

LEADER'S CONSULTATIVE COMMITTEE

174TH MEETING

10.00 a.m., Wednesday, 24th August 1977, in
the Leader's Room at the House of Commons.

AGENDA

1. "The Right Approach to the Economy" LCC (77) 160 - attached.
2. Draft Programme for Small Businesses, LCC (77) 161 - to follow.
3. Any other business.

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 174th Meeting held at 10.00 a.m. on Wednesday, 24th August 1977, in the Leader's Room at the House of Commons.

Present: Mrs. Thatcher (in the Chair)

Sir Keith Joseph, Sir Geoffrey Howe, Mr. Prior, Mr. Pym, Mr. Peyton, Mr. Neave, Mr. Maude, Mr. Nott, Mr. King, Mr. Taylor.

In attendance: Mr. Howell, Mr. Mitchell, Mr. Patten, Mr. Hocson, Miss Bulloch, Mr. Hopkinson.

Apologies: Mr. Whitelaw, Lord Carrington, Lord Hailsham, Lord Thornycroft, Sir Ian Gilmour, Mr. Jenkin, Mr. Davies, Mr. Heseltire, Mr. St. John Stevas, Mr. Edwards, Mrs. Oppenheim, Mr. Atkins.

1. The Right Approach to the Economy

The draft economic policy document, LCC(77)160 was discussed. It was intended to carry further the proposals put forward a year ago in The Right Approach. It was agreed that it represented a valuable, and admirably presented, drawing together of the results of policy work in a number of fields. But it contained a very large number of commitments, some of which were new and of great significance, which had never been discussed by the LCC - although most of them had been considered by the Economic Reconstruction Group. It could not be published as a statement of policy by the LCC without further consideration and full discussion. Publication under the names of the four Shadow Ministers as proposed made it, in effect, a statement by the LCC.

It was agreed that the draft should be remitted to a small committee, of which Sir Keith Joseph would take charge. Sir Keith Joseph and Sir Geoffrey Howe undertook to review the promises contained in the document and Mr. Prior would send his comments to them. They would prepare, with Mr. Maude, a revised draft which would be discussed with colleagues chiefly concerned, and submitted to Mrs. Thatcher on her return from the United States.

While we had to avoid risking Press allegations that we had no policy, we must also avoid entering into a large number of small commitments. The following comments were amongst those made on the draft during the discussion:

(1) The rapidly changing background on wage restraint: the document was drafted on the assumption that the Government had sanctioned a return to free collective bargaining, but the latest evidence was that they were attempting to impose 10 per cent as a rigid limit. The document, as the authors had recognised, would have to take account of developments in this field.

(ii) The strengthened role proposed for the Bank of England raised wide strategic issues, as did the proposal to create new links between the Bank, Parliament and the NEDC. We must avoid appearing to diminish Parliament. There was also a risk of destroying the NEDC. We should emphasise instead the increasingly important role that Parliamentary committees were playing and could play in future. The new link should be between them and the monetary authorities.

(iii) It was doubtful how far advice and analysis from independent economic advisers would be regarded as authoritative: we should stress the value of informed discussion rather than the provision of improved forecasts.

(iv) The exchange rate proposals represented a major policy departure, the implications of which needed further consideration.

(v) The indication that we intended to control spending by local government was new: it had always been recognised that control by cash limits was only partial, and did not prevent local authorities from raising rates or from borrowing in order to finance expenditure.

(vi) The proposals for concerted action suggested that we intended to move towards a form of social contract just when the Labour Government had abandoned it.

(vii) The section on regional policy and the description of it as an obstacle to enterprise could be very damaging in the regions. It did not follow that because London had declining areas regional policy should be abandoned.

(viii) We should make clear that the Labour Government had succeeded in restraining the growth of M3 only because of the recession.

(ix) Evidence was needed to support the claim (page 10) that the Labour Government were abandoning their plans to reduce public expenditure.

(x) The proposals to cut taxes were not adequately balanced by proposals to reduce spending.

(xi) The indication on page 14 that we might enforce a pay freeze could precipitate a wage explosion as unions tried to bring forward demands. This reference should be deleted.

(xii) The reference to improvement of collective bargaining (pages 17 and 18) could be dangerous and required further thought, as did the suggestion that employees should know of major decisions that were about to be taken (page 46).

2. Programme for Small Businesses

The alternative draft of this paper, LCC(77)161(a), was approved, subject to amendments. Presentation as recommendations by the policy group to the Party rather than as a statement of policy by the Party made it possible to be more positive. "The Party must" created a stronger impression than "We aim to..."

It was suggested that the document did not do full justice to all the work that had been done on policy for small businesses, and that it might be possible to produce a fuller document later on. It was agreed, however, that the commitment in The Right Approach

to produce a programme for small firms must be fulfilled, and the paper should be published before the Party Conference. A date between the Liberal and Labour conferences would probably be suitable. It would be published by Central Office, and launched at a press conference by Sir Keith Joseph, who would sign the foreword. Mr. Howell, Mr. Mitchell and the Small Business Bureau would take part in the launching.

A number of amendments were agreed, including the following:

(i) Proprietary companies: the reference was weaker than that in The Right Approach. Mr. Nott undertook to re-draft, making clear that we had received many different opinions on the proposal and that work on it was continuing.

(ii) Sir Keith Joseph would draft a section emphasising the importance of services as well as manufacturing industry.

(iii) The first paragraph on tax should be deleted.

(iv) We should refer to the effect of high taxation as a deterrent to investment by the private banker.

(v) Mr. Nott would re-draft the section on inflation accounting, emphasising the need for a simple system.

(vi) The proposal for Corporation Tax relief on funds saved for investment should either be related to the Danish system or deleted.

(vii) The reference to CoSIRA should be deleted: instead we should suggest that banks and accountants might improve their advisory services to small firms.

(viii) There should be a separate section on unfair competition and the references to the extension of nationalised industries' activities and subsidised competition should be transferred to it.

(ix) The reference to 714 certificates in the original document should be restored.

(x) The proposal to encourage a co-ordinated voice for small firms should be deleted.

(xi) References should be made to agriculture, in the foreword and in the tax section, and to Scotland, Wales and Northern Ireland.

Sir Keith Joseph agreed to be responsible for completion of the document in consultation with Mr. Nott and Mr. Mitchell.

3. Northern Ireland - Mr. Carter's statement

Mr. Neave said that there was considerable uncertainty over what the American President was likely to say in his expected statement. We would welcome the offer of incentives for investment in the province, but not advocacy of power sharing. The comments made by the newly appointed Primate of all Ireland had not been helpful.