

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 67th Meeting held at 5.00 p.m. on Tuesday
1st July 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, Lord Carrington, Mr. Gilmour,
Mr. Peyton, Mr. St. John-Stevas, Mr. Raisin,
Mr. Younger, Mr. Neave, Mr. Buchanan-Smith,
Mr. Edwards, Mr. Jopling, Lord Thorneycroft -
Mr. Prior and Mr. Jenkin attended briefly.
Mr. Atkins
Mr. Patten, Mr. Ridley, Mr. Niblock (in
attendance)

Apologies: Mr. Maude

Mrs. Thatcher invited comment on the announcement made by the Chancellor of the Exchequer on economic policy that afternoon and the Conservative reaction to it.

It was pointed out that the Government had made only a preliminary announcement and that it was far from clear what concrete measures would be contained in the White Paper expected shortly.

It was agreed that the key question was whether the Conservative Party in Parliament would support the introduction of a statutory incomes policy, should the Government fail to get a satisfactory voluntary agreement from the unions. In the course of the discussion it was suggested that it would be unwise for the Party at this stage to commit itself one way or another. The Party should make clear that it would back the Government in any comprehensive package of measures which, if resolutely pursued, would give real hope of containing inflation. Measures of incomes restraint were no substitute for proper control over the money supply and this required a cut back in Government spending and borrowing. It was also suggested that Conservative support for a statutory incomes policy should only be forthcoming provided the package of measures as a whole was acceptable. It was particularly important that the Government should make immediate reductions in public spending and abandon its policy of nationalisation. Both of these were directly relevant to the fight against inflation.

On the other hand, it was argued that in the last analysis and given the economic circumstances of the country, the Conservative Party should not be in the position of refusing support for measures which were directed to bringing down inflation, including the introduction of a statutory policy, should there be clearly no alternative to this. This being so the Party should guard against expressing opposition in principle to the idea of a temporary statutory freeze. In this context it was pointed out that in the October 1974 Election Manifesto the Party had not closed the door to statutory restraint. The Manifesto said: "If after all our efforts we fail to get a comprehensive voluntary policy we shall need to support the voluntary restraint that is achieved with the back-up of the law. It would be irresponsible and dishonest totally to rule this out, but the various methods no less than the principle would need to be widely discussed."

...../It was pointed

It was pointed out that there were perhaps 30 - 35 members of the Parliamentary Party who were opposed in principle to statutory controls and who would expect the Shadow Cabinet not to go along with them. Probably about the same number were strongly of the opinion that the Government could not be refused support in the current critical circumstances, if it were prepared to take strong effective measures.

A discussion also took place on the implications of any tightening of the Price Code. It was pointed out that this would be bound to impose extra burdens on the private sector of industry. Furthermore, contrary to the pledge which had been given by the Government last autumn, no consultation appeared to have taken place with the C.B.I. on the proposal to use the Price Code to prevent firms from passing on excessive pay increases.

Mrs. Thatcher said that it was clearly not desirable for the Party at this stage to come out with any detailed pronouncement. However some indication of Party thinking had to be given to the public and press. She suggested that the following were the main points to be got across at this stage:

(a) In general terms the Conservative Party had always supported measures which it believed to be in the national interest, and it would continue to do so.

(b) The Chancellor of the Exchequer's statement was a statement of intent. The full details of what he was proposing would not be known until next week.

(c) There were a number of noticeable omissions from the Chancellor's statement. He had said nothing about public expenditure cuts and nothing about dropping nationalisation. Both of these were highly pertinent in the fight against inflation. In addition, the Conservative Party was concerned that the private sector of the economy would be further squeezed and jobs threatened by a tightening of the Price Code. And it was also regrettable that, contrary to pledges which had been given by the Government, there had been no prior consultation with the C.B.I. on the proposal to amend the Price Code to penalise firms which award excessive pay increases.

(d) Above all it was clear that the present crisis was the direct consequence of the disastrous policies which had been followed by the Government over the last 16 months.

It was agreed that these were the main points to be made as a preliminary reaction by the Conservative Party to the Chancellor's announcement on economic policy.

Discussion turned to the communication of the Party's reaction to Party supporters and the public at large. It was agreed that some kind of statement of the Party's view was necessary and that suitable guidance had to be given to the Party in Parliament and in the country.

Sir Geoffrey Howe said that he had been invited to take part in a discussion on BBC television that evening and that he had it in mind to make a speech on economic policy the following day. It was agreed that these two occasions provided useful early opportunities to explain the Conservative attitude, and that Sir Geoffrey Howe should be in touch with colleagues on the contents of his speech.

The meeting closed at 6.30 p.m.