

Mrs Thatcher stands by her attack on Cabinet 'wets'

The Prime Minister made no attempt in Cabinet yesterday to repudiate the widespread feeling that, in her speech on Wednesday, she had been criticizing Cabinet colleagues who are unhappy with

the Budget proposals. In fact, our Political Editor writes, the Budget was not even mentioned at the Cabinet meeting. No ministers, however, are expected to resign over the issue at this stage.

Tory petrol price revolt likely

By Fred Emery
Political Editor

To the intense distaste of some of her Cabinet colleagues Mrs Margaret Thatcher made no attempt whatever at yesterday's Cabinet meeting to disown the widespread interpretation that in her speech on Wednesday she had been attacking some of them for their lack of "guts" over the Budget.

In fact, not a word about the Budget nor about the furore of Conservative and business reaction to it, was mentioned at the meeting; the Chancellor of the Exchequer regarded the matter as already dealt with.

In the Commons also, the Prime Minister did not put herself out to take up an invitation by Mr Michael Foot, Leader of the Opposition, to repudiate suggestions in many press reports of her speech that she was getting at faint-hearts in her Cabinet.

"I take up my time fighting the Opposition", she said, having retorted to an earlier, similar question about faint-hearts: "I was thinking of the right honourable gentlemen opposite."

Later, in authoritative quarters in Whitehall, the press was congratulated for having got Mrs Thatcher's message.

This is an unprecedented political situation. No ministers are likely to resign at this stage because to go would hardly bring about the policy change they desire. But some resignations are clearly not ruled out for later this year if by the summer there has not been a modification of the hard-line economic policy.

While Conservative backbench anger continues to mount, particularly about the 20p a gallon increase in the petrol price, over which there could be a minor revolt in Monday's vote, the main Cabinet member in the firing line remains Mr James Prior, Secretary of State for Employment.

He is said by colleagues to be incensed with the Budget's stringency; nevertheless he has been forced by an Opposition

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move to speak first for the Government in Monday's closing stage of the Budget debate.

Once the Opposition chose Mr Eric Varley, their employment spokesman, as their speaker instead of someone on the industry side, the Government had to respond with Mr Prior. He can be counted upon to unleash his frustrations on the Opposition.

It became clear last night that Cabinet members had protested to the Prime Minister on Tuesday that never again should they be put in the position of hearing about such a fierce Budget virtually without warning.

It has been put to her by senior colleagues that a full Cabinet meeting to discuss economic policy before the Budget, in January, must be a more rational way of conducting business.

The Prime Minister's response is seen as uncertain. Some ministers believe she might agree. Others remember that she scorned such an idea when it was put to her last month.

She is left with a Cabinet in far worse disunity than it was; and it never was a united Cabinet.

The only sign of possible "give" in the tough posture adopted by Sir Geoffrey Howe, the Chancellor, is that the Government is searching more urgently than it was for some capital investment projects to support. The problem is that its absolutist commitment to its new borrowing target does not permit the outright use of government funds.

None the less, in the Commons yesterday the Prime Minister hinted that that was where her inclination lay. "I cannot stress too much that the more we raise current expen-

diture, the less there is for the many capital projects which many of us would like to embark on", she said.

What the Chancellor has in mind is a new way to involve private capital or a way of reconciling public investment with the borrowing requirement. Perhaps he will start with British Telecom.

The first test of the strength of Conservative backbench dissent from the Budget will come in Monday's voting on 40 motions implementing the tax increases and changes. Six divisions are expected. One is certain to be on the new petrol tax which, as tabled, can be voted up or down.

Last night, Mr Eldon Griffiths, Conservative MP for Bury St Edmunds, said he could not support the full 20p increase, but he would be satisfied on Monday with an assurance that the Government will think again. Thereafter he would seek an amendment in the Finance Bill debate to halve the increase.

The following Scottish Conservative MPs met the Chancellor yesterday to press for a reduction of the petrol tax increase:

Mr Michael Ancram, Edinburgh, South; Mr Peter Fraser, Angus, South; Mr Barry Henderson, Fife, East; Mr Ian Lang, Galloway; Mr Albert McQuarrie, Aberdeenshire, East; Mr John Mackay, Argyll; Mr David Myles, Banff; Mr Alex Pollock, Moray and Nairn; Mr Iain Sproat, Aberdeen, South; Mr Allan Stewart, Renfrewshire, East; and Mr William Walker, Perth and East Perthshire.

Mr MacQuarrie is expected to vote against the motion proposing the petrol increases, with at least seven of the others abstaining.

The all-party Treasury select committee of MPs, chaired by Mr Edward du Cann, is to call Treasury officials before it next week and question them on the arithmetic and philosophy behind the Budget (our Economics Editor writes).

Geoffrey Smith

Inside the Cabinet: the men who said No to the Budget

"Never judge a Budget on Budget Day", Iain MacLeod used to say. Sir Geoffrey Howe must be wishing that a few more people followed that principle, including his own colleagues.

When he presented the Budget to the Cabinet on Tuesday morning three members—Mr Jim Prior, Mr Peter Walker and Sir Ian Gilmour—made their opposition plain. Three others—Mr Francis Pym, Lord Carrington and Lord Soames—were clearly uneasy. Mr Mark Carlisle and Mr George Younger, the Secretary of State for Scotland, expressed their reservations in a more minor key and Mr Nicholas Edwards, the Secretary of State for Wales, did not seem to be entirely happy.

It is true that the Budget had its warm supporters. Mr David Howell described it as the bravest and most courageous Budget in his experience. Mr John Nott impressed his colleagues as being somewhat hardline in backing it. Mr John Biffen and Sir Keith Joseph both spoke in its defence and Mr Patrick Jenkin and Mr Norman Fowler were also in favour. Mr Whitelaw appeared to waver at first but then came down firmly on the side of the Budget.

As the elder statesman of the Cabinet, Lord Hailsham contented himself with calling for loyalty to the Chancellor. Mr Leon Brittan presumably felt that as the recently appointed

Chief Secretary to the Treasury it would not be appropriate for him to contribute to the discussion. Mr Humphrey Atkins was also silent, and Mr Michael Heseltine was away with 'flu.

The critics were therefore in a minority in Cabinet, but they were a strong and influential minority. Their response was also broadly in accord with what is now prevailing reaction on the backbenches. One or two Conservative MPs, such as Mr Peter Tapell and Sir Timothy Kitson, have publicly attacked the Budget. The majority are simply bewildered and uneasy. They will give the Whips some anxious moments during the progress of the Finance Bill, but they are not likely to destroy Sir Geoffrey's Budget strategy.

The critical vote will be on the petrol tax increase. The Chancellor may be forced to accept some compromise on that because opposition stretches from left to right within the party, depending on what kind of constituency a member represents.

It is the political context in which the Budget is set that gives force to Iain Macleod's dictum. This Budget may indeed be regarded in a rather different light in a few months' time. It is seen now, by supporters and critics alike, as evidence of the Government's unwavering purpose. The squeeze will be maintained until the economy revives of its own accord,

There will even, it is suggested, be another public-expenditure cutting exercise in the hope of securing the kind of reductions that could not be agreed last autumn. Straight on regardless, is the signal—or so it seems.

But it is hard to believe that things will work out like that. In the first place, another public-expenditure cutting exercise on the same scale as last year's is no more than a gleam in the eye of the Treasury. There has been no discussion of this in Cabinet.

Non-Treasury ministers have been somewhat puzzled by press reports and radio interviews referring to such an exercise. Nobody has told them.

This does not rule out the possibility that the Treasury will try something of this sort. There will certainly be the usual operation, which will begin once the Finance Bill is out of the way in the summer, to keep public spending in the next financial year under reasonable control.

But whatever Treasury ministers might want, the political conditions are unlikely to be favourable for anything more ambitious.

There is a critical distinction between imposing a more severe Budget than a number of Cabinet members would like and insisting upon more extensive cuts than some would happily accept. The critics might be broadly the same in both cases. But in the second



The three who made plain their opposition to the Budget: Peter Walker, Sir Ian Gilmour and Jim Prior . . . others were also uneasy

instance they would be there to fight their corner when the decision is made. Not so in the first.

This explains why Mrs Thatcher has been able to get her way over the Budget when she failed to do so over the spending cuts last November. Mr Prior's proposal some months ago that the whole Cabinet should discuss the Budget strategy well in advance was firmly rejected. Most of the Cabinet had the Budget presented to them for the first time on Tuesday morning. It was obviously too late for them to do more than express their feelings.

Whatever may be thought of the contents of this or any other Budget, such a process for approving it makes nonsense of the doctrine of collective Cabinet responsibility. It is very different from the procedure for deciding spending cuts, which are considered by the whole Cabinet without a similar deadline.

As a system of government this is much to be preferred,

but it has disadvantages for a Prime Minister or Chancellor wishing to push through unpalatable measures. If even a minority of heavyweights are hostile to particular proposals, the pressure for compromise becomes very considerable.

Treasury ministers were not able to get anything like the size of cuts they sought last November, and there is no reason they should find it easier to secure economies on an ambitious scale next time.

The political circumstances are likely to be even more unfavourable. The Conservatives are expected to do badly in the local elections in May, which will not encourage them to take still more unpopular action. By mid-summer the atmosphere at Westminster often tends to become rather fraught as members long to escape from their stuffy confines after a tiring session.

That is always the time of year when a government is most exposed to rebellion in Parliament. This year the Conservatives are likely to find them-

selves especially worried by the strength in the polls and possibly at by-elections of either the Social Democrats or a revived Labour Party. It will be one or the other: only if Labour looks more attractive than it does now are the Social Democrats likely to have run out of steam by then.

In such conditions it is much more probable that the Government will be looking for measures of relief rather than means of turning the screw a bit tighter. The next election will be starting to cast its shadow. Either the Government's economic policy will be seen to be working, which will be thought to justify some relaxation; or there will be no sign that it is working, which will be thought to require some relaxation. Perhaps interest rates might come down a bit more, or the national-insurance surcharge might be reduced.

In any event, this Budget is likely to be seen in due course as the high peak of austerity, not as the harbinger of more austerity to come.