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LEADER'S CONSULTATIVE COMMITTEE

62ND MEETING

5.00 p.m., Wednesday 14<sup>th</sup> May, 1975 in the  
Leader's Room at the House of Commons

AGENDA

1. Minutes of the 61st Meeting - attached.
2. Future business.
3. Any other business.

Conservative Research Department,  
24 Old Queen Street, London, S.W.1.

CFP/SEN  
12.5.75

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62nd MEETING

5.00 p.m., Wednesday 14th May, 1975 in the  
Leader's Room at the House of Commons

REVISED AGENDA

1. Minutes of the 61st Meeting.
2. Future business.
3. The allocation of the "Short money" - note already circulated.
4. Counter inflation policy - note already circulated.
5. Northern Ireland - Mr. Neave to raise.
6. Any other business.

Conservative Research Department,  
24 Old Queen Street, London, S.W.1

CFP/MEM  
14.5.75

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 62nd Meeting held at 5.00 p.m. on Wednesday, 14th May, 1975, in the Leader's Room at the House of Commons.

Present: Mrs. Thatcher (In the Chair)

Mr. Whitelaw, Sir Keith Joseph, Sir Geoffrey Howe, Mr. Peyton, Mr. Maudling, Mr. Gilmour, Lord Carrington, Mr. Prior, Mr. Jenkin, Mr. St. John-Stevas, Mr. Heseltine, Mr. Fowler, Mr. Maude, Mr. Neave, Mr. Buchanan-Smith, Mr. Edwards, Mr. Jopling.

Mr. Atkins

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

Apologies: Lord Hailsham, Lord Thorneycroft, Mr. Salmon.

1. Business of the Week

On Monday, 19th May, there would be private members motions until 7.00 p.m.: Mr. Shelton's motion on Grammar and Direct Grant Schools (Mr. St. John-Stevas), Mr. Spicer's motion on Mobile Homes and Mr. Fletcher's motion on Grant-Aided Schools. This would be followed at 7.00 p.m. by a Motion on the Prevention of Terrorism (Temporary Provisions) Act 1974 (Continuance Order) (Mr. Gilmour), and Lords Amendments to the Air Travel Reserve Fund Bill (Mr. Higgins).

On Tuesday, 20th May, Mr. Bryan Gould would seek leave under the 10 Minute Rule to introduce his Access to Solicitors (Arrested Persons) Bill. This would be followed by the second day of the Committee stage on the Finance (No. 2) Bill (Sir Geoffrey Howe and his team). There would be a 2 Line Whip.

On Wednesday, 21st May, Mr. Jack Ashley would seek leave under the 10 Minute Rule to introduce his Sexual Offences (Amendment) Bill. This would be followed by the Second Reading of the British Leyland Bill (Mr. Heseltine and Mr. Prior), which we would vote against on a 3 Line Whip, and the Motion on the Financial Assistance to British Leyland Motor Corporation Order (Mr. King), on which we would not vote.

On Thursday, 22nd May, there would be a Supply Day debate on Economic Affairs (Sir Geoffrey Howe and one other speaker to be decided). There would be a 3 Line Whip. This would be followed by the remaining stages of the New Towns Bill (Mr. Jones and Mr. Sainsbury).

On Friday, 23rd May, there would be Adjournment Debates for the Whitsun Recess.

2. Security

Mrs. Thatcher asked members of the Committee to take special care to ensure that classified papers were kept under lock and key, following the disclosure in "Private Eye" of the conclusions of the paper by Sir Keith Joseph and Mr. Maude on the allocation of the "Short Money".

3. Allocation of the "Short Money"

Mrs. Thatcher reported that Monday's Steering Committee had agreed to set up a sub-committee, consisting of Sir Keith Joseph, Sir Geoffrey Howe, Mr. Maude and Mr. Prior, who would further discuss with Shadow Cabinet members how their individual needs for research and secretarial assistance might best be met. It had been agreed that the Leader's office and the two Whips' offices should have the amounts specified.

4. Electoral Reform

Mrs. Thatcher also reported that the Steering Committee had agreed that, when the question of electoral reform was raised, we should rest on the position taken in the October Manifesto. Lord Harris of Greenwich had announced in the House of Lords that the Government was proposing to refer the question to a Speaker's Conference. It was agreed to support this, and it would be necessary to brief colleagues involved.

5. Mr. Prior's Paper on Counter-Inflation Policy (LCC 75/76)

It was noted that this had been produced early because it was desirable for the Shadow Cabinet to discuss the line Mrs. Thatcher might take in her interview on Friday with Robin Day - which had originally been designed to concentrate on Europe but which was likely to involve questions on the economy - and in her speech to the Scottish Conference. Mr. Prior said his paper set out the present grim economic situation and considered what responses the Government were likely to make. He feared that the Government might continue to escape taking painful decisions by their "uncanny knack of scraping through along the bottom." He had argued that no Government was strong enough to rectify the position simply by cutting the money supply, and in any case this would not work soon enough. The preferred aim was to combine control of the money supply with some form of pay restraint.

Mrs. Thatcher said that Lord Hailsham had commented on the paper. He was opposed to supporting the idea of coalition at present, as this unnecessarily weakened our argument that the Government had a good majority and it should (and could) itself take any action required. He was also opposed to laying down conditions now on which we would support the Government; we would naturally put the national interest above party interest in a major national crisis.

There was then a wide ranging discussion in which the following points were made:

- a) We should vigorously attack the Government's policy of making reasonable people suffer, through increased taxation, because unreasonable people had benefited by their own militancy over pay.
- b) It was generally felt that there was no scope for further increases in taxation, although it was suggested that VAT might be increased to 10 per cent; this would of course raise the cost of living. It was suggested that we might outline

a three year programme for cutting public expenditure. It was not enough to ask departments whether they could make cuts: there should be an independent enquiry (like the "Geddes Axe") to investigate whether cuts in less essential services might be made.

c) While we could not deny that any action could now be taken to stop unemployment rising, as the time for action was a year ago, we should stress, as mentioned in para. 8 of the paper, that the longer there was delay in combating inflation the more unemployment would rise. One suggestion to combat unemployment was to rebate tax for companies which could guarantee extra investment, but such tax rebates would have to be more than balanced by cuts in expenditure elsewhere. On the other hand, it was urged that there could be no discipline or restraint in the public sector without the ultimate sanction of redundancy, and we should support the chairmen of the nationalised industries in trying to secure the viability of their concerns and resist political intrusion by left-wing Ministers.

d) We needed to show how the Social Contract should be tightened. One idea, as suggested in the paper, was for "umpires" to monitor whether claims fall within the guidelines. Perhaps we could suggest that, as the only true Social Contract was one between all groups in society, such groups should be encouraged to make it clear that they would practice restraint if others would, but that they would be likely to resort to militancy if others did so. The danger of this line was that it might involve encouraging responsible groups to act irresponsibly.

e) Some militant groups, like the miners, were of course virtually irresistible at the moment, but their increases in pay must be immediately translated into increased prices. Perhaps the electricity power workers, who were more exposed than miners to displays of public anger, might be resisted, especially if increased pay, which would cost very little, were given to the power engineers to keep them at work. But the best long term policy was probably to move towards guarantees of pay and employment in certain key areas in return for no-strike guarantees, as previously existed for gas, electricity and water.

f) Another area which needed examination was the increase in civil service manpower and the comparability of civil service terms of employment. Was it desirable to continue to ensure comparability of pay when civil service job security and pension rights were taken into account? Parliamentary questions should be tabled over the recent growth in numbers employed and the increase in London office accommodation for the public services.

## 5. Immediate Response to Possible Questions

Mrs. Thatcher said that if she was asked what measures were necessary to safeguard sterling, her inclination would be to reply that only the Government had all the relevant facts. She could warn that, given the rate of inflation and the size of the Government's borrowing requirement, it was likely that the Government would not be able to borrow much more on the free market and would have to go to the IMF, which might impose certain conditions. It was suggested, however, that the IMF would probably not specify a freeze, and if the Conservatives

indicated support in advance for a freeze in a hypothetical situation, this would be immediately exaggerated by the Press. It was agreed that Mrs. Thatcher might indicate that, if Mr. Wilson asked for general support for an economic package which in his view was necessary to retain confidence in sterling, we should consider his proposals in the light of the national interest. If she were asked about support for a coalition, she might reply that the Government had an absolute majority and could do what they wished to solve the country's problems if they showed courage and leadership.

7. Northern Ireland

Mr. Neave said his policy group was preparing proposals for alternative policies if the Northern Ireland Convention broke down, and he would shortly put a paper to the Committee. We needed to discuss this matter especially as the security situation was deteriorating.

The meeting closed at 6.15 p.m.

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### MRS. THATCHER

As you will see, there is a fairly full agenda for this evening's Shadow Cabinet meeting.

In addition, you will probably want to report to colleagues the results of the Steering Committee meetings on the last two evenings:-

(a) The Allocation of the "Short Money" - It was agreed on Monday evening that Sir Keith Joseph, Sir Geoffrey Howe, Jim Prior and Angus Maude should speak to those colleagues who wanted more help and find some satisfactory modus vivendi. I think that in practice the best way out may be for Central Office to meet more of the Research Department costs (e.g. salaries) and thus to release some more money to provide additional secretaries for those Shadow Ministers who need them. As I understand it, this is what some of the colleagues like Tim Raison really want and even Norman St. John-Stevan might not be too unhappy if he had a full-time secretary on his Shadow Cabinet work, who could, for example, deal with his Shadow Ministerial correspondence direct with the Research Department officer, (at present anyway half his letters are done by Charles Bellairs). A dozen secretaries would probably be sufficient; this would provide the most pressed Shadow Ministers with their own secretary and those under less pressure could perfectly easily share. I should think the cost of this would be about £30,000.

...../(b) Electoral

(b) Electoral Reform - It was agreed on Monday evening that in reply to questions on electoral reform we should rest on the position we took in the Manifesto last October, namely that a Speaker's Conference should look at this issue.

(c) "The Crisis" - You may want to tell colleagues about your speech this weekend and your interview with Robin Day. I have appended a note ~~which I hope might be helpful~~ which suggests one or two relatively homespun answers to the big questions which Lord Carrington and Angus Maude identified yesterday. I hope that you might find something helpful here. Obviously, any colleagues who are speaking this weekend will want to take the same line as you are taking in Perth and should therefore have some inkling of what you will say.



CHRIS PATTEN

14th May, 1975



1. What do you think should be done re wages?

Do you for example support a wage freeze?

The Government are directly responsible for the present worsening crisis. First, they have given in to every militant demand; it hasn't paid to be moderate. Second, partly in order to buy votes last October, they have run up a horrific Budget deficit; we are living on tick, far beyond our means. Third, they have refused to face people with the fact that at the end of the day you can't escape the consequences of your own actions; if you ask for more than your firm can pay you, you will finish up not only pushing up prices but bankrupting the firm and losing your job.

So there is no easy way out of this mess. We are not going to get through it by pretending that all we need is a Social Contract. We have got to learn to live within our means. We have got to cut Government spending - not just at the edges, but right across the board. The Party really is over. All of us have got to hold back for a couple of years. That means on wages too. If there isn't restraint in wage bargaining, what will happen is that the weaker members of the community will suffer and that unemployment will go even higher.

We have tried wage freezes before and there are some circumstances (for example, where you need massive support from abroad) when you don't have much choice about whether you bring one in or not; you have to do so to give the people who are lending you money the confidence that you are tightening your belt. But a wage freeze isn't one of those soft options I was talking about. It doesn't ~~prevent~~<sup>protect</sup> you <sup>from</sup> facing up to the fact in the long term that an excessive pay increase must mean a price increase, that you can't go on raising taxes or subsidising

...../prices to foot the

prices to foot the bill for inflationary pay settlements, and that people who grab too much for themselves leave less for everyone else to share. Wage freeze or no wage freeze, the moderates do have to fight back at every level.

2. Would you support a coalition?

I am still rather puzzled to see how that question actually arises. Mr. Wilson has ruled out a coalition, and that is not surprising. After all, he has a majority over us in the House of Commons of about 40. He has had a majority to get through his nationalisation bills. He has had a majority to support him in the lobbies as government spending has gone through the roof. Of course, on some questions his majority has been threatened - on Europe, for example, and defence. And on both those issues, we have supported the Government against virtually half the Labour Party because we believed that it was in the national interest to do so. That is what will always decide our actions. But don't make any mistake; Mr. Wilson has had the majority to get us in to this mess, - now he must use his majority to take the action necessary to get us out of it.

3. Do you support electoral reform?

We said in our last Manifesto that we recognised that there was some public anxiety about the present electoral system and that the right thing to do was to ask a Speaker's Conference to look at the whole question. That is still our view. A Speaker's Conference is the right forum for examining all the arguments very carefully - when you are talking about the whole basis of our democratic system it would be madness to rush in to things on the basis of odd whims or enthusiasms. [When people talk about the unfairness of our electoral system, don't forget that last February we were chucked out even though we got more votes than the Labour Party.] Of course, whatever electoral system you had, you would still need to pursue the right policies; nothing changes that reality.