

LEADER'S CONSULTATIVE COMMITTEE

Minutes of the 57th Meeting held on Friday,
11th April 1975 in Assembly Rooms B and C at
Central Office.

Present: Mrs. Thatcher (In the Chair)

Mr. Whitelaw, Sir Keith Joseph, Mr. Gilmour,
Sir Geoffrey Howe, Mr. Maudling,
Lord Hailsham, Mr. Pym, Mr. Fowler,
Mr. St. John-Stevas, Mr. Maude,
Mr. Heseltine, Mr. Raison, Mrs. Oppenheim,
Mr. Neave, Mr. Buchanan-Smith,
Mr. Younger.

Mr. Atkins

Mr. Shelton, Mr. Patten, Mr. Douglas,
Mr. Ridley, Mr. Nicholson (In attendance)

Apologies: Lord Carrington, Lord Thorneycroft,
Mr. Peyton, Mr. Prior, Mr. Jenkin,
Mr. Edwards.

MORNING: Discussion on paper "Notes Towards the
Definition of Policy" by Sir Keith Joseph
and Mr. Maude (LGC 75/71).

Discussion of Background to the Paper

1. There was first a discussion on the general line taken in the paper, and the historical background against which new policy could be formulated. Several members, while regarding the policy suggestions as valuable, thought the paper was too critical of the recent past and, in particular, of recent Conservative policy. They emphasised that the Party should not repudiate its previous attempts to reach a national consensus and to hold the middle ground of opinion, as this was the key not only to electoral success, on which all else depended, but also to governing and staying in power. Conservative policy should be evolutionary, and build on the past, not revolutionary, rejecting the past. Stability in approach was also important as people became more bewildered by events.
2. There was little doubt, however, that since the early Sixties there had been a general movement of ideas and policies towards "the Left", and away from a traditional Conservative view-point, and this was also reflected by the sharp swing to the Left inside the Labour Party, especially since 1970. How was the Conservative Party to react to this trend? It could not afford to be passive: it needed to provide a positive alternative to Socialism. It was the absence of a clear Conservative programme after the failure of the Macmillan Government to negotiate entry into the E.E.C. in 1962 that gave the initiative to the Socialists. In particular the Left had a monopoly of local community action. The Party organisation should take some initiatives in this field.

3. It was suggested that Britain's economic competitiveness and the efficiency of our industrial and education systems had been declining for decades, but it was felt that it would be difficult to blame one political party for this. There had been a gradual shift to the Left since the war in most European countries yet these had experienced remarkable economic success.
4. Where did the division now lie in politics? Mr. Raison suggested that the fulcrum of the political see-saw lay not between the Labour and Conservative Parties but half way across the Labour Party. In some areas the Conservatives needed to operate a consensus, because this was the only way to defend Conservative values. For example, we should encourage Mr. Healey if he produced a sensible Budget. Sir Keith Joseph agreed that one fulcrum lay in the Labour Party but perhaps another lay to the right of the Conservative Party, on issues like crime and punishment and immigration. It was felt that increased popular cynicism about politics was a further reason for the Conservatives to inspire positive support and not simply to seek consensus. Mr. Maude referred to the Research Department evidence (page 3 of LCC 75/72) that support for the Labour Party as well as the Conservative Party had been falling steadily. He warned that the Conservatives could not depend on the 'moderate' wing of the Labour Party standing up for anything, especially while Mr. Wilson remained leader.
5. In conclusion, it was generally felt that the Conservative Government of 1970-74 had, on the whole, tried to do the right things, but had failed to explain its intentions adequately. It was suggested that, for example, there had been too much emphasis on the equity of "fair rents" instead of on the best means of providing adequate housing for all who needed it. While the Party should learn what it could from opinion and image research, obviously decisions should not be dominated by pundits and image makers.

The Nation

(1) Devolution

6. Mr. Whitelaw outlined the direction of the discussions currently taking place. These indicated that, in the case of Wales, without its own legal system or a strong desire for a legislative assembly, it would probably be sufficient to strengthen the powers of the Secretary of State assisted by an advisory Council. Scotland, however, had its own legal system and a stronger desire for an assembly. The discussions indicated that Scotland should have such a legislative assembly, without wide executive powers. Was it possible, however, to hold to that middle position? Lord Hailsham thought that it was not: there would have to be more devolution than many Conservatives were bargaining for, but in return England should be given a larger share in Parliamentary representation at Westminster. He thought that there was an inevitable move towards a written constitution. On the other hand, Mr. Raison thought that the paper (LCC 75/71) implied more devolution than he would find tolerable.
7. Other points made were that opinion research had shown that a majority of Scots did not want independence. Those Scots defecting from the Conservative Party simply thought it was more patriotic to vote S.N.P. rather than Liberal or Labour in protest against central government policies. But this resentment against Whitehall should not be exaggerated: there was considerable hostility over the whole country to local

councils and Whitehall was sometimes regarded as a source of redress for local grievances. It was agreed that the Party should not be motivated simply by electoral considerations in its formulation of its devolution policy; mistakes would involve drastic consequences for the whole United Kingdom.

(ii) Defence - External

8. It was agreed that the Party needed constantly to draw attention to the dangers of neglect of external defences. Sir Keith Joseph suggested that these had become so weak - with the conscript armies of the NATO allies being penetrated by the extreme Left, and the constant inroads of inflation - that Britain might face the danger of "Finlandisation", of constant tests of will and nerve at points of contact. Sir Geoffrey Howe said that in Government the question of total defence strategy and priorities had never, as such, been examined by Ministers collectively as opposed to the experts. He would be willing to see more spent if such a review proved it necessary. It was agreed that there should be a presentation of all the issues involved.

(iii) Defence - Internal

9. The discussion showed dissatisfaction with the amount of attention given in Government to this subject and to means of combating major strikes. Unless such means were found, the next Conservative Government might be beaten in office however popular its manifesto. Some industrial groups might be irreplaceable (e.g. miners) but perhaps the coal industry's organisation might be regionalised so as to break up the existing monopoly. Other strikes, however, could be broken as recent events in Glasgow showed. Perhaps the Civil Service experts had taken too pessimistic a view of the availability of volunteers and what they might achieve. Much more attention needed to be given to providing all hospitals and key industrial companies which depended on power with stand-by facilities, and to draw up lists of retired electricity officials and other volunteers who might be used in emergencies. All such volunteers should be under public control; there could be no "private armies".
10. It was agreed to set up a small group which might investigate militant activities and foreign experience of terrorism (e.g. Germany), and how all this could be combated. Naturally, the group should examine what could be learnt from the political and organisational methods of the subversives.
- (iv) Immigration
11. It was agreed that this subject required further study, and it was especially necessary to obtain reliable statistics, for example, of the numbers of dependants who were likely to come to Britain. The subject also impinged on the study of the wider urban problem, and on the work of the proposed Commission on Children.

The Economy

12. Several members felt that the reference on page 7 of the paper to the issues of consultation and participation in industry was too brief. More attention needed to be given as to how employees could be encouraged to identify with their companies and to achieve fulfilment at work. The Party needed to examine both the best foreign practice and where the existing system was working well in Britain, and it was understood that Mr. Prior was setting up a group to do this. Opinion research had shown that employees were generally happy working

for private companies, but the biggest vacuum lay in the absence of effective explanations of the value of profits. Industry, however, was conscious of its weakness in this respect in face of the distortions of the Left, and was open to advice from all sources. The Conservatives must use this opportunity, and encourage companies to explain both their achievements and the threat from Mr. Benn's policies, especially at local community level. Other suggestions were the production of a new Industrial Charter to give the Party's industrial policies a new image and fill a perceived vacuum, and to arrange regional conferences involving the self-employed and commerce.

14. Mrs. Oppenheim raised the question of the Party's position on price controls. There was the need to increase industrial efficiency, and this meant relaxing the Code, but there was the political difficulty involved in advocating rising prices. It was agreed that this issue should be examined by the Economic and Social Strategy Group where it should be considered in relation to the problem of rising unemployment.
14. Mr. Prior was organising a group to examine the wider questions of unemployment, over-manning, retraining, redundancy and redeployment, and European practice in their fields. The need for better links with local union leaders was expressed, especially as many of them were much more sympathetic to the E.S.C. than national union leaders. Doubts were expressed as to the effectiveness of the Manpower Services Commission under its present management, but further discussions on these subjects could take place when Mr. Prior was present.

Subsidising Strikes

15. Sir Keith referred to the question of strikers' benefits, (page 9). He wondered whether the Party wished to add yet another to the several controversies which its programme might inevitably involve. There was a discussion. It was suggested that the total denial of social security benefits to strikers' families would subject a Government to claims that it was using starvation as a strike-breaking weapon. If benefits were paid as a recoverable loan there was a danger that strikers would only return to work if this debt were cancelled. It would be far more effective to change the tax system as would happen under tax credits, so that strikers were not aided by PAYE repayments. Sir Geoffrey Howe suggested that the Party should examine the question of some people receiving virtually as much income when unemployed as they did when in work.

Commission on Children

16. It was agreed that the Party should set up such a Commission, as various problems of children were concerning social workers, magistrates and the country at large. Perhaps this subject was neglected because it spanned a number of Government departments. It was felt that if such a Commission enquired into the problems facing the family as a whole the scope would be much larger and distractions might arise. Details of organisation (for example, whether its hearings should be in public) would be settled by Sir Keith Joseph in consultation with colleagues involved.

Commission on Secondary Schools

17. It was agreed to set up another Opposition Commission to examine all aspects of secondary education. These deliberations would not be confined to the comprehensive issue, but would

examine problems such as the most effective ways of helping both the able child and the disadvantaged child, the effects of mixed ability teaching and parental involvement. This approach was desirable because it would show that the Conservative Party was not simply concerned with helping grammar school pupils. The Commission should have a prominent Chairman and experienced members, and should avoid being simply a party propaganda exercise. It was agreed to examine the possibility of obtaining funds from educational and research Foundations. The separate questions of the 16-18 age group, adult education and education vouchers might be examined by study groups.

AFTERNOON: A. Discussion on paper "Background to the Budget" by the Research Department (LCC/75/73).

18. Mr. Ridley gave a short resume of his paper "Background to the Budget", pointing out that the Chancellor would need to give substantial additional relief to industry. There were also other commitments that had to be honoured, notably for increased family and age allowances. It was likely that there would be some increase in Customs and Excise duties. One ought also to be prepared for the inclusion in the Budget of substantial measures to safeguard employment.
19. Sir Geoffrey Howe suggested that the discussion might focus on the four points listed on page 6 of Mr. Ridley's paper. In addition it was desirable to consider what our attitudes would be to possible measures for safeguarding employment and to any further increase in the cost of motoring. Sir Geoffrey Howe expressed the view that the Conservative Party should strongly oppose any further tax penalties on middle managers and professional people, call for some relaxation in prices and dividend control and consider ways of bringing local government spending under control.
20. Mrs. Thatcher said that the uncertainty of the outcome of the referendum on E.E.C. membership inevitably meant that the Budget was going to be a holding operation. Lord Bailsham agreed with this, adding that the imminence of the referendum would probably incline Mr. Healey to produce a Budget which minimised the displeasure from his own backbenchers.
21. It was pointed out that there was speculation about the possible introduction of a system of multi-rate VAT. An alternative open to the Chancellor was the imposition of a special tax, comparable to the car tax, on a range of items. Neither could be looked on with favour by the Conservative Party.
22. There was a short discussion on the probable rate of inflation in coming months; Sir Keith Joseph pointed out that, according to some experts, the rate of inflation could be down to 15 per cent this year before accelerating again.
23. The remainder of the session was devoted to a discussion of possible steps the Government could take to safeguard employment by means of Government subsidy and the best way to react to these.

24. Mrs. Thatcher said that it seemed that the Government was contemplating some scheme whereby the Government would grant a subsidy to firms which would otherwise make their employees redundant. She agreed with Lord Hailsham that this would amount to the Government subsidising over-manning in British industry; redeployment of labour would be more difficult, the private sector further enfeebled and a significant step taken towards a seige economy.
25. Sir Keith Joseph, whilst agreeing with the dangers inherent in any scheme for labour subsidies, said that opposition to them could invite the charge that Conservatives favoured high unemployment. The Government would claim that it was taking temporary action to keep people in jobs pending the upturn in the world economy which was expected.
26. Mr. Maude said that there was no doubt that labour subsidies would further diminish the incentive for firms to reorganise and become more efficient. What was needed was the redeployment of labour now to those sectors which were most likely to benefit from an improvement in world economic conditions. Mrs. Thatcher said that in this case the correct policy was to encourage the retraining of labour and pay redundant workers higher allowances for this purpose rather than keep them in their present jobs. Mr. Heseltine believed that the Government needed to play an active role in encouraging the redeployment of labour and reducing over-manning in British industry. The qualitative argument for redeployment ought to be clearly articulated. One should not exclude the possibility of the Government providing financial assistance on a discretionary basis to firms which were able to come forward with plans to redeploy labour in new activities as a alternative to making employees redundant. The problem of over-manning ought to be solved by persuasion rather than coercion. Active labour market policies were the rule in other capitalist economies.
27. Sir Geoffrey Howe said that one should try to avoid the State being involved in industrial schemes on an ad hoc basis. It was pointed out by Mr. Younger that the granting of financial assistance to one firm in order to keep people employed could well result in jobs elsewhere being threatened. Mr. Whitelaw said that once one had embarked on the road of labour subsidies it would be very difficult to leave it. The Conservatives were bound to oppose them. The problem was how this could be done without appearing to favour high unemployment. This should not be impossible given that labour subsidies could be nothing more than a palliative. Mr. St. John-Stevens said that the case against labour subsidies would be strengthened were the Party able to put forward an alternative policy of its own. Mr. Raison warned against believing that the answer lay in public works programmes. Mr. Buchanan-Smith agreed that in the past these had not been very successful.
28. Mr. Gilmour remarked that the forthcoming Budget was almost certainly going to be a tough one. This presented the Conservative Party with a difficulty in that we would appear to the public to favour an even tougher one.
29. Mr. St. John-Stevens said that the Budget could be an occasion for the Party to make it clear that it viewed sympathetically the proposals that had been put forward on behalf of artists, musicians and the theatrical world for relief of their activities from VAT. It was pointed out however that it might be difficult to reconcile advocacy of this with the Conservative Party's stance in favour of stricter control over Government spending and a reduced borrowing requirement.

B. Discussion on paper "The Political Situation and Future Tactics" by the Research Department (LCC/75/72).

30. Mrs. Thatcher invited discussion of the Party's strategy and tactics on the basis of the paper prepared by the Research Department. Lord Hailsham said that at various times in the past the Conservative Party had survived by the accretion of strength from outside, as for example in the late nineteenth century when the Liberal Unionists were absorbed into its ranks. This often happened during a period of crisis in national affairs. It required an attitude of openness on the part of the Party. The problem at the moment was that the Party had an insufficiently broad social base to achieve its political objectives.
31. Mr. Pym said that the likelihood of the Labour Party breaking up was very small. Its instinct for survival was strong. In view of this the strategy of the Conservative Party should be designed to appeal not to the moderates in the Labour Party as such but to those in the electorate who were attracted by their policies and outlook.
32. Mr. Maude said that it was important to get a clear idea of how much could be sacrificed of Conservative principles and policy in an endeavour to gain additional support from outside the ranks of the Party. Mr. Gilmour remarked that it would require an exceptionally grave national crisis to cause a split in the Labour Party. It would be very difficult in these circumstances for the Conservative Party to refuse to co-operate in a national Government. Mrs. Thatcher said that a serious crisis could well occur were the Government forced to borrow from abroad on terms which were unacceptable to the left. The Government would then need Conservative support to survive. Lord Hailsham said that in these circumstances the main question that the Party would face was when to withdraw its support and force an election. It was argued by Mr. Gilmour that the worst situation for the Party to be in was that of supporting the Labour Government from outside. Sir Geoffrey Howe wondered whether the Party should not be thinking in terms of some contact with other segments of political opinion in order to mobilise opinion in the country in favour of the free society. Mr. Younger said that the real divide was between the left wing of the Labour Party and the rest of the political spectrum. The Party should do all it could to bring this fact out into the open.
33. Mr. Whitelaw remarked on the referendum on the E.E.C. and its possible implication on future Party alignments. There was little doubt that the co-operation taking place between the Conservative Party, the Liberals and the Labour pro-Marketeters within "Britain in Europe" in order to achieve a "yes" vote was bringing about a subtle change of mood. This might be opening up possibilities for the future, though once the referendum was over and assuming that it resulted in a vote favourable to E.E.C. membership, the initial reaction of Labour pro-Marketeters was likely to lead to a return to "home base". Mr. Whitelaw said that, as Conservative Vice President of "Britain in Europe", he had to keep a close watch on the Liberals who seemed determined to squeeze Party advantage out of the referendum. Also on the subject of Liberal tactics, Mr. Heseltine noted that Liberals were canvassing industrialists to try to persuade them to exert pressure on the Conservative Party to favour a pact with the Liberals.

34. Mr. Norman St. John-Stevan said that popular disenchantment with Party confrontation was such that the present party system might be a threat to Parliamentary democracy, not a support to it as used to be supposed. Our attitude to proportional representation should perhaps be examined. It was pointed out by Mr. Atkins and Mr. Fowler that electoral reform roused strong feelings in the Parliamentary party and a substantial number of MPs would fight to the last against it.
35. Mrs. Thatcher said that before a study group was set up on this subject it seemed advisable for the Shadow Cabinet to discuss electoral reform on the basis of a paper which had already been prepared by the Research Department. This suggestion was agreed.

The meeting closed at 3.45 p.m.