

LEADER'S STEERING COMMITTEE

Minutes of the 34th Meeting held at 5.00 p.m. on Monday, 27th October, 1975 in the Leader's Room at the House of Commons.

- Present: Mrs. Thatcher (In the Chair)
- Mr. Maudling, Mr. Gilmour, Sir Geoffrey Howe, Sir Keith Joseph, Lord Carrington, Mr. Peyton, Mr. Maude, Mrs. Oppenheim.
- Mr. Atkins.
- In attendance: Mr. Shelton, Mr. Patten, Mr. Ridley, Mr. Nicholson.
- Apologies: Mr. Whitelaw, Mr. Prior, Lord Thorneycroft.

1. Foreign Affairs

Mr. Maudling gave short reports on Spain and the EEC energy question. On the former there was a short discussion on whether we should send a message of sympathy if and when General Franco died. It was agreed that, while we were not bound to do the same thing as the Government, we should seek to find out their intentions and consider other precedents before coming to a decision.

On energy, it was agreed that we should keep a low profile, as it would be politically unwise to appear to attack the Foreign Secretary when so many people thought that he was protecting British interests.

2. General Economic Discussion

Sir Geoffrey Howe, opening the discussion, said there were three aspects of the economy requiring attention. The first, and the greatest cause for criticism, was the Government's apparent inability to control public expenditure. He feared that the money supply would soon be expanding rapidly again, and that any run on the £ would inevitably involve panic measures and panic cuts. He understood that Mr. Healey had failed to obtain his colleagues' agreement to "across the board" cuts. Our argument, that excessive public expenditure was helping to cause inflation and was squeezing the private sector, was coming across in the Press. There were fears in the City that the private sector would not be able to respond when expansion became possible again.

On pay policy we should seek to chart a way forward which would enable it to become "de-institutionalised" and would enable a restoration of differentials.

The third aspect was price controls which were increasingly bearing down on profits. Mrs. Williams had stated at Question Time that day that she would like to revise the present code before next July, and had indicated that the Queen's Speech would refer to implementation of the Sandilands report on inflation accounting.

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The following points were made in discussion:

(a) Nothing very significant seemed to have emerged from the visit of Prince Fahd of Saudi Arabia.

(b) We should seek to emphasise more the fact that despite rapidly rising prices in the nationalised industries, their deficits were still increasing. There was a short discussion on the powers under the Fair Trading Act enabling the Secretary of State to refer nationalised industry prices to the Monopolies Commission.

(c) Many junior executives in the City, who did not have full knowledge of the gravity of the present situation, were apparently impressed by what Mr. Healey had been saying. We should seek to counter this by pointing out that Mr. Healey's speeches were not being followed up by corresponding action.

(d) There were varying views about the extent to which people had already suffered economic hardship. It was agreed that ordinary people were now increasingly aware of the gravity of the situation and this would be further emphasised in the coming months by rising unemployment, especially among young people, rising prices, especially electricity bills in the winter months, rate increases, and shortages of day to day commodities.

(e) There remained the fear that world commodity prices would begin to rise faster as the American expansion got under way.

It was agreed that we would not in speeches develop any policy beyond what had been said at the Party Conference or elsewhere without the subject having been considered by the Shadow Cabinet. It was also agreed that the Research Department would prepare a paper setting out various economic scenarios over the next six months and the policy options available.

The meeting closed at 6.10 p.m.