

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 70th Meeting held at 12.15 p.m. on Friday 11th July 1975, 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. Gilmour, Lord Carrington,  
Mr. Prior, Mr. Jenkin, Mr. Peyton,  
Mr. St. John-Stevas, Mr. Heseltine,  
Mr. Raison, Mr. Buchanan-Smith,  
Mr. Edwards, Mr. Neave, Mr. Younger,  
Mr. Fowler, Mrs. Oppenheim, Mr. Jopling,  
Mr. Maude  
Mr. Atkins  
Mr. Montgomery, Mr. Shelton, Mr. Ryder,  
Mr. Patten, Mr. Ridley, Mr. Niblock,  
(in attendance)

Apologies: Lord Thorneycroft.

Mrs. Thatcher said that the purpose of the meeting was to discuss the White Paper 'The Attack on Inflation' which the Prime Minister had just presented to Parliament, and to consider what the Conservative reaction to it should be. She noted that the Government had said nothing about halting its plans for nationalisation or making immediate cuts in public expenditure. The White Paper was disturbingly sketchy in many parts, but it was clear that people on average incomes upwards would be severely penalised. The White Paper paved the way to an even greater erosion of the principle of giving extra reward for extra effort.

It was agreed that the White Paper gave every appearance of having been cobbled together in haste and had left many questions unanswered. However it was clear that the crucial paragraph was paragraph 26 which mentioned statutory reserve powers, making it illegal for employers to exceed the pay limit. The Government had given no indication of the precise circumstances in which these reserve powers would be resorted to.

It was pointed out that the measures proposed would further damage the private sector of industry and lead to a more collectivist society. Further controls would be imposed on firms and nothing had been done to improve long-term profitability. The Conservative Party should take its stand on the need to protect private enterprise - perhaps even going ahead of public opinion in its criticism of the White Paper if necessary. In this context it was observed that it was absurd for the Government to impose cash limits on industry and at the same time maintain nationalisation policies which would add enormously to the borrowing requirement.

...../It was regretted

It was regretted that the Government had decided to increase food subsidies and limit rent increases, both of which would add to the suppressed inflation in the economy.

It was suggested that a great deal depended on how much toughness the Government showed in the application of its measures and whether it was prepared to stand up against strikes in the public sector. On past experience there was little reason to suppose that the Government would show the necessary toughness.

It was pointed out that public opinion could well respond favourably to the White Paper, seeing it as an indication that the Government had finally taken some action to deal with inflation. In view of this the Party ran the danger of being branded as unpatriotic and niggling if its stance was one of outright opposition. It would be better to express cool scepticism as to whether the Government's measures were really sufficient to achieve its anti-inflationary objectives, at the same time making clear what additional steps the Conservative Party recommended.

The importance of the overseas reaction to the White Paper was noted. The Party ought to guard against opening itself to the charge of undermining foreign confidence in the pound by criticism of the White Paper.

Summarising the discussion, Mr. Thatcher said that in its initial reaction to the White Paper, Party Spokesmen should make clear that in the Conservative view overriding priority had to be given to reducing the rate of inflation and that it believed all steps to this end had to be taken. The Party welcomed the fact that the Government had finally done something, but it had doubts as to whether what had been proposed would achieve the hoped for results. It was particularly disturbing that the policy on nationalisation, which was bound to make dealing with inflation more difficult, had been left untouched and that far from taking action to reduce public spending the Government had actually increased it. At the same time it was clear that the 6% flat-rate increase on pay, by compressing differentials, would lead to severe problems in a year or so's time. It was agreed that the distortion and dishonesty indulged in by the Government over the past 16 months should be exposed.

#### M.P.s' Salaries

It was pointed out that the Government would make known its proposals on M.P.s' salaries next week. It was difficult to see how the Government could award M.P.s the recommended pay increase without totally undermining its White Paper proposals. There was no need for the Party to make any immediate statement on M.P.s pay, particularly since it had not been consulted by the Government on this.

The meeting closed at 1.10 p.m.