

Cabinet folder



File

10 DOWNING STREET

Prime Minister ①

Mr Ridley is upset that someone at the Cleary meeting has broken the confidentiality of the discussion and ~~was~~ revealed the nature of his remarks, that not totally accurate. He would like to raise the issue at Cabinet unless you advise against.

No record was circulated to Ministers - only a restricted record for the officials who were there.

Agree Mr Ridley raises the issue?

Yes or HT
2/7

...finds was linked with the Brighton bomb and the police "stars", terrorists...

Message from Chequers

It MUST have seemed a good idea at the time. When Sir Keith Joseph suggested it to Mrs Thatcher, she readily agreed. How better to spend a Sunday than getting the whole cabinet together to talk about the long-term trends of public expenditure? It could be that most ministers had other weekend ideas, but to the prime minister and her indefatigable education secretary-cum-guru, such a sabbatical seminar is little short of bliss.

Chequers may have been intended as a country retreat where prime ministers are supposed to relax. But, as is well known, Thatcher does not relax, at least not in the conventional sense. Her inability to do so may indeed be the secret of her longevity at the top. In her time as opposition leader, a concerned Labour frontbencher once urged her to take life more gently. She had just returned from Iran, where her aides were impressed by the Shah's strong-arm rule, and was bustling along a Commons corridor with no time to spare. "Margaret, you should spend the weekend in bed," cautioned the Labour elder. "How boring," she said, and swept on.

Six years of relentless grind have not changed her view on this. So the no-refusals invites went out for last Sunday's

Chequers summit, designed to plot where the government goes from here, as the biggest-spending administration ever known in Britain's peacetime history.

PETER REES, the Treasury's chief secretary, arranged a slide show, without which no cabinet review is complete these days - and the cabinet duly assembled for what was billed as an informal examination of the prospects and problems, with no need to take hard decisions.

In times past, such gatherings used to warrant a group photograph. Harold Macmillan and his team posed for one at Chequers in 1963. And a self-satisfied lot they looked - as well they might - after a decade in power. Sartorially, however, they were a bit of a mess. Lord Hailsham's jacket was far too tight, Reggie Maudling wore a pullover while Edward Heath and Enoch Powell paraded in three-piece suits. Thatcher, who likes her men spruce and well-pressed, would not have been pleased. But, there, in the back row, is the one Macmillan minister who would undoubtedly have passed

Inside Politics
by MICHAEL JONES
Political Editor



Thatcherite muster, immaculately tailored and standing beamingly to attention: Keith Joseph.

The prime minister has declared him to be "a great Englishman" against whom she will not hear a word. What he had in mind for last Sunday, however, could hardly have been what actually happened. For when Rees gave his presentation, it quickly became obvious that the Treasury had failed to transmit its alarm to the spending ministers.

One graph line showed the rising curve of state spending in figures, another as a proportion of the country's gross domestic product. Since 1979, the latter has been squeezed by recession, while the former has shot ahead. An uncharitable view would be

that the Thatcher administration has been positively spendthrift. As Norman Tebbit bemoaned last Thursday, total state spending in 1979 was a mere £77 billion; today it stands at £132 billion and is rising. Even allowing for inflation, the National Health Service takes 20% more, and law-and-order 40% more. Tebbit did not mention the spiralling cost of unemployment, but he made his point all the same. Spending had not been cut, only "brought under control".

THE GOVERNMENT'S dilemma, as last Sunday's meeting showed, is that it does not know whether to cheer or weep at this modest achievement. Is the unstoppable level of high public spending a symptom of failure, as the

Institute of Directors would have us believe, or should it be a source of justifiable pride, as the cabinet's consolidators are beginning publicly to urge?

Tebbit gives some Tory MPs the impression of being in two minds about it. Doctrinally, the industry secretary wants to cut taxes, and knows that the only way to do so significantly is to cut state spending. But he also wants the Tories to take credit for their largesse in what he calls priority areas. Wearing this political hat, he therefore accepts the case for fresh funds for British Leyland and the west Midlands. As a business proposition, ministers regard the investment as a 45% risk but, without the cash injection, they reckon the danger of electoral disaster a 95% certainty. So the money goes in.

Thatcher is equally aware of the voters' sensitivity about Treasury cuts in major spending areas. Publicly she declares herself a tax-cutter. But she does not say when it will happen, merely that it should and must.

Biffen weighed in last Wednesday with a declaration that the true face of "social

government... it is based on the people and that, since state deduction has risen by 8% spending has risen by 8% above inflation under Thatcher and will not easily come down, the Tories had better make the best of it. When ministers were invited to give their views last Sunday, it quickly became apparent that the Biffen view was in the ascendant.

Where Peter Walker once fought alone as the cabinet's licensed Tory wet, others now jostle for position. Norman Fowler at Health and Social Security, George Younger at the Scottish Office and Nick Edwards at the Welsh Office all warned the Treasury to keep away. When Nicholas Ridley, the pro-Treasury transport secretary, had his say at the tailend, he glumly concluded that most ministers had put the case for tax rises, not tax cuts.

Brecon's by-election result this week seems certain to accentuate this cabinet tension, and the government's testing time now looks upon it. At stake is the strategy that will take the Tories up to the next general election. She wants to win in 1987 or 1988 and this calculation, more than anything, will determine who wins the cabinet fight.