



KJ/SMC

CONFIDENTIAL

Rt.Hon. James Prior, MP,
House of Commons.

31st May 1977

Jim Jim

Last week John Lyons^{*} came to lunch with me. We had a long and pleasant talk. He is in general terms a monetarist and said that he had welcomed the analysis of unemployment which the Centre used to produce because he thinks that deeper understanding of the different factors involved is beneficial.

** Of the
Electrical
Power
Workers*

After saying that he thought a Conservative government would need some sort of incomes policy in order to cope with the public sector, he narrowed this down to the view that provided we allow the four groups which he thinks are crucial to negotiate satisfactory pay bargains, we would need no incomes policy as such.

The four groups to which he referred were Miners, Electrical Power workers, Railwaymen and Nurses.

In his view the first three can hold the country to ransom and the fourth is a touch-stone for a government's moral standing.

Though some other much smaller groups might need to be satisfied, he thought that we could impose whatever was necessary to keep within our targets on all the rest.

He was interesting on the miners and railwaymen. He said that the pay bargain with the underground workers in the coal industry would not infect other pay negotiations. It is only when that pay is extended to surface workers that it infects other negotiations. The normal reason given for extending underground pay to surface workers he said - mainly, that many service workers have worked underground - could be met by a special bonus, not included in the rate, added to the pay of those surface workers who had had so many years experience underground.

As to the railwaymen, he believes that their historic and sentimental links with the miners give them a special importance because the coal is moved underground by the miners and overground by the railwaymen and they regard themselves as part of the same operation.

I do not, myself, necessarily agree with the last part of this analysis but it is interesting to know.



It was mildly amusing that the very evening after this lunch talk I had a chat with Harold MacMillan at the Carlton Club. He told me that he thought that in the new situation of no Stage 3 we would need presumably to satisfy the Praetorian Guard, which he defined exactly as Lyons had done - though without the nurses!

I am copying to Margaret & Geoffrey.

C.c. Rt.Hon. Mrs. Margaret Thatcher, MP
Rt.Hon. Sir Geoffrey Howe, QC, MP