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10th
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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 13 MARCH 1980

at 10.00 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Humphrey Atkins MP
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education and Science

The Rt Hon John Biffen MP
Chief Secretary, Treasury

The Rt Hon Angus Maude MP
Paymaster General

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Secretary of State for Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Earl Ferrers
Minister of State, Ministry of Agriculture,
Fisheries and Food

SECRETARIAT

Sir Robert Armstrong	
Mr M D M Franklin	(Items 2 and 3)
Mr P Le Cheminant	(Items 4 and 5)
Mr P J Harrop	(Item 1)
Mr R L Wade-Gery	(Items 2 and 3)
Mr F Mountfield	(Item 5)
Mr W N Hyde	(Item 1)
Mr A S D Whybrow	(Item 4)

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1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

European
Community
Policy; Common
Agricultural Policy,
European Community

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the documents to be debated on Thursday 20 March included the European Commission's paper on the United Kingdom's contribution to the Community Budget in addition to a series of Community documents on agricultural matters that had also been recommended for debate by the Select Committee on European Legislation, etc. He recognised the advantages of concentrating discussion so far as possible on the issues raised by the agricultural documents, but it seemed very likely that the Opposition would want to debate the issues raised by the Budget document, and the Government would need to be able to respond accordingly.

It was noted in discussion that the Government intended to table a single expanded take-note Motion covering both the agricultural documents and the Budget document. There would be advantages in a broadly-based debate which did not concentrate on the question of the United Kingdom contribution to the Budget. The present indications were that the leading speakers for the Opposition would be their front bench spokesmen on agriculture. On the other hand, the Opposition might, in the event, decide to use the debate to draw attention to the forthcoming negotiations on the United Kingdom's contribution to the Community Budget. In previous debates the House had passed Motions urging the Government to ensure that Britain's contribution to the Budget was not greater than its receipts. It was desirable, however, that the outcome of the present debate should not tie the Government's hands at the next meeting of the European Council.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that it was important that the outcome of the debate on 20 March should not prejudice the United Kingdom's negotiating position at the forthcoming meeting of the European Council. All the Ministers concerned would be consulted on the terms of an expanded take-note Motion. So far as practicable the Government speakers in the debate should concentrate on agricultural matters rather than on the Community Budget. A Treasury Minister should not be offered as a spokesman in the debate. It would be appropriate, subject to the Opposition's final choice of spokesmen, for the Minister of Agriculture, Fisheries and Food to open the debate and for the Lord Privy Seal to wind up.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Chief Whip to consult the Chancellor of the Exchequer, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food and the Chancellor of the Duchy of Lancaster on the terms of the Motion to be tabled for the debate on 20 March about European Community documents relating to agricultural matters and the document about the United Kingdom's contribution to the Community Budget.

Maintenance
Bill (Annual
Rating and
Rating) Bill and
Rating (Amendment)

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that, following the withdrawal of Mr Robert Taylor's Child Maintenance Orders (Annual Uprating and Exemption) Bill, a full day would be available on Friday, 14 March for the Report Stage of the Abortion (Amendment) Bill. It was probable, however, that opponents of the Bill would succeed in preventing the completion of the Report Stage of the Bill on that day.

The Cabinet -

3. Took note.

2. THE LORD PRIVY SEAL said that the Governor, who would be coming to London for consultations on 18 March, was negotiating about the date for independence. Mr Mugabe had wanted it postponed until the end of May, and failing that was now pressing for the end of April. Postponement to mid-April seemed the likeliest outcome. Even that would involve dangers from Britain's point of view; but there would also be advantage in going some way to meet local wishes. Mr Mugabe's Government included two very suitable representatives of the white community; Mr Nkomo had also been given a prominent post, although his supporters had fared less well. The independence ceremony was likely to be attended by a member of the Royal Family, probably the Prince of Wales. Although most of the monitoring force had now left Rhodesia, two small training teams remained and further British help with military training had been offered. The independence Government would probably be dissatisfied with the amount of British economic aid which could be offered, and it would be necessary for Britain's allies to be urged to contribute. Events in Rhodesia were continuing to complicate the problem of Namibia.

THE LORD PRIVY SEAL said that the crisis over the American hostages in Tehran remained grave. Ayatollah Khomeini appeared to have sabotaged the arrangements worked out between the Iranian Government and the United Nations Commission, and it now seemed unlikely that the hostages would be handed over to the Iranian Government's custody before parliamentary elections were completed in late April or early May. The United States Government had so far reacted with great restraint. Sanctions were once again being considered but would not in the circumstances be wholly appropriate: the new Iranian Government was probably disposed to return the hostages if they could, but they were not in control of the situation, and in particular of the so-called students who were holding the hostages.

THE LORD PRIVY SEAL said that President Giscard of France, during his recent visit to the Gulf and Jordan, had publicly called for the recognition of the Palestine Liberation Organisation but had not coupled this issue (as the Prime Minister had done in her interview on French television on 10 March) with recognition of Israel's right to exist.

THE LORD PRIVY SEAL said that the somewhat delphic Soviet reply to the British proposals for the neutrality of Afghanistan did not amount either to acceptance or to rejection. Meanwhile it was not clear what, if anything, lay behind rumours of an unsuccessful military coup d'etat in Pakistan.

THE LORD PRIVY SEAL said that the Swiss Government were raising difficulties over the proposal to hold in Geneva the forthcoming international meeting on 17-18 March to consider alternative Games. If they could not be persuaded, the meeting might have to be held in London or in Washington, although there were objections to either course.

The Cabinet -

Took note.

3. THE LORD PRIVY SEAL said that there were contradictory signals coming from Paris about the attitude of the French Government towards the problem of the British Budget contribution. They had agreed to discussions at official level and had told the Belgians earlier in the week that they were anxious for a serious negotiation. On the other hand an official statement on 12 March took a hard line over prospects of a satisfactory discussion at the forthcoming meeting of the European Council. This suggested that the French might be worried by the unfavourable reaction in the French Press to the way they had handled the sheepmeat issue at the recent Council of Ministers (Agriculture); and by the favourable impact of the Prime Minister's recent interview on French television.

In a brief discussion it was reported that the Elysee had also put out a strong statement about the Common Agricultural Policy which said, inter alia, that there would be no concessions to Britain until our attitude on sheepmeat changed. On the other hand the French Minister responsible for fisheries was still being very co-operative. It was possible that the effect of French intransigence might be to incline other Member States to take a more helpful attitude towards the British on the Budget contribution. It would be necessary to consider the line to be taken in discussions on the Budget issue at the Council of Ministers (Finance) on 17 March and the Council of Ministers (Foreign Affairs) on 18 March.

The Cabinet -

Took note.

FINANCIAL,
TREATMENT OF
STRIKERS AND
THEIR FAMILIES

4. The Cabinet considered a memorandum by the Secretary of the Cabinet (C(80) 18) reporting the outcome of detailed consideration of the financial support of strikers and their families conducted by a Group of Ministers under the chairmanship of the Prime Minister.

THE PRIME MINISTER said that when they last discussed the matter (CC(79) 26th Conclusions, Minute 6) the Cabinet had felt that "deeming" strikers who were not members of trade unions to be in receipt of strike pay was not acceptable, and had been much exercised by the difficulty of distinguishing between members and non-members of trade unions when making payment of supplementary benefit. They had accordingly asked for the issues to be re-examined. This had been done and the results were recorded in the paper now before the Cabinet. This concluded that it would be practicable to distinguish between unionists and non-unionists for supplementary benefit purposes. Thus it would be possible to deem a certain level of strike pay for unionists only. On the other hand it had been argued by some members of her Group that a preferable course would be to reduce supplementary benefit payments to the families of all strikers, irrespective of union membership, by reducing the "requirements level" used in calculating entitlement to supplementary benefit. This course would not involve deeming that non-unionists received strike pay but would rest on the proposition that the public was less willing to support the families of strikers than of people unemployed through no fault of their own. The Group had felt that this fundamental issue should be reserved for decision by the Cabinet. Subject to this decision, however, the Group had agreed to recommend to the Cabinet the package of measures set out in C(80) 18.

The Cabinet discussed the details of the measures to be introduced, and agreed the proposals in paragraphs 5 and 6 of C(80) 18.

The Cabinet then considered whether the reduction in supplementary benefit should apply to the families of members of trade unions only or to those of all strikers. In favour of applying the penalty only to strikers who were members of unions, it was argued that those who were not members of unions were unable by definition to receive strike pay. Reducing supplementary benefit payments to them by £12 a week would leave them £27 a week worse off than if they were unemployed, and £12 worse off than unionist strikers whose unions made up the reduction through strike pay. That could give rise to cases of extreme (and no doubt well publicised) cases of hardship among non-unionists, including some who would be locked out or laid off but would be treated for supplementary benefit purposes as if they were on strike. The Manifesto commitment was to ensure that unions bore their fair share of the cost of supporting those of their members who were on strike, and a measure which bore equally on all strikers would dilute the pressure on the unions to this end.

Moreover, to the extent that the measures encouraged unions actually to pay strike pay, they would put non-unionists under even greater pressure to join a union.

In favour of applying the penalty to all strikers, whether members of unions or not, it was argued that public concern focussed on the fact that Government funds were used to support the families of strikers as such, whether or not they were members of a trade union. In any case the number of non-unionists involved in major strikes was small. Moreover trade union subscriptions included an element of insurance premium towards strike pay. The non-unionist did not pay union subscriptions, and it was reasonable to expect that he would make his own financial provision against the contingency of a strike. A measure which applied to unionists only would be attacked as anti-union. It could also involve difficulties in defining who was and who was not a union member, and there would no doubt be abuses as unions tried to find ways round the regulations. A measure which applied equally to all strikers would avoid these difficulties.

THE PRIME MINISTER, summing up the discussion, said that the balance of view in the Cabinet was clearly in favour of applying the reduction in supplementary benefit to all strikers, whether or not they were trade union members. The Government's decisions on all the proposals agreed in discussion should be announced in the Budget Debate.

The Cabinet -

1. Agreed that supplementary benefit payments to strikers should be reduced by a reduced requirements level applicable to all strikers, whether or not they were members of trade unions.
2. Agreed the proposals set out in paragraphs 5 and 6 of C(80) 18.
3. Invited the Chancellor of the Exchequer and the Secretary of State for Social Services to make the necessary arrangements to implement the Cabinet's decisions and to announce them in the Budget Debate.

SHORT-TERM
FINANCIAL
STRATEGY

5. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(80) 17) proposing the publication in the context of his forthcoming Budget of a statement about the Government's medium-term financial strategy.

THE CHANCELLOR OF THE EXCHEQUER said that the economic outlook was difficult in the short term, but there was no practicable alternative to the course of monetary discipline on which the Government was now embarked. There would be advantage in presenting the Government's policies in a longer-term context, in a way which would demonstrate that they were consistent, and technically sound, and held out a credible prospect of eventual success. The Cabinet had decided on public expenditure plans for the next four years, which would be published at the time of the Budget. It was possible to predict the likely course of Government revenues over the same period, making a realistic allowance for the yield from North Sea oil. Taken together, these indicated that the Public Sector Borrowing Requirement (PSBR) should be falling sufficiently over the period to allow some room for tax reduction in real terms in 1982-83 and 1983-84, while still bringing the growth in the money supply down to an annual rate of 4 - 8 per cent by the end of the period. Much of the information which he proposed to bring together in the Financial Statement and Budget Report (FSBR) would in any case be published in other ways or would be elicited from Government witnesses before Select Committees and spokesmen in debates. There was much advantage to be gained from presenting it in a coherent fashion. At the same time he would make it clear that the Government was not locked in to an inflexible policy. The precise path by which the growth of money stock would be brought down to the level envisaged for 1983-84 would of necessity have to be adjusted as time passed, and in the short term the Government would not be tying its hands unduly by publication in the manner proposed.

In discussion there was general agreement that there would be much advantage in being able to hold out credible hope that, despite all the economic problems in the short term, the Government's policies would lead to eventual success, in terms not only of monetary growth but also of the Government's fiscal objectives and of inflation and growth. Some members of the Cabinet doubted whether it was prudent or desirable to proceed by way of a statement which contained forecasts in quantitative terms. The Government would be exposed to questions about the underlying assumptions on the movement of wages, interest rates, unemployment and output. Any forecast, however cautiously presented, ran the risk of falsification, through external shocks such as movements in commodities prices, or from other events outside the Government's control. However strongly it was emphasised that the figures were illustrative forecasts, they would tend to acquire the status of a plan; and the Government would not wish to repeat the failure of the 'National Plan' of 1964. Critics would watch performance carefully and compare it

with the path set out by the Chancellor. It was preferable that the Government should be judged by the overall success of its measures, rather than by its performance against a series of specified indicators. Events in the real world, rather than Government predictions, were the only things which influenced investors and decision-makers. Other members of the Cabinet saw advantage in being able to provide a coherent and quantified basis for the Government's promise of eventual success for its policies, despite the short-term difficulties. It was important to show that the Government had a credible long term objective, which it was pursuing resolutely, and was able to demonstrate how its policies would succeed over the long term. This could help significantly to colour industrial and financial expectations and intentions. The presentation proposed by the Chancellor of the Exchequer was cautious and realistic. Publication of figures of this kind would provide a useful basis for the publicity campaign which would be needed, after the Budget, to present the Government's economic policies to the wider public.

THE PRIME MINISTER, summing up the discussion, said that the balance of view in the Cabinet favoured proceeding with the inclusion in the FSR of a statement on the Government's medium-term financial strategy on the lines proposed by the Chancellor of the Exchequer. In drafting the statement, the Chancellor of the Exchequer should take account of the various points made in discussion. He should also consult the Paymaster General about the presentation of the Government's long-term strategy in the period after the Budget.

The Cabinet -

1. Invited the Chancellor of the Exchequer to include in his Budget Speech and in the Financial Statement and Budget Report, material about the Government's medium-term financial strategy on the lines set out in C(80) 17, taking account of the views expressed in discussion.
2. Invited the Chancellor of the Exchequer to consult the Paymaster General about the public presentation of his policies during the period after the Budget.

Cabinet Office

13 March 1980