

STEERING COMMITTEE

31ST MEETING

There will be a meeting of the Steering Committee on Monday, 30th June, at 5.00 p.m. in the Leader's Room at the House of Commons. The agenda will be as follows:

AGENDA

1. Minutes of the 30th Meeting - attached.
2. Economic policy.
3. Speeches - tactics for the week.
4. Any other business.

LEADER'S STEERING COMMITTEE

Minutes of the 31st Meeting held at 5.00 p.m. on Monday, 30th June, 1975 in the Leader's Room at the House of Commons.

Present: Mrs. Thatcher (In the Chair)

Mr. Whitelaw, Sir Keith Joseph,
Mr. Maudling, Sir Geoffrey Howe,
Mr. Gilmour, Lord Carrington,
Mr. Maude, Mr. Peyton,
Lord Thorneycroft.

Mr. Atkins

Mr. Shelton, Mr. Patten, Mr. Ridley,
Mr. Nicholson (In attendance).

Apologies: Mr. Prior

1. Discussion of "The Conservative Party and Inflation" (Note by the Research Department, LSC (75) 36).

Mrs. Thatcher explained that this paper was prepared following discussions she had had the previous evening with members of the Economic Reconstruction Policy Group. It was reported that as the £ was losing value faster than had been expected, the Government might be obliged to introduce their economic package earlier than they had planned. Mrs. Thatcher suggested that perhaps the best course of action when the paper had been agreed, would be for colleagues to make speeches on very similar lines based on the paper, and Sir Geoffrey Howe said he was preparing to speak next Sunday or Monday, and that this could be trailed as an authoritative statement on our economic policy. It was agreed that there was no question of publishing the paper, even in a final form: it was designed simply to act as a guide to members in their speeches and their response to the Government's package when it came.

2. The Conservative Approach (paras 1 and 2)

It was agreed to alter the first sentence of para. 1 to read "the Conservative Party does not believe that there is any painless or simple cure for inflation."

3. Money Supply (para. 3)

It was agreed to amend the penultimate line to read "a major determinant."

4. Public Expenditure (para. 4)

It was agreed to omit "transfer payments and" in line 3 as this might be thought to refer to pensions, which there was no question of cutting.

A sentence would be inserted stating that the Public Sector Borrowing Requirement was already larger than Mr. Healey had announced in his Budget Statement. After a discussion it was

/... agreed to

agreed to explain, in line 2, that one alternative might be to increase revenue through higher taxation (e.g. increased VAT, which would, however, increase pay demands), but that this would not be a course which the Conservative Party would want to take.

5. Wages (paras. 5-8)

Doubts were expressed over the "cash ceilings" approach. In some industries, like water, sewerage and electricity, and sections of the health service, it would not work, as cuts would endanger safety or health. It was suggested, however, that increased pay costs could be met by increased charges, and, as the total payroll was in question, by pruning employment in less essential areas e.g. administration. However, it was suggested that the draft did not bring out sufficiently clearly the view, which had been expressed on Sunday evening, that cash ceilings for the public sector should include an indication of specific cash sums for the wages bill, and that within this sum, made public knowledge, higher pay would have to be balanced by lower manpower requirements.

It was agreed to insert the words "public expenditure" before "control" in line 1 of para. 5. The words "the increase in" would be inserted in line 1 of para. 6 before "public wage levels". The words "and unemployment" would be added after "inflation" in line 2 of para. 7, and a sentence would be added in para. 7 indicating that we would not seek to dictate to the private sector in the situation being described.

6. Presentational and Policy Question, and the Party's Credibility (paras. 10-13)

Lord Thorneycroft commented that, in general, the paper contained the right balance which the Party's industrial supporters would wish to see, but that it was couched rather above the level of the ordinary man. Certain other members feared that the line taken in the paper was not sufficiently drastic and would have little impact, but it was suggested that (a) a package of substantial public expenditure cuts, which we desired, together with fixed cash ceilings on wage bills in the public sector, would certainly appear drastic, and (b) it was for the Government, not the Opposition, to produce the required drastic solutions to the crisis which they had largely created. We could also sharpen our approach by pointing out in para. 10 (a) what our targets for containing inflation were, as Mr. Healey had done, while linking them to public spending levels. We could also draw a contrast between a long and painful process, resulting from inadequate action, and involving stagnant production, high and rising unemployment, and increasing inflation, on the one hand, and the obviously preferable course on the other, of immediate and drastic public expenditure cuts, involving a sharp but temporary increase in unemployment, together with various forms of voluntary agreement on wage levels. It was suggested that Italy had recovered from her inflationary crisis along the latter lines, but it was pointed out that the impact of the measures there had been softened by agreements on redundancy and lay-offs, and that even with this there had still been a large recent increase in the Communist vote.

Mr. Peyton was especially anxious about the power of small groups of militants in key industries to inflict unacceptable damage on civilized life. It was pointed out that though there might in theory be a case for restricting unions' strike immunities in these industries, the ban on strikes in gas, electricity and water had been removed by the Conservatives in the 1971 Act, partly because it had not prevented damaging forms of industrial action short of strikes. As para. 10 (c) stated, we had no easy answer to the problem of trade union power, and, in the last resort, we should refer to the "will of the common sense majority". Perhaps a referendum (as opposed to a General Election) would now be regarded as a legitimate

/... means of testing

means of testing opinion. It was also suggested that (a) wide-spread disruption of essential industries was so damaging to everyone that rank and file union members would shrink from taking such a course - already there had been signs of opposition to militant leaders, e.g. recently in the NUR; (b) the general public, its patience severely tested, might not behave as passively in the face of militant action as it had done previously. It was agreed that the word "gradualist", which critics would immediately seize on, would be omitted in line 1 of para 10 (a).

Paras 11-13 were agreed.

7. Reacting to the Government's Package (paras 14-16)

It was re-emphasised that we could not support a package involving such tight controls on prices as would inevitably lead to bankruptcies and even faster rising unemployment. It was suggested that we might regard the Healey Budget proposal for a temporary employment subsidy as a lesser evil if it was clearly a cosmetic device to avoid more general reflation. In para 16 (b)(iv) "compensation" in line 2 should read "compensates" and "of" in line 4 should read "or".

These paragraphs were then agreed.

The meeting closed at 6.15 p.m.