

EVENTS LEADING TO THE RESIGNATION
OF MR. HEATH'S ADMINISTRATION, 4 MARCH 1974

1. Chronicle of events, 1 to 4 March.
2. Statement issued from Transport House, 1 March (paragraph 11). *
3. Minutes of Cabinet discussion, 1 March (paragraph 12). *REMOVED*
4. Aide memoire for meeting with Mr. Thorpe, 2 March (paragraph 23).
5. Telegram from Mr. Harry West, 2 March (paragraph 24).
6. Mr. Pym's advice on Mr. West's telegram (paragraph 24).
7. Note of meeting with Mr. Thorpe, 2 March (paragraph 27).
8. Press Statement issued after meeting with Mr. Thorpe, 2 March (para. 27)
9. Reply to Mr. West's telegram, 2 March (paragraph 30).
10. Message from Mr. Edward Taylor, M.P., 2 March (paragraph 32).
11. Message from Mr. Nigel Fisher, 3 March.
12. Message from Mr. Woodrow Wyatt, 3 March.
13. Transcript of telephone conversation between the Prime Minister and Mr. Thorpe, 3 March (paragraph 40).
14. First draft of first letter to Mr. Thorpe, 3 March (paragraph 46).
15. Note of meeting between Prime Minister and Mr. Thorpe, 3 March (paragraph 47).
16. Second draft of first letter to Mr. Thorpe, 4 March (paragraph 48).
17. Minute of Cabinet discussion, 4 March, 10.0 a.m. (paragraph 49). *REMOVED*
18. Last paragraph of draft letter to Mr. Thorpe, as amended in Cabinet, 4 March (paragraph 49).
19. First letter to Mr. Thorpe, 4 March (paragraph 49).
20. Message from Mr. Edward Taylor, M.P., 4 March.
21. Mr. Thorpe's reply, 4 March (paragraph 52).
22. Minute of Cabinet discussion, 4 March, 4.45 p.m. (paragraph 52) *REMOVED*
23. Draft of second letter to Mr. Thorpe, 4 March (paragraph 52).
24. Second letter to Mr. Thorpe, 4 March (paragraph 56).
25. Draft of post-resignation broadcast.

* Paragraph references in brackets are references to paragraphs in the chronicle of events (Document 1).

Editorial note:

1. Document 1 in the list of file contents ("Chronicle of Events, 1 – 4 March") is missing from the file, sadly.
2. Cabinet minutes have been added to this file from CAB128/53.

Editor, margareththatcher.org

NEWS RELEASE

ISSUED BY THE LABOUR PARTY INFORMATION DEPARTMENT
TRANSPORT HOUSE - LONDON SW1P 3JA - 01-834 9434
DIRECTOR OF INFORMATION: PERCY CLARK

Mr. Wilson met his senior Parliamentary colleagues this afternoon.

They agreed that the nation's paramount need is the immediate formation of a Government which is prepared to deal decisively with the economic and industrial crisis facing the nation.

The Conservative Government asked for an increased majority to continue their present policies. The electorate rejected their appeal.

The Conservative Government now lacks the authority to give the lead the country is seeking.

The meeting was unanimous that urgent action should be taken to ensure that Britain has a cohesive Government to deal with the crisis.

In these circumstances, the Labour Party is prepared to form a Government and to submit its programme for the endorsement of Parliament.

NOTE FOR EDITORS

Fourteen of the eighteen Parliamentary members of the former elected Shadow Cabinet were present. Those not able to be present were contacted by telephone and endorsed the conclusions of the meeting.

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CM(74) 9th
Conclusions

COPY NO 85

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

FRIDAY 1 MARCH 1974

at 5.45 pm

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Anthony Barber MP
Chancellor of the Exchequer

The Rt Hon Lord Carrington
Secretary of State for Energy

The Rt Hon Robert Carr MP
Secretary of State for the Home
Department

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and
Science

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon John Davies MP
Chancellor of the Duchy of Lancaster

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Francis Pym MP
Secretary of State for Northern Ireland

The Rt Hon Ian Gilmour MP
Secretary of State for Defence

The Rt Hon Maurice Macmillan MP
Paymaster General

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal

SECRET

ALSO PRESENT

**The Rt Hon Humphrey Atkins MP
Parliamentary Secretary, Treasury**

SECRETARY

Sir John Hunt

SUBJECT

THE SITUATION FOLLOWING THE GENERAL ELECTION

SECRET

CABINET

CONFIDENTIAL ANNEX

CM(74) 9th Conclusions

Friday 1 March 1974 at 5.45 pm

THE SITUATION
FOLLOWING
THE GENERAL
ELECTION

THE PRIME MINISTER said that the result of the General Election was disappointing for the Government and also confusing to interpret. Although a number of results were still outstanding it was clear that no one Party would be able to command an overall majority. The Labour Party could not get more than 301 seats and the Conservatives might obtain as many as 299; and it was difficult to forecast where the Liberals and other small Parties would stand in such a situation. Indeed the position was one without precedent in recent times. The Government seemed to have three courses open to it. The first would be for him to advise The Queen that she should send for Mr Wilson as the probable leader of the largest single Party even though he would be able to form only a minority Government; and the Labour Party had indeed issued a statement indicating its readiness to attempt this task. The second course was for the Government to exercise its constitutional right to face Parliament and see whether it could command support for its programme. The third course was to try and arrange support from the smaller Parties for a programme designed to deal with the nation's immediate difficulties. So far as this last course was concerned, support from the Ulster Unionists must be regarded as unreliable, although they might decide to support the Government without trying to insist on any deal, which would be unacceptable, over the Northern Ireland Assembly or Executive. An alternative basis of support would be to consult the Liberal Party as to their willingness either to enter a coalition or to support the Government in the lobbies on an agreed programme. He would welcome the views of his colleagues on these three alternatives. In particular it was necessary to consider carefully whether in a situation where the two main Parties were so close, where the Conservative Party had obtained the majority of the total votes cast and where nearly 6 million votes had also been cast for the Liberal Party, the nation would expect him to attempt the formation of a right-centre coalition before handing over power to the Labour Party. He had spoken by

telephone to the Secretary of State for Employment who was ill; and the latter favoured an approach to the Liberals. This would however involve taking the latter into full confidence about the economic situation. A further complication was that the Government did not yet know what the Pay Board would recommend for the miners or whether the latter would accept it and agree to return to work under a Conservative-Liberal coalition; the likelihood was however that the recommendations would be generous and would be accepted irrespective of the Government in power.

In discussion it was argued that, although the Government had not obtained the strong mandate which it had sought, there was a large anti-Socialist majority which supported both an incomes policy and Britain's continued membership of the European Community. This majority could form the basis of a Conservative-Liberal coalition which would unite the moderates in the country. It was also arguable that the public opinion polls had encouraged many traditional Conservative voters to feel that they could safely vote Liberal because of doubts about some aspects of the Government's policy but still see the return of a Conservative Government. The response of the Liberals was difficult to predict. They might well demand too high a price in terms of electoral reform: on the other hand they would be unlikely to want to face another General Election at an early date and might therefore be inclined to reach an accommodation. From the Conservative Party's own point of view there were also arguments both for seeking an accommodation and for accepting without delay the consequences of not having obtained an overall majority. If they went needlessly out of office, a Labour Government would attribute the economic situation to Conservative mistakes and, with the later benefit of North Sea oil, might remain in power for a very long period. On the other hand if a coalition was formed with the Liberals, those traditional Conservative supporters who had voted Liberal on this occasion might never return to their former allegiance.

In further discussion there was much support for the view that the Liberals held the key to the situation and that they should be forced to show whether they wished to keep in power a Conservative or a Labour Government. It would clearly be wrong for the Conservative Party to hang on to power at the expense of its principles; but the chances of reaching an acceptable accommodation with the Liberals could only be assessed as a result of consultation with them. This would force them to move one way or the other: and if they refused an accommodation the traditional Conservative voters who had voted for them would be likely to return to their former allegiance at the next Election.

THE PRIME MINISTER, summing up the discussion, said that the general view of the Cabinet was that he should consult the Leader of the Liberal Party about the chances of a coalition or an arrangement whereby the Liberals would support an agreed programme to deal with the immediate situation. The object would not be to do the best possible deal with the Liberals but to force them to show their hand and to discover the sort of programme which they would support. In the present situation where no Party would command an overall majority the Government had either to be rejected by the House of Commons or by the Liberal Party and there was every reason to canvass the possibility of an anti-Socialist coalition. His approach to Mr Thorpe would however be without commitment, and members of the Cabinet should remain in London over the weekend so that he could consult them further as the situation developed. In the meantime no indication should be given to the Press of the Government's intentions. He would be having an Audience of The Queen immediately after their meeting and a Press statement would say simply that he was going to report to her on the situation.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion.

Cabinet Office

4 March 1974

POINTS FOR TALK WITH MR. THORPE

Neither major party can command an overall majority in the House of Commons.

But:

- (1) the number of votes cast for Conservative candidates exceeded the number cast for Labour candidates;
- (2) nearly 6 million votes were cast for Liberal candidates, and therefore presumably against the idea of a Socialist Government;
- (3) therefore a substantial anti-Socialist majority of votes cast;
- (4) there are seven Ulster Unionist members who will receive the Conservative whip: if you add these to the Conservative members from Great Britain, those who take the Conservative Whip outnumber (by 303 to 301) the number taking the Labour Whip; and even if you do not add ^{these} to the numbers, the assumption must be that they will not vote against the Government on non-Ulster issues;
- (5) Mr. Wilson has made it clear that the Labour Party is not interested in any form of coalition or understanding with other groups represented in Parliament.

In this situation the Prime Minister has a duty to undertake consultations to see whether he could form an administration which would represent the majority of non-Socialist voters and could count on a sufficient degree of support in the house of Commons to enable the Queen's Government to be carried on and to take the necessary economic measures.

Whatever differences there may be between the Conservative and Liberal programmes, the two parties are in agreement on two major principles of policy:

- (1) commitment to membership of the European community;
- (2) commitment to a policy for countering inflation which deals with pay as well as with prices.

The Prime Minister believes that it would be possible for him to agree with Mr. Thorpe on a programme for inclusion in a Queen's Speech the week after next which the Liberal Party could support.

The Prime Minister thinks that in the present circumstances it is in the national interest that he and Mr. Thorpe should consider seriously and positively whether this is possible.

Basis of support

This could be either an understanding with the Liberal Party to support the Government on measures within a programme to be agreed, but without formal participation in Government; or formal participation of Liberals in Government, with a seat in the Cabinet for Mr. Thorpe and one (? or two) other Ministerial appointments for Liberals. [Possibly two Cabinet appointments ?]

Prepared to contemplate either basis.

No question of change of leadership. Mr. Heath elected as Leader by the Conservative Party, and the Party would not countenance any arrangement under which some one else than the elected Leader was Prime Minister.

Measures

1. Miners' pay.

Relativities Report now submitted; published on Monday.

Seek settlement on basis of recommendations.

2. Economic measures: the Budget (necessary measures, but fairly shared in relation to ability to pay).
3. Commitment to explore with employers and unions a voluntary pay and prices policy; failing that, use of existing machinery to maintain strict control of prices and fair control of pay.
4. Amend Industrial Relations Act.
5. Increased worker participation in industry.
6. Six-monthly pensions upratings.
7. Support for new constitutional arrangements in Northern Ireland.
8. Improve energy supplies (particularly North Sea Oil); encourage consumer cooperation and arrangements between consumers and producers.
9. Third World policies.
10. Europe: no renegotiation, but changes in CAP and institutions.
[No immediate commitment on direct elections.]
11. High level inquiry on need for and possible form of changes in electoral arrangements.
12. Proposals on Kilbrandon.

RA

2.iii.74

Charges to pay

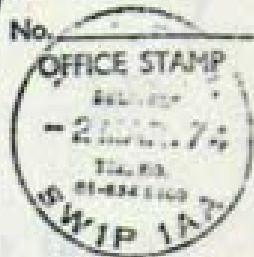
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B or C

MR. ARMSTRONG

As you suggested I read Mr. West's telegram to the Secretary of State for Northern Ireland, and suggested that he might wish to advise the Prime Minister about it.

After discussing this with Frank Cooper, he suggested that there would be great dangers in a meeting with Messrs. West, Paisley and Craig, but that it would be quite natural to have a meeting with West as Leader of the Unionist Party. Unfortunately in the telegram West refers to the United Ulster Unionist members, and the Secretary of State suspects that he would try to bring Paisley and Craig with him. The Secretary of State suggested therefore that the best response might be a telephone call from you or me to Mr. West, asking what he had in mind. Was he proposing to fly over to London? And, if so, when? Would he be coming alone? If Mr. West then said that he was hoping to bring his colleagues, it should be implied that this would not be very welcome. This could be done by remarking that the telegram had been signed by Mr. West alone; that he is Chairman of the Ulster Unionists; and that this would provide the most natural basis for a meeting. The aim would be either to agree that Mr. West would come by himself or to leave him with the thought that, while any request to bring Messrs. Craig and Paisley would be reported to the Prime Minister, this would make a meeting very much more difficult. It would be left open whether the meeting would be with the Prime Minister, the Secretary of State or the Chief Whip: this would depend to some extent whether Mr. West was intending to fly over to London.

When the results of this probing call were available, the Secretary of State could then advise further. When a decision had been taken, he would like to tell Mr. Brian Faulkner what was proposed.

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NOTE FOR THE RECORD

The Rt. Hon. Jeremy Thorpe MP came to see the Prime Minister, at the Prime Minister's request, at 10 Downing Street on Saturday 2 March 1974 at 4.00 p.m. Mr. R.T. Armstrong was also present.

2. The Prime Minister opened by welcoming Mr. Thorpe for an exchange of views on the political situation as a result of the General Election. The result of the election had been extraordinary. As in 1923 and 1929, neither of the two major parties could command an overall majority in the new House of Commons. But the situation was very different from that in 1923 or 1929. On both those occasions, though neither Conservative nor Labour had enjoyed an overall majority, there was a significant difference between them in the number of seats held (in 1923 in favour of the Conservatives, in 1929 in favour of Labour); and on those occasions the Liberals held a considerably larger number of seats than now. In the House of Commons just elected, each of the two main parties would hold almost exactly the same number of seats. Though the Conservative Party would hold five fewer seats than the Labour Party, the Conservative Party had polled a larger number of votes. The Liberal Party had polled nearly six million votes, though it would have only fourteen seats in Parliament. There was thus a substantial majority of voters who must be presumed not to want a Socialist Government.

3. In this situation his overriding duty and concern, as incumbent Prime Minister, was to decide and do what was in the national interest. The essential and urgent need was that an administration should be formed which would have sufficient support in the new House of Commons and would be sufficiently stable to carry on The Queen's Government, to take the measures required to deal with the economic crisis - which would be unpleasant but must be fair as well as effective - and to command the confidence overseas which would be necessary if the balance of payments deficit was to be financed and a reasonable rate of exchange for sterling maintained.

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4. Mr. Wilson had issued a statement making it clear that he was prepared to form a minority Labour Government but not to enter into any coalition or understanding with other parties in the House.

5. It was therefore the duty of Mr. Heath to see whether a basis existed for some kind of arrangement between the Conservative and Liberal parties which would enable government to be undertaken on the basis of a Right-Centre programme. The programmes of the Conservative and Liberal parties differed in a number of respects, and any arrangement would involve decisions on either side to postpone policies which in other circumstances they would have wanted to carry out but which did not have immediate priority in relation to the overriding requirements of the economic situation. But in two major respects the policies of the two parties were both alike and both different from those of the Labour Party: both were committed to British membership of the European Community, subject to changes and improvements in Community arrangements where these could be agreed but not subject to any renegotiation of the terms of British entry; and both were committed under present circumstances to a policy for dealing with inflation which dealt with pay as well as prices with statutory backing. The Prime Minister believed that it would be possible to construct a programme for The Queen's Speech on the Opening of Parliament which both parties could support.

6. As to the nature of any arrangement between the two parties, it was necessary to judge what arrangement would give the greatest degree of stability and confidence to a new Administration. The Prime Minister saw broadly three options:

- (1) an undertaking by the Liberal Party to support any policies and measures introduced by a Conservative administration which seemed to them right and justifiable in the national interest, but with the right to oppose policies and measures if they thought fit;

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- (2) an undertaking by the Liberal Party to support and vote for a definite programme of policies and measures by a Conservative administration, to be incorporated in a Queen's Speech which would be drafted in consultation with the Liberal Party. This would involve continuing consultation on the content of policies and measures which could only be summarised in The Queen's Speech;
- (3) participation by the Liberal Party in Government. Mr. Thorpe, as Leader of the Liberal Party, would be offered a seat in the Cabinet, and Ministerial appointments for other members of the Liberal Party could be discussed. On this basis the Liberal Party would be committed to the new Government's programme.

From the point of view of the stability and confidence of a new administration the third option - full participation in Government - was clearly preferable. The first option was little more than every Opposition promised at the beginning of a new Parliament, and would not give stability and confidence. The second - a commitment to support an agreed programme of policies and measures - would probably form a basis on which government could be carried on by a Conservative administration, if the Liberal Party was not prepared to participate in the government.

7. Mr. Thorpe asked the Prime Minister if he had considered the possibility of a "Grand Alliance" between the three major parties in the House of Commons to form a coalition administration. The Prime Minister said that he did not believe that such an arrangement was feasible. It would split the Labour Party. The left wing of the party would never let Mr. Wilson enter such a coalition, and Mr. Wilson himself would wish at all costs to avoid the role and fate of Ramsay Macdonald.

8. Reverting to the possibility of an arrangement between the Conservative and Liberal parties, the Prime Minister said that, if the Liberal Party decided that it was closer to the Labour Party than to the Conservative Party, that decision was of course open to them. But the Prime Minister believed that in the major

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respects he had described the Liberal programme was closer to the Conservative than to the Labour programme; and he believed that, quite apart from the fact that a substantial majority of voters had expressed a preference against a Socialist Government, a Conservative-Liberal administration, or a Conservative Government with a programme which the Liberal Party was committed to support, would be better able than a minority Labour Government to take the necessary economic measures and to command the necessary confidence overseas.

9. Mr. Thorpe said that he could not enter into any discussion or commitment on the proposal which the Prime Minister had put to him without consulting his colleagues. At this stage he could express only personal views. He endorsed the Prime Minister's view of the political situation resulting from the election and his conception of his duty in that situation. He shared the Prime Minister's view that the overriding national need was to deal with the country's economic problems, and above all with inflation. He acknowledged the similarity of their positions on Europe. He recognised the urgency of the need to resolve political uncertainty and enable an administration to tackle the problems of government without delay. He was not at present due to meet his Liberal colleagues in Parliament until the afternoon of 4 March. He would try to bring that meeting forward to the morning of 4 March, and in the meantime would discuss the matter with his closest senior colleagues, Lord Byers, Mr. Grimond and Mr. Steel. He hoped to do this on the afternoon of 3 March. He might wish to have further discussions with the Prime Minister after that and before meeting the other parliamentary colleagues. The Prime Minister indicated that he would be available for such discussions, with or without a few senior colleagues on either side.

10. Mr. Thorpe then put a number of points to the Prime Minister.

11. Mr. Thorpe asked first what was the position about the Ulster members: had the Prime Minister made or did he contemplate any arrangement with them? The Prime Minister said that the eleven

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Ulster members other than Mr. Fitt had stood under their own party labels - Ulster Unionist, Democratic Unionist and Vanguard Unionist - and also under the label of the grouping in which they were federated, the United Ulster Unionist Council. This Council, and all the eleven members elected to Westminster, were dedicated to the overthrow of Mr. Faulkner, of the new constitutional arrangements in Northern Ireland, and the Sunningdale agreement. He and his colleagues were of course entirely committed to the new constitutional arrangements and to the Sunningdale agreement, for which he had considerable personal responsibility, and there was no question of any deal under which he and his colleagues would modify their commitment to these arrangements in exchange for the promise of support at Westminster. But seven of the eleven were members of the Ulster Unionist Party, which was affiliated to the Conservative Party, and would automatically receive the Conservative Whip (as three of them had done as members of the last Parliament). The assumption must be that they would continue to support the Conservative Party on other issues than those of Northern Ireland, on which there was of course agreement between the three major parties.

12. Mr. Thorpe asked the Prime Minister how he saw the numbers in the new House of Commons. The Prime Minister said that there would be 296 Conservative members. If the 14 Liberal members voted with the Conservatives, and the seven Ulster Unionists voted with the Conservatives on non-Ulster issues, the resulting combination would have 317 votes, which would be equal to all the remaining votes (excluding the Speaker). It was by no means certain that all the remaining 16 non-Labour members would vote with the Labour Party: Mr. Milne and Mr. Taverne would no doubt normally do so, and probably the Welsh Nationalists; but it was thought that some at least of the Scottish Nationalists ("Tartan Tories", as the Labour Party called them) might support a Conservative-Liberal administration.

13. The Prime Minister asked Mr. Thorpe how the Liberal Party's position on regional and constitutional questions differed from those of the Nationalists. Mr. Thorpe said that the Nationalists

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wanted to go much further in separation of the countries of the United Kingdom than the Liberals did. Both wanted to see the majority proposals of the Kilbrandon Commission implemented: he thought that the Nationalists would go a very long way to secure a commitment to that. But he recognised that constitutional reform carried lower priority than the measures to deal with the economic situation. The Prime Minister recalled that he was committed to carrying out the proposals in Sir Alec Douglas-Home's report on devolution for Scotland.

14. Mr. Thorpe asked what dramatic changes the Prime Minister saw being made in the Conservative programme to accommodate a coalition with or the support of the Liberals. The Prime Minister thought that both sides would have to agree to postpone a number of policies and measures which they would have thought desirable in other circumstances; but these would be likely to be policies and measures which did not have the same priority as the measures immediately necessary to deal with the economic situation.

15. Mr. Thorpe asked about the Government's position on miners' pay. The Prime Minister said that the Pay Board's report was expected to be available early the following week. He did not know what it would recommend, though there were reports to the effect that it was generous but did not meet the miners' claims in full. The position of himself and his colleagues would be that the dispute should be settled on the basis of the Pay Board's report. Mr. Thorpe asked what their position would be if the miners refused to settle on that basis, but stood out for their full claim. The Prime Minister said that that would indeed be a very difficult situation. Mr. Thorpe made it clear that he had no solution to this problem. The Prime Minister asked Mr. Thorpe whether he agreed that the miners' dispute should be settled on the basis of the Pay Board's Relativities Report. Mr. Thorpe said that he did so agree; and he thought that a Relativities Board was the sensible, rational and fair way of settling such matters.

16. Mr. Thorpe then drew attention to the fact that, though his party had polled nearly six million votes, it had won only fourteen seats. This outcome gave rise to strongly felt dissatisfaction among Liberal voters. He asked what the Prime Minister thought about this, and what was his position on electoral reform. The Prime Minister acknowledged the reasonableness of the dissatisfaction to which Mr. Thorpe referred, but said that the subject of electoral reform was, as Mr. Thorpe knew, very controversial. He would have to consult his colleagues before he could give any indication of views or policies on this subject. Mr. Thorpe recognised that electoral reform was of less immediate priority than the economic situation and dealing with inflation.

17. Mr. Thorpe recognised that the economic situation would require unpleasant measures. The Prime Minister thought that it should be possible for the two parties to agree upon measures the burden of which was distributed in proportion to the capacity to bear it. On a Privy Councillor basis the Prime Minister told Mr. Thorpe that preparations had been made for a drawing on the International Monetary Fund and for extending for a further period the official sterling guarantees which were due to expire on 31 March. These would require very early decisions and action by a new administration. Mr. Thorpe suggested that there would be all-party support for an immediate I.M.F. drawing. The Prime Minister was not sure that it was possible to count on this: the Labour Party might be critical of the terms of such a drawing. Mr. Thorpe, remembering British experience of December 1967 and very recent developments in Italy, acknowledged the validity of this point.

18. Turning to other possible ingredients in a joint programme, Mr. Thorpe mentioned industrial relations legislation and the minimum earnings guarantee. The minimum earnings guarantee was not referred to again. On industrial relations legislation, the Prime Minister said that he and his colleagues had made clear their readiness to discuss amendments to the Industrial Relations Act with employers and unions. This offer had not been taken up.

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If returned, he would want to renew it. The Government had worked out the amendments which it would itself want to propose. He did not see how it would be possible simply to repeal the existing Act without putting something else in its place. That would mean that there was no statutory framework at all for industrial relations; and union leaders had told him privately that there were many features in the existing Act which the unions welcomed and would wish to preserve.

19. On policies to deal with inflation, the Prime Minister said that he would still like to agree with employers and unions a voluntary policy to deal with pay as well as with prices. But any voluntary policy would depend upon the willingness and ability of the trade unions to discipline those of their number who stepped out of line. This implied a considerable strengthening of the powers and effectiveness at the centre of the union movement in relation to individual unions, and he thought that in present circumstances the possibility of this was remote. He therefore saw no alternative to continuing with a statutory policy, based on the existing machinery. One problem at present was that many pundits were now saying, as Mr. Thorpe had himself said during the election campaign, that Stage III was now too generous. The Code could of course be changed at any time, and the Government was ready and willing to consider possible changes, though there were obvious difficulties about major changes in the middle of a wage cycle.

20. On Europe, the Prime Minister said that he saw little if any substantial difference between the Conservative and Liberal Parties. Both would like to see changes in the common agricultural policy, if these could be negotiated with our partners. Both would like to see further improvements in the institutions, though some had already been made. The Government accepted the commitment in the Treaty of Rome to direct election to the European Assembly, though it was difficult to see much progress being possible on that in present circumstances. The Prime Minister knew that Mr. Thorpe, as a committed supporter of British membership of the

European Community, would understand and share his belief that it was of overriding national importance to safeguard the achievement and the benefits of British entry into the Community.

21. Mr. Thorpe concluded by thanking the Prime Minister for giving him so much time. He would discuss what he had said with his colleagues, and would be in touch with the Prime Minister again as soon as possible, recognising the urgency which attached to a resolution of the political uncertainty.

22. The Prime Minister repeated his view that an arrangement between the Conservative and Liberal Parties, based on a programme of measures which both could support, would not only be possible but would also represent the desires of the substantial majority of voters not to have a Socialist Government, and would be in the national interest as providing a basis for a reasonably stable administration in the difficult period which lay ahead, able to command sufficient support in the country and in the House of Commons to carry out the necessary economic measures and to command the necessary degree of confidence in those overseas on whom the country would depend for support and assistance.

23. The Prime Minister and Mr. Thorpe agreed on a statement for the press making it clear that they had discussed the political situation and the urgent need in that situation for an administration to be formed to carry on The Queen's Government, that they would each be reporting the other's views to their colleagues, to see whether a basis existed for further discussions, and that no commitments had been entered into on either side. A statement to this effect was issued from 10 Downing Street.

24. The meeting ended at 5.20 pm.

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PRESS STATEMENT

8

The Rt. Hon. Jeremy Thorpe, M.P. came to see the Prime Minister, at the Prime Minister's request at 10 Downing Street on Saturday 2 March at 4.00 p.m.

The Prime Minister and Mr. Thorpe exchanged views about the current situation and the urgent need in that situation for an administration which could carry on the business of government. They agreed to treat their discussions as entirely confidential. Each agreed to report the views of the other to his colleagues to see whether a basis existed for further discussions. No commitment was entered into on either side.

Unattributable:

About 1/4 hours.

Atmosphere friendly and easy.

2 March 1974

Right Honourable Harry West
Rosahilly,
Ballinamallard,
Enniskillen

The Prime Minister has asked me to thank
you for your telegram.

The seven Ulster Unionist members at
Westminster, including those newly elected, will be
receiving the notice sent out by the Conservative
Chief Whip today in accordance with the usual
arrangements. In view of your position
as leader of the Ulster Unionists the Prime
Minister will of course be glad to see you
when you come to London for swearing in
next week.

Robert Amshurst (Principal Private Secretary)

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TELEGRAM SENT TO THE RT. HON. HARRY WEST, ROSAHILLY, BALLINAMALLAND,
ENNISKILLEN, AT 11.15 pm on 2 MARCH 1974

COPIED TO: S/S FOR NORTHERN IRELAND
CHIEF WHIP

The Prime Minister has asked me to thank you for your telegram.

The seven Ulster Unionist members at Westminster, including those newly elected, will be receiving the notice sent out by the Conservative Chief Whip today in accordance with the usual arrangements. In view of your position as leader of the Ulster Unionists the Prime Minister will of course be glad to see you when you come to London for swearing in next week.

Sgd. Robert Armstrong
(Principal Private Secretary)

To remind - you were going to
speak to him on Sunday morning.

10 ~~8~~

PRIME MINISTER

Mr. Edward Taylor telephoned. His agent Jimmy Anderson, who was formally a member of the SNP and came over to the Conservative Party, had a lunch engagement for Monday with Bill Lindsay, Vice President of the Scottish National Party. Bill Lindsay suggested that Mr. Taylor might join them and, when Mr. Taylor agreed to this, he subsequently telephoned back that he would like to bring along either McIntyre, the President of the Scottish National Party, or William Wolff. They implied that there was something which they would like to communicate; but said that they would intend keeping the occasion entirely confidential. If it became known, and Mr. Taylor had the impression that other members of the Scottish National Party had been told about it in confidence, the story would be that this was a lunch arranged by Jimmy Anderson, who had been a member of both parties, because it would be amusing to compare notes about experiences in the Election.

Mr. Taylor got the impression that the message might be something to the effect that, if there was a possibility of a Scottish Assembly, the Scottish National Party would be prepared to be helpful over votes of confidence; but he had no firm idea of the details at present. His intention was to listen to and report whatever was said, without saying that he would pass it on. He would avoid giving the impression that he was opening up a negotiation.

Mr. Taylor had consulted Sir Nicholas Morrison, Permanent Secretary of the Scottish Office. Sir Nicholas had suggested that, if the Scottish National Party wanted to say something, and this was not fouling up any other line of communication, there would be advantage in Mr. Taylor accepting the invitation. But he advised Mr. Taylor to report it to No. 10.

I told Mr. Taylor that he should assume that there was no objection or comment from this end unless we telephone back. Mr. Taylor can be reached at home on either tomorrow^{morning} or Monday morning.

F.R.B.

Nigel Fisher rang in to say that Jeremy had telephoned him for some 20 minutes or more - they have been close personal friends for many many years.

Jeremy said he was encountering a rather embarrassing problem with his colleagues about the Prime Minister personally. They feel they could not agree to serve as long as he is the Prime Minister.

Asked if this was his own view he said - No it is not, I am not very close to Ted but thought he was by far the most able man we had and he would be perfectly happy to serve - it was only some of his colleagues who were being difficult.

He was very relaxed about a policy package and is quite sure that this would be worked out, i.e. drop Housing Finance and amend the Industrial Relations Bill. He would leave the question of a coalition open as that might be difficult to get his colleagues to agree to, except those who would be Ministers.

The main problem would be Electoral Reform, there could be no deal without that - PR for boroughs and large towns, an alternative vote elsewhere.

If there were to be a Royal Commission they would want this to Report within 6 months, nothing longer - they have had that one before. Asked if he would let the House settle the Electoral Reform problem - he said again it would have to be within 6 months.

Asked what he would feel if we could not agree to this package, he said presumably Wilson would take office, and he would not do anything for the Liberals and the Liberals would make no deal with Wilson. He would not put the same propositions to Wilson, no approach has been made and he will not volunteer one. He would regard anything that Wilson came up with on its merits on a day to day basis, but no deal.

Jeremy said that he was quite happy that all this should be made known to us, and probably most of it was already known to the Prime Minister anyway during their talk. When that took place he did not then realise there would be a serious problem with his colleagues about the Prime Minister personally, this has developed since.

It was not clear who and how many of his colleagues Mr Thorpe had been in touch with but obviously fairly senior ones and they would like to have either a firm working arrangement or a coalition on a package deal of dropping Housing Finance, amendment Industrial Relations and an agreed economic basis. The electoral reform difficulty would remain in either case.

TELEPHONED MESSAGE TO THE PRIME MINISTER FROM MR. WOODROW WYATT
SUNDAY 3 MARCH 1974

1. My admiration for you has increased.
2. If you do not succeed with Liberals and others may I suggest the following:

Say that you cannot get a stable majority but nor can Labour, therefore in the interests of the country you offer a coalition Government to Labour and as they have technically more seats you are even willing to serve under Wilson. The coalition to last 6-9 months to take joint action on economy and then have a General Election. If Labour refuses they will look very bad. If they accept there will then be joint responsibility for necessary measures and the next General Election can be on a clean slate. Either way you would look very good and come out of it very well.

Best Wishes,

Woodrow.

TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND MR. THORPE
AT 6.00 ON 3 MARCH 1974

PRIME MINISTER

Good evening

MR. THORPE

Good evening, Prime Minister. I thought it might be helpful if I were to indicate how things stand at the moment.

Prime Minister

Yes indeed

Mr. Thorpe

We may be moving in a somewhat helpful direction. Although I am not in a further position until I have met my Parliamentary colleagues.

Prime Minister

Yes

Mr. Thorpe

There are two matters and it is no good beating about the bush. The first is that from my soundings there is a lack of enthusiasm for a proposition such as you suggested, either Opposition support or coalition support, in the light of your own position as PM: the feeling being that you called an election and failed to get the mandate that you sought. The second position is that before there could be talk about an agreed package of economic proposals, a very strong feeling is felt about the electoral system of the six million and the fourteen MPs. I believe that with regard to the first matter I raised, I don't believe that that is insuperable, I think that I can handle my Party on that issue. On the second issue I believe that I have to have something firm to put towards them, presenting a basis for further rapid discussion on an agreed economic package. And I think that what they have in mind is not the sort of suggestion of a Royal Commission which

might report some day but some sort of proposal which one might expect to see implemented within say six to nine months. And after that then the situation could well change from general support from the Opposition bench to actual coalition. But I think that they feel that if they go into a coalition under the present system they are simply putting their heads under a chopper. Now I am meeting my boys tomorrow. The people I have met today are Byers, Grimond and Steel. The first point as I say I think I can handle. The second point I don't think I am going to get much further in suggesting that we have further talks about an agreed package, unless I can say something hard on the electoral reform front. Now I don't know whether you have had a chance to talk to your colleagues on that one, but presumably you might be in a position to give some indication before we meet tomorrow.

Prime Minister

I will try to do so, yes. When you say something immediate, what have your people got in mind?

Mr. Thorpe

Well, they are first of all very much in your hands and open to suggestion of what you had in mind. I think they felt that one would have to have a sort of Churchill compromise. Perhaps PR for the boroughs and the alternative vote for the rural areas. It would probably have to be in a Speaker's conference, but an indication as to what the majority parties, or rather the majority of the parties would recommend; and try to commit themselves to implementing within say six months on the statute book, because this would need some boundary revisions. But the Northern Ireland precedent is an indication that this thing is possible to be achieved, providing that there is a majority of opinion on a Speaker's /conference

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conference, and it can be done within the course of a Parliament with a view to implementation for the next. My own view is that whatever happens obviously both our parties are going to have trouble. But I believe on that I probably could swing them for general support for an agreed package from the Opposition benches. The next phase I think is if we actually got this on the statute book, then if you were still so minded I think we might be able to make our support one stage firmer.

Prime Minister

You mean actual participation in government?

Mr. Thorpe

Put it this way, I don't rule it out - it becomes a distinct possibility. But without any electoral system they would frankly feel that the difference between a minority Labour and a minority Conservative government are matters which are outside their control and the two other party leaders must determine that for themselves. Now we have been in touch, rather in a desultory way, because they are immured in Lossiemouth, we are trying to get in touch, with the two national parties. David was in touch with Willie Woolf who is very keen on Kilbrandon and also very keen on electoral reform. I can't take them further save that we will be in touch with both of them this evening. So basically I think what would be very helpful to me is if it were possible to get some sort of indication of your feelings on the electoral position possibly before I met my colleagues tomorrow.

Prime Minister

What time are you meeting them Jeremy?

Mr. Thorpe

I am meeting them at 11.00. And as Frank said obviously

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the economic thing is far more important than anything else. But we do feel we have an obligation to six million people.

Prime Minister

Yes. But at the moment coalition is excluded?

Mr. Thorpe

At present, but if there was some proposal on the other front obviously it would be easier to put such a proposition to them than it is at present. At the moment my job has been to keep them on the rails on the basis that let's at least discuss whether we cannot at least get general support for an agreed economic package for the country. And I have still got that on the tapis. But the electoral thing they feel somewhat hard about and the Prime Minister thing I have had, ~~I have~~ taken soundings and there again there is a fair amount of opposition. But I think that one I can overcome.

Prime Minister

Alright, then let me discuss it, and come back to you as soon as I can.

Mr. Thorpe

I shall be in the whole evening. And if it is any help, you know if one is asked, if it is any help, we have not been in contact.

Prime Minister

Yes that is alright. Yes.

Mr. Thorpe

I am sorry, this is obviously hell - a nightmare on stilts for you. Somehow I personally hope that we can work something out.

Prime Minister

Alright, Jeremy. Thank you very much.

Mr. Thorpe

Goodnight.

links:

The Rt Hon Jeremy Thorpe MP

4/3

14

When we met on Saturday afternoon, we agreed that, in the ^{relevant} extraordinary situation created by aⁿ Election which left neither of the two major parties able to command an overall majority in the House of Commons, and ~~an insignificant~~ ^{with only a small} difference in the number of seats held by each of them, the essential and urgent need was that an Administration should be formed which would have sufficient support in the new House of Commons (~~and would be sufficiently stable~~) to carry on The Queen's Government, and in particular to take the measures required to deal with the economic crisis - something which both of us believe must take highest priority, ~~and to~~ ^{to} command the necessary degree of confidence at home and overseas. We noted that the Leader of the Labour Party had issued a statement which made it clear that he would be prepared to form a minority government but not to enter into any coalition or understanding with other parties in the House. In that situation it was my duty, as Prime Minister, to see whether a basis existed for ~~some kind of an~~ ^{an} arrangement between the Conservative and Liberal Parties, which would ensure the necessary support to enable a Government to deal effectively with the overriding needs of the economic situation.

I recognised that the programmes of our two parties differed in a number of respects. Any such arrangement would involve decisions on either side to postpone policies and measures which in other circumstances we might have wanted to carry out but which did not have immediate priority in relation to the overriding requirements of the economic situation. But there was much that we had in common. In two major respects in particular, the policies of our two parties are both alike and both different from those of the Labour Party. Both of us are committed to policies for countering

inflation which deal with pay as well as with prices. And both of us are committed to British membership of the European Community, subject to changes and improvements in Community arrangements where these could be agreed with our Community partners but not subject to any re-negotiation of the terms of British entry. I made clear my belief that it would be possible to construct a programme for The Queen's Speech on the Opening of Parliament which both the Conservative and the Liberal Parties could honourably and in good conscience support.

When we met on Saturday, we considered various possible arrangements, and in particular an undertaking by your Party to support and vote for a definite programme of policies and measures to be incorporated in a Queen's Speech which would naturally have to be drafted in consultation with you, or a coalition arrangement under which you, as leader of the Liberal Party, would be offered a seat in the Cabinet, with ~~the possibility of~~ Ministerial appointments for ^{some} other members of your Party.

On this latter basis, of course, you as a member of the Government would have a voice in all the Government's decisions, ~~and the Government could not embark upon measures which you were not prepared to support.~~ ^{At the same time} ~~On the other hand~~ your Party would be committed to support the Government in the House of Commons.

I told you on Saturday that I thought that from the point of view of the stability and confidence of a new Administration full Liberal participation in Government was preferable to other possible arrangements. Since we met I have had an opportunity ^{of discussing further} to discuss this with my colleagues. We are now convinced that full Liberal participation in Government, and thus in all the decisions of Government, with whipping arrangements to correspond, will be essential if we are to ensure a stable Administration, able to take the measures required by the economic situation, and able to command confidence at home and overseas. We do not think that ^{in its own} Liberal agreement to support an agreed Conservative programme in the House of Commons would be sufficient.

When we met, you drew my attention to the fact that, though your Party had polled nearly six million votes in the Election, it had won only 14 seats. You said that this outcome had given rise to ^{deep} lively dissatisfaction among ^{your colleagues and} Liberal voters, and had underlined the need for electoral reform. You asked what were my views on this subject, and I told you that I should have to consult my colleagues. I have now done so.

Electoral reform has always been a matter for the House of Commons itself, expressing its view by means of a free vote on recommendations by a Speaker's Conference. ^{by a vote of the House} We obviously cannot commit Parliament, or indeed our Party as a whole. But I am authorised to tell you that ~~I~~ and my colleagues ^{in the} Cabinet would be prepared to support the setting up of a Speaker's Conference to consider the desirability and possibility of a change in our electoral arrangements. We should think it right to ask such a

Conference to report its conclusions and recommendations ~~within~~ ^{speculatively -> possible} ~~six months~~. We should be ready to cooperate in seeing that those conclusions and recommendations were put to Parliament for decisions as soon as possible thereafter. This would ensure that the whole matter was fully ventilated by Parliamentary and public opinion, and that any conclusions and recommendations were brought forward and dealt with without delay.

NOTE FOR THE RECORD

The Right Honourable Jeremy Thorpe MP, came to see the Prime Minister, at the Prime Minister's request, at 10 Downing Street on Sunday 3 March 1974 at 10.30 pm. Mr. R.T. Armstrong was also present.

2. The Prime Minister recalled that, when they had met the previous day, he had suggested to Mr. Thorpe that the overriding need of the moment was that a Government should be formed which could deal effectively with the requirements of the economic situation. It was his duty, as Prime Minister, to see whether a basis existed for some kind of arrangement between the Conservative and Liberal Parties. Such an arrangement would involve both sides in postponing some controversial policies and measures; but there was much that the two Parties had in common, particularly on dealing with inflation and on Europe. So he believed that it would be possible to construct a programme for The Queen's Speech which both Parties could honourably support.

3. When they had met the previous day, they had discussed various possible forms which an arrangement between the two Parties might take: an undertaking by the Liberal Party to support policies and measures which they approved, but with the right to oppose measures if they thought fit, an undertaking by the Liberal Party to support and vote for a definite programme of policies and measures to be incorporated in The Queen's Speech which would have been drafted in consultation with them, or a coalition arrangement under which Mr. Thorpe himself would be offered a seat in the Cabinet, and would thus have a voice in the Government's decisions, and the Liberal Party would be committed to support the Government in the House of Commons. Mr. Heath had told Mr. Thorpe that from the point of view of the stability and confidence of a new Administration full Liberal participation in Government was preferable to all other arrangements. He had now discussed the matter further with his colleagues, whose view had strengthened that full Liberal participation would be essential to ensure a stable Administration. They did not think that Liberal agreement

to support an agreed Conservative programme in the House of Commons would be sufficient. The Prime Minister made it clear that he and his colleagues had very much in mind the difficulty of managing Government business in the House of Commons under any less formal arrangement.

4. When Mr. Thorpe had spoken to the Prime Minister on the telephone earlier in the day he had suggested that there would be a lack of enthusiasm in his own Party for an arrangement to support a Conservative Government led by Mr. Heath. The Prime Minister said that he was bound to tell Mr. Thorpe that his colleagues had told him that they would not agree to serve under any other Prime Minister. Mr. Thorpe was at liberty to verify this by talking to one or two of the Prime Minister's colleagues if he wished to do so (Mr. Thorpe made it clear that he saw no need for that). The position was therefore clear on that matter. But Mr. Thorpe had indicated that he might be able to handle his Party on that issue.

5. At their meeting Mr. Thorpe had also drawn attention to the fact that his Party had polled nearly six million votes in the Election, but had won only 14 seats, and had asked what were the Government's views on the subject of electoral reform. In his telephone conversation earlier in the day Mr. Thorpe had adumbrated a proposal under which there would be a Speaker's Conference, with the Conservative and Liberal Parties committed in advance to what their spokesmen would recommend to it, and a pledge to implement the result within six months. The Prime Minister explained to Mr. Thorpe that he and his colleagues could not honourably undertake to deliver anything like this. Electoral reform was a complicated as well as a controversial matter, which had not been the subject of any recent study or attention in the Conservative Party. He doubted whether there would be a sufficient measure of agreement on the principle to enable him to commit the Party; and he could certainly pledge neither the Party nor the Cabinet at such short notice to a commitment to the introduction of a proposal before there had been any opportunity to study the subject in depth. In any case, electoral reform had always been a matter for the House of Commons itself, expressing its view by means of a

free vote on recommendations by a Speaker's Conference. The Labour Party would certainly object strongly to any proposal that the matter should be committed to a Royal Commission (which had been one of Mr. Thorpe's suggestions). Clearly the Government could not say what the result of such a free vote would be. Mr. Thorpe would understand that the Government could not even ensure that its own backbenchers on the Conference would support any proposal which the Government as such might put to the Conference. He and his colleagues recognised, however, the dissatisfaction which the result of the recent Election had caused, and would be prepared to support the setting up of a Speaker's Conference to consider the possibility of a change in electoral arrangements. This would ensure the whole matter was fully discussed and considered by Parliament.

6. Mr. Thorpe said that, on the question of support or participation, he had to have in mind the need to keep his Party in Parliament and in the country together. In his view there was no possibility of the Liberal Party agreeing to participating in the Government at this stage, though the prospect might change if and when a measure of electoral reform had been passed.

7. On the question of electoral reform, he quite understood that the Prime Minister and his colleagues could not commit Parliament or their own Party, and he was not seeking any such commitment. He recognised that the matter would have to go to a Speaker's Conference and would be decided thereafter by a free vote in the House of Commons. But he thought that, if there were to be any prospect of an arrangement between the two Parties, it would be necessary for the Prime Minister and his colleagues to give more indication than the Prime Minister had so far given that they recognised the injustice of the present system and were in favour of changing it to a system of representation which was fairer to the minority groups. From the point of view of his Party, there was nothing to choose between a minority Conservative Government and a minority Labour Government unless one or other of them was prepared to accept some sort of commitment towards electoral reform.

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8. Mr. Thorpe said that, since he had spoken to the Prime Minister earlier in the day, Mr. Wilson had been in touch with him and had now asked Mr. Thorpe to come and see him at 10.00 am the following morning. He did not know what Mr. Wilson would say. He did not expect to be asked to enter into any coalition or understanding, or to be offered any commitment on electoral reform. But he thought Mr. Wilson had made his original statement, saying that he was not prepared to enter into any kind of understanding with other parties, before he realised that the Government might wish to examine the possibility of a coalition with the Liberal Party.

9. The Prime Minister asked Mr. Thorpe what sort of arrangement he contemplated, short of full Liberal participation in Government. Mr. Thorpe said that he had it in mind that agreement should be reached on the content of a Queen's Speech, and his Party would then be committed to the support of that programme for the period until the next Queen's Speech, when the matter could be looked into again.

10. Mr. Thorpe said that he would be meeting his parliamentary colleagues at 11.00 am the following morning. It was now for the Prime Minister and his colleagues to decide whether an arrangement on the lines he had described would be sufficient for the purposes of establishing a stable administration and commanding confidence at home and overseas, and whether they could take the further step towards a commitment on electoral reform which he had indicated.

11. The Prime Minister said that he would be meeting his colleagues at 10.00 am the following morning, and would send a message or letter to Mr. Thorpe as soon as that meeting was ended.

12. The meeting ended at about 11.00 pm.

RIA

12 March 1974

SECRET

DRAFT LETTER TO THE RT. HON. JEREMY THORPE, M.P.

When we met on Saturday afternoon, we agreed that, in the situation created by a General Election which left neither of the two major parties able to command an overall majority in the House of Commons, and with only a small difference in the number of seats held by each of them, the essential and urgent need was that an Administration should be formed which would have sufficient support in the new House of Commons to carry on The Queen's Government, and in particular ~~to~~ ^{according to} command the degree of confidence at home and overseas ^{NECESSARY} to take the measures required to deal with the economic crisis - something which both of us believe must take highest priority. We noted that the Leader of the Labour Party had issued a statement which made it clear that he would be prepared to form a minority government but not to enter into any coalition or understanding with other parties in the House. In that situation it was my duty, as Prime Minister, to see whether a basis existed for an arrangement between the Conservative and Liberal Parties, two parties which had most in common, which would ensure the necessary support to enable a Government to deal effectively with the overriding needs of the economic situation.

I recognised that the programmes of our two parties differed in a number of respects. Any such arrangement would involve decisions on either side to postpone policies and measures which in other circumstances we might have wanted to carry out but which did not have immediate priority in relation to the overriding requirements of the economic situation. But there was much that we had in common. In two major respects in particular, the policies of our two parties are both alike and both different from those of the Labour Party. Both of us are committed to policies for countering inflation which deal with pay as well as with prices. And both of us are committed to British membership of the European Community.

subject to changes and improvements in Community arrangements where these could be agreed with our Community partners but not subject to any re-negotiation of the terms of British entry. I made clear my belief that it would be possible to construct a programme for The Queen's Speech on the Opening of Parliament which both the Conservative and the Liberal Parties could honourably and in good conscience support.

When we met on Saturday, we considered various possible arrangements, and in particular an undertaking by your Party to support and vote for a definite programme of policies and measures to be incorporated in a Queen's Speech which would naturally have to be drafted in consultation with you, or a coalition arrangement under which you, as leader of the Liberal Party, would be offered a seat in the Cabinet, with Ministerial appointments for some other members of your Party.

On this latter basis, of course, you as a member of the Government would have a voice in all the Government's decisions. At the same time your Party would be committed to support the Government in the House of Commons.

I told you on Saturday that I thought that from the point of view of the stability and confidence of a new Administration full Liberal participation in Government was preferable to other possible arrangements. Since we met I have had an opportunity of discussing this further with my colleagues. We are now convinced that full Liberal participation in Government, and thus in all the decisions of Government, ^{with whipping} arrangements to correspond } will be essential if we are to ensure a stable Administration, able to take the measures required by the economic situation, and able to command confidence at home and overseas. We do not think that, on its own, Liberal agreement to support an agreed Conservative programme in the House of Commons would be sufficient.

When we met, you drew my attention to the fact that, though your Party had polled nearly six million votes in the Election, it had won only 14 seats. You said that this outcome had given rise to deep dissatisfaction among your colleagues and Liberal voters, and had underlined the need for electoral reform. You asked what were my views on this subject, and I told you that I should have to consult my colleagues. I have now done so.

Electoral reform has always been a matter for ^{Parliament} ~~the House of~~ Commons itself, expressing its view by means of a free vote on recommendations by a Speaker's Conference. My colleagues and I obviously cannot commit Parliament, or indeed our Party as a whole. But I am authorised to tell you that my colleagues and I in the present Cabinet would be prepared to support the setting up of a Speaker's Conference to consider the desirability and possibility of a change in our electoral arrangements.

We should think it right to ask such a Conference to report its conclusions and recommendations as speedily as possible. We should be ready to co-operate in seeing that those conclusions and recommendations were put to Parliament for decisions (as soon as possible) thereafter. This would ensure that the whole matter was fully ventilated by Parliamentary and public opinion, and that any conclusions and recommendations were brought forward and dealt with without delay.

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CM(74) 10th
Conclusions

COPY NO 1

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

MONDAY 4 MARCH 1974

at 10.00 am

PRESENT

The Rt Hon Edward Heath MP
Prime MinisterThe Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth AffairsThe Rt Hon Lord Hallsham of St Marylebone
Lord ChancellorThe Rt Hon Anthony Barber MP
Chancellor of the ExchequerThe Rt Hon William Whitelaw MP
Secretary of State for EmploymentThe Rt Hon Lord Carrington
Secretary of State for EnergyThe Rt Hon Robert Carr MP
Secretary of State for the Home
DepartmentThe Rt Hon James Prior MP
Lord President of the CouncilThe Rt Hon Sir Keith Joseph MP
Secretary of State for Social ServicesThe Rt Hon Geoffrey Rippon QC MP
Secretary of State for the EnvironmentThe Rt Hon Margaret Thatcher MP
Secretary of State for Education and
ScienceThe Rt Hon Gordon Campbell
Secretary of State for ScotlandThe Rt Hon Peter Walker MP
Secretary of State for Trade and IndustryThe Rt Hon John Davies MP
Chancellor of the Duchy of LancasterThe Rt Hon Peter Thomas QC MP
Secretary of State for WalesThe Rt Hon Francis Pym MP
Secretary of State for Northern IrelandThe Rt Hon Ian Gilmour MP
Secretary of State for Defence

The Rt Hon Maurice Macmillan MP
Paymaster General

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal

ALSO PRESENT

The Rt Hon Humphrey Atkins MP
Parliamentary Secretary, Treasury

SECRETARY

Sir John Hunt

SUBJECT

THE SITUATION FOLLOWING THE GENERAL ELECTION

CABINET

CONFIDENTIAL ANNEX

CM(74) 10th Conclusions

Monday 4 March 1974 at 10.00 am

THE SITUATION
FOLLOWING
THE GENERAL
ELECTION

THE PRIME MINISTER said that he had kept in close touch with most of his colleagues over a weekend of intense consultation but it was right for the Cabinet as a whole now to take stock of the position reached. It had been argued by some that the support of the Ulster Unionists would provide a sufficient majority to continue in office but this would be both difficult and unreliable. As envisaged at their last discussion he had therefore seen the Leader of the Liberal Party at 4.00 pm on Saturday 2 March. Mr Thorpe had agreed that the Liberal attitude on incomes policy and on Europe was similar to that of the Government and that it was constitutionally proper for the latter to explore the possibility of Liberal co-operation on a general programme of measures to be included in The Queen's Speech or indeed Liberal participation in the Government itself. Mr Thorpe had not been authorised by his colleagues to accept any arrangement but he had asked a number of questions. The first concerned Northern Ireland, and he had been assured that the Government would not contemplate any deal with the Ulster Unionists but would continue to support the Sunningdale agreement. He had then asked about electoral reform, making it clear that he was not wedded to any particular solution although he had mentioned the possibility of proportional representation for the boroughs and the alternative vote system for the rural areas: on this the Prime Minister had said that he could give him no indication of the Government's view without further consultation with his colleagues. He had also mentioned the Kilbrandon Report on which he had been told that the Government had undertaken some preliminary work which could be discussed with him later. He had not raised any foreign policy or economic issues, but had said that his Parliamentary Party would not be meeting until 4 March although he could consult some of his senior colleagues on the following day. After doing this he had telephoned the Prime Minister at 5.30 pm on Sunday saying that things were moving in a helpful direction. There were however two problems. The first concerned the leadership of the

Conservative Party if Liberal support was to be provided; but on this he felt he could handle his Party. The second was electoral reform on which the Liberals would expect specific and urgent action. If this was promised the Liberals would consider support for the Government and did not rule out the possibility of entering a coalition at a later stage.

The Prime Minister had been in touch with many of his colleagues both following his initial talk with Mr Thorpe and the later telephone conversation. They had increasingly come to the view that an arrangement for Liberal support would be insufficient given the measures which would have to be taken to restore the economy. A coalition seemed the only possibility, but on electoral reform they had not felt able either to commit themselves on what they would recommend or still less to what a Speaker's Conference might decide. They were not therefore in a position to deliver on the matter which was most important to Liberal thinking. The most that might be contemplated was to acknowledge the strength of Liberal views, to offer the setting up of a Speaker's Conference as a matter of urgency and to say that they would thereafter ask Parliament on a free vote to decide upon the Conference's recommendations. He had therefore seen Mr Thorpe a second time at 10.30 pm on Sunday evening. He had explained the position to him and had said that he would try to let him have the Cabinet's view before the Liberals' own Parliamentary Party meeting at 11.00 am that morning. He had said that he personally felt that coalition was essential and that the most that could be offered on electoral reform was a Speaker's Conference. Indeed he had stressed that he could not honourably undertake to deliver more than this. Mr Thorpe had repeated that he could not enter a coalition at this stage although many in his Party wanted an arrangement with the Conservatives. The offer of a Speaker's Conference would however be insufficient to secure this and as a minimum the Liberals would expect a statement by the Government that they regarded some change in the electoral arrangements as necessary. Mr Thorpe had also said that Mr Wilson also wished to see him but that he would take the same line with him over electoral reform.

THE SECRETARY OF STATE FOR ENERGY said that he had seen Lord Byers who felt strongly that a coalition would be the end of the Liberal Party. He favoured an arrangement with the Government with proportional representation as the price, but felt that the Liberal Party might not be prepared to go as far even as this.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Pay Board report on miners' relativities had now been received although he had not yet read it personally. It offered big increases in miners' pay which the Liberals would certainly support: but it

was now questionable whether the miners would accept it from a minority Government with Liberal support only. This was a further factor to be taken into account in considering the alternatives of Liberal support or coalition. Indeed the latter might in any case be necessary to bind the Liberals to a settlement not in excess of that proposed by the Pay Board.

In discussion there was general agreement that the matter now needed to be brought to a head urgently both from the national and Party's points of view. There had been widespread support within the Conservative Party for the approach to the Liberals but the Government's backbench supporters were increasingly worried by talk of a deal with the Liberals over proportional representation and were unlikely to support any action leading towards that end. An arrangement with the Liberals would in any case be insufficiently stable, and Mr Thorpe seemed to be asking too much and offering too little. There was no possibility of an arrangement with the Ulster Unionists who would seek to undermine the Sunningdale agreement, or with the Scottish nationalists who were left-wing and opposed to the Government's European policies: and a decision to face Parliament without guaranteed support to provide an overall majority would seem to many to be a discreditable attempt to hold on to power and would exacerbate relations with the trades unions. At some stage the political and economic situation of the country might dictate a Grand Coalition between the Labour and Conservative Parties but talk of this was premature. It had been right to make an approach to the Leader of the Liberal Party but it was now clear that an offer of general support by that Party would not provide the stability necessary for the Government to remain in office. Unless therefore the Liberal Party was prepared to enter a coalition without a commitment to legislation on electoral reform in the new Parliament - and this seemed very unlikely in the light of Lord Byers' remarks - there seemed no alternative to the Prime Minister tendering his resignation to The Queen and advising her to ask the Leader of the Labour Party to form an Administration.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were agreed that only a firm coalition with the Liberal Party could ensure their continuance in office, and also that it would be inadvisable to offer more to the Liberals than a Speaker's Conference on electoral reform in order to obtain such a coalition. The chance of this proving acceptable now seemed remote but it would be necessary to await a formal reply from the Leader of the Liberal Party before tendering his resignation. It was therefore necessary to send Mr Thorpe a letter forthwith confirming the offer of a coalition with a Speaker's Conference on electoral reform, but making it clear that the Conservative Party could accept no commitment to legislation on electoral reform in the new Parliament since the electorate should have an opportunity to

express their views on the changes proposed. He had prepared a draft for this purpose, the final text of which he would settle in consultation with a few of his senior colleagues. On the assumption that Mr Thorpe rejected this proposal outright this might be the last meeting of the present Cabinet and he wished to thank his colleagues for their loyal support during their years in office.

THE LORD CHANCELLOR said that the members of the Cabinet would for their part want to thank the Prime Minister for the leadership which he had given to them.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and warmly endorsed the remarks of the Lord Chancellor.

Cabinet Office

5 March 1974

Electoral reform has always been a matter for Parliament itself, expressing its view by means of free votes on recommendations by a Speaker's Conference. My colleagues and I obviously cannot commit Parliament, or indeed our Party as a whole. But I am authorised to tell you that my colleagues and I in the present Cabinet would be prepared to support the setting up of a Speaker's Conference to consider the desirability and possibility of a change in our electoral arrangements. ~~We should think it right to ask such a Conference to report its conclusions and recommendations as speedily as possible.~~ This would ensure that the whole matter was fully ventilated by Parliamentary and public opinion. We should then be ready to cooperate in seeing that the conclusions and recommendations of the Conference were put to Parliament in the customary way.



Final version.

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10 Downing Street
Whitehall

4.3.74.

When we met on Saturday afternoon, we agreed that, in the situation created by a General Election which left neither of the two major parties able to command an overall majority in the House of Commons, and with only a small difference in the number of seats held by each of them, the essential and urgent need was that an Administration should be formed which would have sufficient support in the new House of Commons to carry on The Queen's Government, and in particular to command the degree of confidence at home and overseas necessary to take the measures required to deal with the economic crisis - something which both of us believe must take highest priority. We noted that the Leader of the Labour Party had issued a statement which made it clear that he would be prepared to form a minority government but not to enter into any coalition or understanding with other parties in the House. In that situation it was my duty, as Prime Minister, to see whether a basis existed for an arrangement between the Conservative and Liberal Parties, two parties which had most in common, which would ensure the necessary support to enable a Government to deal effectively with the overriding needs of the economic situation.

I recognised that the programmes of our two parties differed in a number of respects. Any such arrangement would involve decisions on either side to postpone policies and measures which in other circumstances we might have wanted to carry out but which did not have immediate priority in relation to the overriding requirements of the economic situation. But there was much that we had in common. In two major respects in particular, the

policies of our two parties are both alike and both different from those of the Labour Party. Both of us are committed in present circumstances to policies for countering inflation which deal with pay as well as with prices with statutory backing. And both of us are committed to British membership of the European Community, subject to changes and improvements in Community arrangements where these could be agreed with our Community partners but not subject to any re-negotiation of the terms of British entry. I made clear my belief that it would be possible to construct a programme for The Queen's Speech on the Opening of Parliament which both the Conservative and the Liberal Parties could honourably and in good conscience support.

When we met on Saturday, we considered various possible arrangements, and in particular an undertaking by your Party to support and vote for a definite programme of policies and measures to be incorporated in a Queen's Speech which would naturally have to be drafted in consultation with you, or a coalition arrangement under which you, as leader of the Liberal Party, would be offered a seat in the Cabinet, with Ministerial appointments for some other members of your Party.

On this latter basis, of course, you as a member of the Government would have a voice in all the Government's decisions. At the same time your Party would be committed to support the Government in the House of Commons.

I told you on Saturday that I thought that from the point of view of the stability and confidence of a new Administration full Liberal participation in Government was preferable to other possible arrangements. Since we met I have had an opportunity of discussing this further with my colleagues. We are now convinced that full Liberal participation in Government, and thus in all the decisions of Government, will be essential if we are to ensure a stable

Administration, able to take the measures required by the economic situation, and able to command confidence at home and overseas. We do not think that, on its own, an arrangement for Liberal support would be sufficient to provide the stability and command the confidence necessary in present circumstances.

When we met, you drew my attention to the fact that, though your Party had polled nearly six million votes in the Election, it had won only 14 seats. You said that this outcome had given rise to deep dissatisfaction among your colleagues and Liberal voters, and had underlined the need for electoral reform. You asked what were my views on this subject, and I told you that I should have to consult my colleagues. I have now done so.

Electoral reform has always been a matter for Parliament itself, expressing its view by means of free votes on recommendations by a Speaker's Conference. My colleagues and I obviously cannot commit Parliament, or indeed our Party as a whole. But I am authorised to tell you that my colleagues and I in the present Cabinet would be prepared to support the setting up of a Speaker's Conference to consider the desirability and possibility of a change in our electoral arrangements. This would ensure that the whole matter was fully ventilated by Parliamentary and public opinion. We should then be ready to cooperate in seeing that the conclusions and recommendations of the Conference were put to Parliament in the customary way.

E.H.

Mr. Edward Taylor telephoned from the place where he was having lunch with representatives of the Scottish National Party. The Scottish National Party have given him advance notice of the statement which they are putting out at 4.00 p.m. this afternoon. The text of this as dictated by Mr. Taylor is attached.

Mr. Taylor added the following points. The representatives of the Scottish National Party had emphasised that the statement was a statement of the ideal and, as such, its terms were negotiable. Any party which met the full terms of the statement would have their full support, but there were a whole range of half-way houses inbetween, including for example an understanding that they would give their support on confidence votes for some intermediate arrangement. But they indicated that their inclination was to support a Conservative rather than a Labour administration, because they feared that a Labour administration would take some popular measures and then seek a new mandate before the bills had to be paid. There was an additional point which they would be mentioning orally at 4.00 p.m. and to which they attach importance: this was that a new Government should seek to negotiate wider fishing limits. As regards the freeze on rents, rates and prices, they had in mind a one-year freeze: amplifying this, they said that what they were looking for was some action to deal with what they regarded as the root causes of inflation.

Mr. Taylor said that Mr. Gordon Murray, a Vice Chairman of the Party, had been authorised to negotiate on behalf of the Parliamentary Party. He was with Mr. Taylor and would be willing to come to London at short notice. Mr. Taylor would be willing to come with him if that was wanted.

Mr. Taylor hoped that, if the Government thought that there was anything to follow up in this, they would take advantage of the advance notice in order to make the first response.

The Scottish National Party today put forward positive proposals for the solution of both the constitutional and the economic crisis. They involve:

1. Support for any Government which comes to a fair and just settlement with the miners and gets the country back to the five day week.
2. The establishment forthwith of a Scottish Assembly with powers considerably beyond those recommended in the Kilbrandon Report.
3. An immediate prices, rents and rates freeze.

Speaking in Edinburgh on behalf of seven Nationalist MPs, Billy Wolfe, the Party Chairman, said 'Our prime responsibility is to the people of Scotland. These proposals are tabled openly for consideration by both the Labour and Conservative Parties. They offer a positive solution to both the constitutional and the economic crisis. The SNP will do no deals beyond closed doors. As of now, the verdict of both Heath and Wilson is not proven. If they both continue to seek personal power, and ignore the rightful aspiration of the Scottish people they will clearly be judged guilty. Mr. Wolfe continued "Lord Kilbrandon indicated that it was up to the people of Scotland to state whether they wanted to go beyond his recommendations. It is now obvious that they have voted for a measure of self-government which goes beyond his report. Recognising this Parliamentary report will limit its immediate objective to the establishment of a Scottish Assembly with substantial powers. These powers will include control over



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HOUSE OF COMMONS
LONDON SW1A 0AA

4th March 1974

Dear Prime Minister,

Thank you for your letter of this morning. You will recall that our meeting on Saturday was at your invitation when you indicated that if possible it was your intention to carry on in Government. As I made clear then, and subsequently in public, no commitment of any sort was entered into by me, save that I would report our discussions to my colleagues and seek their views. This I did.

Subsequently, a second meeting took place at your request on Sunday night, to which your letter does not allude, in which I made it clear that in my view, after preliminary soundings, there was no possibility of a Liberal-Conservative Coalition proving acceptable, but that we might give consideration to offering support from the opposition benches to any minority Government on an agreed but limited programme. This you have now explicitly rejected.

After meeting my Parliamentary colleagues in the Commons this morning this attitude was confirmed. In recognizing the grave and immediate economic problems which this country faces, the vital necessity for an early settlement to the Miners' dispute and the restoration of a full working week, we believe that the only way in which the maximum degree of national co-operation can be achieved is for a Government of national unity to be formed to include members of all Parties to carry out a limited programme on those matters of overriding priority. At this stage I do not think it would be helpful to comment on the assumptions that you have made concerning policy save to say that in the present economic emergency I think that sufficient common ground and good will could be found between all Parties to sustain a National Government. As the enclosed Press Statement indicates, this would have our enthusiastic support. I would urge you immediately to approach Party Leaders for this purpose.



HOUSE OF COMMONS
LONDON SW1A 0AA

- 2 -

Accordingly, I do not believe that a Liberal presence in the Cabinet, designed to sustain your Government would prove acceptable.

I am glad to note your support for a reference to a Speaker's Conference, to examine the unfairness of our present electoral system. I am sure that this should take place at an appropriate time.

Yours sincerely
Jeremy Thorpe

The Rt. Hon. Edward Heath, M.B.E., M.P.,
10, Downing Street,
S.W. 1.



HOUSE OF COMMONS
LONDON SW1A 0AA

Statement by The Rt. Hon. Jeremy Thorpe, M.P.,
Leader of the Liberal Party:

The Parliamentary Liberal Party this morning received a report from Mr. Thorpe on the arrangements proposed by the Prime Minister. A reply has been sent to 10, Downing Street this afternoon, indicating that these are not in the national interest.

The outcome of the Election clearly shows that the electorate is not prepared to give either a Conservative or a Labour administration a mandate to pursue their conventional policies. The six million people, whom we represent, voted for policies of moderation. In the present situation we are convinced that such policies can only be carried out effectively by a Government of national unity consisting of member of all Parties, committed to a limited programme for an agreed period. This would give overriding priority to those policies required to be implemented in the national interest. The gravity of the country's economic plight is such that Party conflict must be subordinated to the country's need.

It is now the duty of the other Parties to enter into immediate discussion with a view to achieving this. To this end we have urged the Prime Minister to convene an immediate meeting of the Party Leaders.

4th March, 1974

Jeremy Thorpe

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CM(74) 11th
Conclusions

COPY NO

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

MONDAY 4 MARCH 1974

at 4.45 pm

PRESENT

The Rt Hon Edward Heath MP
Prime Minister

The Rt Hon Sir Alec Douglas-Home MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Anthony Barber MP
Chancellor of the Exchequer

The Rt Hon William Whitelaw MP
Secretary of State for Employment

The Rt Hon Lord Carrington
Secretary of State for Energy

The Rt Hon Robert Carr MP
Secretary of State for the Home Department

The Rt Hon James Prior MP
Lord President of the Council

The Rt Hon Sir Keith Joseph MP
Secretary of State for Social Services

The Rt Hon Geoffrey Rippon QC MP
Secretary of State for the Environment

The Rt Hon Margaret Thatcher MP
Secretary of State for Education and Science

The Rt Hon Gordon Campbell
Secretary of State for Scotland

The Rt Hon Peter Walker MP
Secretary of State for Trade and Industry

The Rt Hon John Davies MP
Chancellor of the Duchy of Lancaster

The Rt Hon Peter Thomas QC MP
Secretary of State for Wales

The Rt Hon Francis Pym MP
Secretary of State for Northern Ireland

The Rt Hon Ian Gilmour MP
Secretary of State for Defence

The Rt Hon Maurice Macmillan MP
Paymaster General

The Rt Hon Joseph Godber MP
Minister of Agriculture, Fisheries and
Food

The Rt Hon Sir Geoffrey Howe QC MP
Minister for Trade and Consumer Affairs

The Rt Hon Lord Windlesham
Lord Privy Seal

SECRET

ALSO PRESENT

**The Rt Hon Humphrey Atkins MP
Parliamentary Secretary, Treasury**

SECRETARY

Sir John Hunt

S U B J E C T

THE SITUATION FOLLOWING THE GENERAL ELECTION

SECRET

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COPY NO 5

CABINET

CONFIDENTIAL ANNEX

CM(74) 11th Conclusions

Monday 4 March 1974 at 4.45 pm

THE SITUATION
FOLLOWING
THE GENERAL
ELECTION

THE PRIME MINISTER said that a reply had now been received from the Leader of the Liberal Party to the letter which had been despatched to Mr Thorpe following the meeting of the Cabinet earlier that day. In it Mr Thorpe, as expected, had rejected the proposal for a Liberal presence in the Government: but had instead suggested the calling of a conference between all the Party Leaders with a view to the formation of a National Government. Although in his view this suggestion was not a practicable one, he had judged it advisable to reconvene the Cabinet. At their earlier meeting the view had been expressed that at some stage the political and economic situation of the country might require the formation of a National Government, but there had been agreement that the time for it was not ripe. He did not see that Mr Thorpe's proposal called this judgment in question. There was too great a difference between the policies of the Conservative and Labour Parties, and the Leader of the Labour Party would almost certainly rebuff an approach at a time when the economy might be thought to be about to recover from the three-day week rather than enter a new period of crisis. He saw no reason therefore to alter his decision to tender his resignation to The Queen although in his reply to Mr Thorpe he would make the point that if a Labour Administration were formed and pursued Mr Thorpe's idea he would consider very carefully an invitation to a meeting of Party Leaders.

The Cabinet -

Took note, with approval, of the statement
by the Prime Minister.

Cabinet Office

5 March 1974

LETTER TO: THE RT. HON. JEREMY THORPE, MP

Thank you for your letter of this afternoon.

My colleagues and I regret that you do not feel able to accept our offer of Liberal participation in Government.

As to your suggestion for a government of national unity, I must remind you that the Leader of the Labour Party, which is the party with the largest number of seats in the new House of Commons, has already said that he would not enter into any coalition or understanding with any other party. [In these circumstances I have decided that the right course is for me to tender my resignation.] If Mr. Wilson is invited to form an administration, he will no doubt consider whether to pursue your proposal. Were he to do so, my colleagues and I would of course consider very carefully an invitation to ^{join} ~~join in such~~ a ~~Government of National Unity~~.

Election

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10 Downing Street
Whitehall

4 March 1974

Dear Jeremy.

Thank you for your letter of this afternoon.

My colleagues and I regret that you do not feel able to accept our offer of Liberal participation in Government. In these circumstances I have decided that the right course is for me to tender my resignation.

If Mr. Wilson is invited to form an administration, he will no doubt consider whether to pursue proposals for a Government of national unity. He has already said that he would not enter into any coalition or understanding with any other party. None the less, my colleagues and I would of course consider very carefully any proposals which he might make to promote national unity.

Yours sincerely
Edward Heath

The Rt. Hon. Jeremy Thorpe, M.P.

At the General Election I asked the nation for a clear mandate for the policies put forward by the Conservative Government to deal with inflation and the economic problems facing the country.

As you all know, the result of the Election plainly did not give the Government such a mandate.

But neither did it give the other major party an overall majority in the House of Commons - or even the largest share of the votes cast.

Because of the economic situation, it was essential and urgent that an Administration should be formed which would have sufficient support in the new House of Commons to provide the necessary stability to carry on The Queen's Government.

In that situation the Cabinet decided that it was reasonable to see whether a basis existed for an agreement between the Conservative and Liberal Parties which would enable a Government to deal effectively with the over-riding needs of the economic situation.

From the policies put forward by the Conservative and Liberal Parties it looked as if there might be enough common ground for a more broadly-based administration to be possible.

My colleagues and I believed that full Liberal participation in Government was essential if we were to ensure a stable administration capable of taking the measures required and able to command confidence both at home and overseas.

My colleagues and I have spent the last three days in a strenuous attempt to create such an administration, but in the event the Liberal Party felt unable to join us in a coalition Government.

I have therefore informed Her Majesty The Queen that I was unable to form a Government which would command the necessary ~~confidence~~ and support and tendered my resignation and that of the Government.

(~~I have advised Her Majesty to invite Mr. Wilson to form a new administration.~~)

When I took office as Prime Minister in June 1970 I pledged myself and my Government to the service of the Nation.

Now in opposition, I renew that pledge.

In the present difficulties it must be right to set aside partisan differences and to act together.

The new Government can be assured of my support in whatever realistic measures it takes in the interests of all the people.