

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 97th Meeting held at 10 a.m.  
on Friday, 13th February 1976, in the  
Leader's Room at the House of Commons

Present: Mrs. Thatcher (in the Chair)

Mr. Whitelaw, Sir Keith Joseph  
Lord Hailsham, Mr. Maudling  
Sir Geoffrey Howe, Mr. Prior (morning only)  
Mr. Pym, Mr. Gilmour, Mr. Jenkin  
Mr. Peyton, Mr. St. John-Stevas  
Mr. Raison, Mr. Maude,  
Mr. Buchanan-Smith, Mr. Edwards  
Mr. Neave, Mrs. Oppenheim  
Mr. Biffen

Mr. Atkins

In attendance: Mr. Butler, Mr. Stanley  
Mr. Patten, Mr. Ridley, Mr. Douglas  
Mr. Forman, Mr. Nicholson

Apologies: Lord Carrington, Lord Thorneycroft  
Mr. Heseltine

MORNING - FIRST SESSIONEmployment Policy

Mr. Prior, introducing his paper (LCC/76/96), said that he had tried to set out our difficulties in convincing the electorate that we could get on with the trade unions. He did not think that it would be right for us to take this issue head-on just yet, first because the Government itself might have to do so and second because the healing process between ourselves and the unions was progressing well and ought to be continued. He urged colleagues not to challenge trade union leaders in public to cooperate with the Conservatives in case this tempted them to snub us. He also suggested that some of those next in line for trade union leadership were approachable and should be cultivated, and he offered to circulate to colleagues a list of such people.

Mr. Prior said that in his sphere the following policy groups were in operation: one under Mr. Leon Brittan looking at closed shop and related issues, one under Mr. David Madel looking at collective bargaining and job availability, and one under Mr. Esmond Bulmer on employee participation. These policy groups would report directly to the new Employment Policy Steering Group which had just been set up. Other questions which would need to be looked at included the whole question of wider equity participation and wealth creation. So far the Party had made only a few decisive commitments in his sphere of responsibility. These included the provision of public funds for postal ballots, the holding of trade union meetings on employers' premises in employers' time and the introduction of secret ballots in the election of trade union officials.

Mr. Prior concluded by saying that he wanted to proceed slowly and quietly. He himself did not intend to make speeches publicly associating the failures of the Labour Government with the failures of the trade unions but he did not mind if colleagues did. In general, we should take advantage of the new willingness in the TUC to discuss policy with us.

Among the points made in the course of discussion were the following:

It was very important to build up an effective working relationship with trade union leaders, so that the Party could have stronger links with the trade unions when in Government.

We were on strong ground in emphasising that the representation of workers' interests on consultative committees etc. should be linked to the entire work force and not based on trade union nomination.

It would be preferable to avoid the legislative approach in dealing with the trade unions, particularly as regards employee participation. It was also important not to build the trade unions more and more into the Establishment and the constitution.

A distinction should be drawn between small and large firms. The former offered us much more moderate and hopeful territory. Management should also do more to promote the Conservative point of view among its own work people.

It should be remembered that union leaders were really politicians in all but name and trade unions tantamount to political parties. Grass roots changes towards greater moderation would therefore have a discernible influence on trade union leadership. The link between the Labour Party and the trade unions was now the central fact of British politics and the future course of events was unlikely to undermine the strength of the trade unions for some time. Trade union leaders would probably continue to distance themselves from us, but would be prepared to work with us. As for the difficult question of benefits for strikers' families, the truth was that the Party had never had "a carefully developed policy". Since this would require legislation, it was something which we should study and decide upon.

It was agreed that Sir Keith Joseph, Sir Geoffrey Howe, Mr. Prior and Mr. Jenkin should study this question, together with the related question of tax rebates.

There was a worry whether our position on benefits for strikers' families was consistent with our policy of detente with the trade unions.

Detente and conciliation were one half of the exercise but there was a danger of losing credibility if we ran away from everything. We should speak out on issues where we could win ground from the unions, e.g. secret ballots for union elections and greater accountability for trade union leaders.

...../There would

There would be problems in dealing with those trade unions which were now prepared to take aggressive industrial action to restore their differentials.

Within about three years almost all the well known trade union leaders at the top of the hierarchy would have retired. Even now the climate of opinion in the trade unions was probably more favourable to us than the speeches of trade union leaders suggested.

There was much to be said for heeding the views of good management, particularly on the difficult question of the closed shop where many of the political pressures ran counter to what such management wanted. The basic question was how to ensure that militancy did not pay.

Possibly the best compromise on the closed shop question would be to ensure that there was a fair method of appeal for those who did not want to join.

The Party should be clear about what it thought, what it said, and what it was going to do. On the first point, it was clear that the Labour Party was "a wholly owned subsidiary" of the trade unions and this would be a political fact of importance when we returned to power. On the second point, we could now argue quite legitimately that inflation was a cause of the current unemployment and that excessive wage claims over the period prior to August 1975 had been one powerful cause of that inflation. On the third point, the Party should stick to its principles rather than let itself be rigidly bound by past commitments. We should not give the unions a pretext for their contrived anarchy and we should have a range of legislative measures ready in the locker for use as and when the situation was seen to demand it. The best way to proceed was piece-meal, introducing single measures to deal with particular abuses when the moment was ripe.

Some took the view that the present system of arbitration had helped to make militancy pay and that ACAS might become an engine of further inflation.

Mr. Prior, who was invited to wind up the discussion, said that the question of benefits for strikers' families was an important political issue which needed a political solution. As regards the rights of an individual in a closed shop situation, the best way forward would be to get ACAS to draw up a code to cover the point rather than to legislate about it. One might not like arbitration, but the alternative was to "do a Wilberforce" which was usually even more inflationary. Now that many more of our supporters were joining unions, especially women, it was important to back them when they got involved in legitimate trade union activities, eg. bargaining on pay and conditions. By encouraging the use of secret ballot in union elections, one tended to get the right democratic results, especially if one could get a high turnout as had been the case at Cowley recently.

Mrs. Thatcher concluded the session by saying that the answer to militancy was to get more common sense moderate people active in union affairs. In the really bad cases, a future Conservative Government would have to use all the propaganda weapons at its disposal. The most difficult area was undoubtedly that of the large nationalised industries.

MORNING - SECOND SESSION

The Economic Situation and the Party's Political Position

Two papers (LOC/76/97) "The Economic Situation in its Historical Context" (with charts) by Adam Ridley and (LOC/76/99) "The Economic Prospects and the Party's Political Position" by Sir Geoffrey Howe were discussed by the Committee.

It was noted that Mr. Ridley's paper was to be published as an Old Queen Street Paper on the following Thursday, with maximum publicity, to coincide with the publication of the Public Expenditure White Paper.

Mr. Ridley said that the first part of his paper illustrated the growth in the share of GNP taken by public expenditure more accurately and more effectively than the usual form of presentation which excluded transfers. This enormous share of GNP taken by public expenditure was inevitably reflected in tax levels which had now risen so high that the "tax illusion" was disappearing and workers basing their wage claims on take-home pay. Wages and public expenditure acted as pincers which squeezed company profits and liquidity to the detriment of investment and productive potential. Projections of future public expenditure were continually rising. The structural weaknesses of the economy which were the result of this whole combination of factors meant that the economy would be badly placed to meet the next upturn in the economic cycle. Several forecasters were now anticipating that the next downturn would start with a million still unemployed.

In discussion the following points were made:

Other forecasts, notably that by Mr. Michael Spicer's forecasting unit, were much more optimistic. This optimism could seemingly be explained by the weight placed by these forecasters on the expected results from North Sea Oil. If one assumed that oil would be adding two per cent to what GNP would otherwise be undoubtedly this would make a great deal of difference to our prospects. But one also had to weigh against this the cost of servicing the enormous volume of debt that would have been accumulated in the mean time. In fact, neither the oil question nor the problems of servicing public debt really had much to do with the main point of the paper, which was the structural effect of squeezing the private sector.

Sir Geoffrey Howe, introducing his paper, pointed out that the date of the upturn in world trade so regularly forecast by Mr. Healey had repeatedly had to be deferred. It was necessary for the health of the economy that the profitable rafts of private enterprise should be enlarged. Colleagues should be under no illusion as to the scale of cuts in public expenditure that would be required to achieve this objective. The figures in para. 10 of his paper should not be taken as exact, nor in any sense as proposals, but were intended to indicate the orders of magnitude involved. On the question of Income Policy he pointed out that the term was now often used in a very loose sense. Professor Galbraith for example applied it to the German situation - in many ways an ideal one - where there were no formal controls but a pervasive acceptance of economic realities. In the past twenty years

we had switched on and off from incomes policy no less than six times, and we should seek to avoid continual about-turns on this front. But he did not believe that long term institutions for incomes policy were necessarily required.

There was a discussion in which the following were the main points made:

It was difficult to cut taxes on the middle and lower ranges of incomes (where the appeal was greatest) so long as we needed to reduce the borrowing requirement.

We should remember that in a mixed economy, parts of the public sector were productive, for example the steel industry, and we had to be careful not to equate the public sector with consumption. The point was that the public sector was not subject to the same market discipline.

Large cuts would have to be made in public expenditure though the figures given in the paper were no more than indicators of the orders of magnitude involved. Cutting £5,000 million off the borrowing requirement would only mean going back to where we were two years ago and it had to be remembered that reducing spending in transfers would involve some offsetting increases in expenditure on selective benefits. However there was a good deal of room for discussion about the precise figures for possible cuts in each sector, especially housing. Mr. Nott's Group was meeting colleagues at present to discuss their individual areas with them. It was very important that the Party should be quite clear how we were to achieve the required level of cuts. There was a danger of repeating the error made by Mr. Gaitskill in 1959 if we could not put into the Manifesto credible proposals for reductions in public expenditure, on the other hand we should not behave as if we were already in Government with both the expertise and the responsibility. We should also avoid the danger of appearing to lean too much on economic growth.

It might be useful to ask ourselves what a Conservative Government would not have been doing if it had been returned to office and had been carrying a borrowing requirement £5,000 million less than the present one.

When discussing public expenditure and other economic issues, it was vital to look at the human problems that lay behind the figures and the graphs. It was, for example, easy to talk about the need to cut the deficits of the nationalised industries, but in practise this often meant simply putting up the prices of the products of the nationalised industries. Before we committed ourselves to specific cuts in public expenditure, we should be quite clear exactly what the effects would be in human terms.

It was agreed to defer the discussion on Incomes Policy to the next meeting of the Shadow Cabinet on Monday at 5.00 p.m. and to resume after lunch with a discussion of the Political Prospect.

AFTERNOON SESSION

Political Prospects and Strategy

Mr. Eatten introduced the background note by the Research Department (LCC/76/98) which was partially based on data from the recent survey on the Party's Image. He drew attention to three difficulties: the hostility towards us of the young; our relative failure to be seen to be identified with the interests of ordinary people; and grave anxiety as to whether we could govern effectively in the face of union militancy. Among suggestions emerging from the paper were:

(a) We should attack the Government harder on unemployment and seek to develop our long term alternative for industry;

(b) We should press the Government hard on raising the tax threshold (there were indications they were going to do this anyway);

(c) We should discredit the White Paper on Public Expenditure as rapidly as possible.

Among the points made in the course of discussion were the following:

We should at all times express our policy and propaganda in terms ordinary people could understand. For example, the concept of self-reliance, though vital, might be difficult for the great mass of employed people to understand. We should also not seem to be too fiercely ideological and take care to keep in touch with the line taken by pressure groups normally in sympathy with us, such as the CBI.

While it was clear that a majority of people thought as we did on slowing down the rate of inflation, home ownership, standards in schools, selling council houses and similar issues, there was doubt as to how far they associated these policies with the Conservative Party. One way of making our position more clear would be to spell out, for example, exactly how we would seek to raise educational standards.

Large numbers of working-class people wished to see more done to eliminate fraud over social security benefits. We would need to tackle a situation in which certain people found it more profitable not to work than to do so (although it was accepted that the difficulties of taxing social security benefits were considerable). The best solution, of course, was our policy for tax credits. The supplementary benefit system was increasingly out of control, for example with regard to the very large numbers of students receiving supplementary benefits when on vacation. But it was suggested that we should not risk gratuitously alienating any particular groups like students before we had developed clear policies for meeting their problems.

We should do more to demonstrate at a local level how Conservative policies might work and we should seek to involve local people more in developing and carrying out those policies. The Scottish National Party had been remarkably successful in using their existing local bases for promoting political enthusiasm, especially among the young. We should draw attention to examples of Conservative controlled councils which had good records in getting value for money.

...../People were

People were beginning to see that the existing pattern of public spending led to unfairness, for example, the widespread hostility to the Chrysler subsidy. We should publicise widely the more striking figures such as the figure of £335 extra direct tax paid by the average household over the last two years. We should link our attack on public spending with the problems of both our natural supporters, like small businesses, and target groups of voters and we should link high spending with high taxation, while exposing the nonsense of, for example, multi-rate VAT. We should seek to imitate the use made by Labour MPs of 10 Minute Rule Bills, which were useful propaganda exercises, and draw attention to commonsense policies through them. The area of housing in particular afforded many opportunities for this sort of exercise, for instance seeking to give council tenants the right of purchase and proposing methods for increasing the supply of privately rented accommodation.

For the purpose of the by-elections, the best lines of attack were on taxation, bureaucracy, and the advance of the Socialist State. We should not feel too circumscribed by our responsibility for local government reorganisation in attacking the growth of local government bureaucracy. We should exploit our defeat of the West Midland County Council Bill.

There were signs that our efforts to improve our organisation and publicity in the universities were paying off. Active student opinion now appeared to be more clearly polarised between Conservatives on the one hand and the extreme Left on the other, with relatively little support for the present Labour Government. Debate was increasingly on issues of principle - on the kind of society desired - and less on tactical issues. There remained the problem on what the attitude of Conservative Students should be to the NUS - some, including most of the officers of the FCS, wished to remain affiliated to the NUS, while others wished to disaffiliate.