

SECRET

Confidential File

Leak of Cabinet proceedings on
Public Expenditure on 20 October
1981 to 'The Times.'

SECURITY

October 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
28.10.81							
<p>PREM 19/595</p>							

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PRIME MINISTER

Cabinet: Last Week's Leak

You proposed to speak to the Cabinet tomorrow about the leak of last week's discussion on public expenditure. I attach Sir Robert Armstrong's draft which you proposed to use as a speaking note.

I imagine that you will wish to raise this at the start of Cabinet rather than at the end. Is this right?

When you mention it, I imagine that you would prefer not to have the Secretaries present other than Sir Robert Armstrong himself, Am I right?

JAW.

28 October 1981

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Will we be
letter as a
speaking note
not

Prime Minister.

Ref. A05799

PRIME MINISTER

Harry started off by being against
you articulating something in writing (largely because
when the next major leak occurs your authority will
have been even more visibly flouted than would be
the case if your warning had been an oral one), I
have come to the conclusion that there would be
advantage in sending a minute on the basis of the
attached draft.

14/1
23m

We spoke late on the evening of 20th October about the article in The Times for 21st October on Tuesday's Cabinet meeting. You also spoke to the Home Secretary and the Chief Whip. We have all been talking to each other and to the Lord President and Clive Whitmore. This minute records the outcome of this series of conversations.

2. Of course none of us knows who talked to the press after the meeting. The reports reaching Bernard Ingham on Tuesday evening suggested that more than one person had been talking. Speculation seems to centre round the names of Prior, Walker and Lawson. But the Home Secretary told me that he did not think the Secretary of State for Northern Ireland had been one of those responsible.

3. The first question to which we have all addressed our minds is whether you should do something about it, and if so what.

4. All of us think that it would be very difficult to do nothing about such a flagrant disregard of the request which you made, and the Foreign and Commonwealth Secretary supported, at the end of Tuesday's Cabinet.

5. We have discussed whether there should be some form of investigation. One possibility would be to mount a political inquiry: the Home Secretary and the Chief Whip might, for example, make inquiries of all members of the Cabinet. All of us very much doubt the wisdom of that. It would almost certainly fail to produce a definite conclusion. The fact that it was going on would certainly leak, and become the subject of adverse press and Parliamentary comment. It would be a gift to the Opposition, with repeated requests for information about the outcome of the inquiry.

6. Another possibility would be to mount an official leak investigation. That could consist either of a questionnaire, which all Cabinet Ministers and others present at the meeting would have to fill in, or of an investigation conducted by one of the panel of people which the CSD have for the purpose of conducting such inquiries. On past form the questionnaire would get nowhere.



The investigation might produce some information which pointed to the possible source or sources, but it would probably not be conclusive; and if it was not we should not be much further forward. It would be a disagreeable business, involving questioning Private Secretaries as well as Ministers about Ministers' contacts. That might give it some deterrent effect for the future. The fact that it was being conducted would certainly leak, though the leak would be less sensational than if Ministers were conducting an inquiry. We all think that the balance of argument is against such an investigation.

7. If there is to be no investigation, all you can do immediately is to read the riot act to your colleagues. This course has disadvantages. Presumably it would not prevent a repetition of the offence, and you would have used one more shot from your locker. Presumably the fact that you had done so would leak. But the fact that you had done nothing would also become known. If you are to do anything, this is the least you can do.

8. If you do it, we think that you should do it not in terms of the challenge to your authority, but in terms of the challenge to the coherence, authority and effectiveness of the Government and specifically of the Cabinet. You could do it either orally, at the beginning of the next Cabinet meeting, or in writing in the form of a minute to your Cabinet colleagues. The trouble about an oral warning is that you have already given several; one more may look like a move from weakness. A written warning might of course leak; but I think it could be written in such a way as to minimise the disadvantages of the leak, and indeed to ensure that the effect of the leak would be to put some important truths on the record. I am inclined to think that the time has come for a written warning.

9. I attach a draft of the kind of thing I have in mind. It is drafted as a minute to your colleagues, but it could equally well be a note from which you could speak. You could go further than this and add a sentence to the effect that anyone who is not prepared to accept his duty to his colleagues should in all honour resign. But I think that that would be a very risky thing to do, unless you were surer than I think you can be who was responsible.

10. Then there is the question of the longer-term implications.

11. If you knew for certain who was responsible you could ask him or them to resign. But you do not know and I doubt whether we can find out for sure.

12. The second possibility is another reshuffle, say at Christmas time, which enables you to drop from the Government the Minister or Ministers you suspect of systematic leaking of Cabinet proceedings. In so far as the problem stems from profound disagreements within Cabinet, with those who lose the argument in Cabinet seeking to regain the ground lost at Cabinet by taking the arguments out into the open, that sort of reshuffle would be the traditional way of restoring the coherence of the Cabinet and, with that, a greater degree of confidence and impartiality in its proceedings. The political arguments for and against that sort of reshuffle are your business and not mine; but I can see the difficulties.

13. The half-way house is not to ask people to resign but simply to change the composition of Cabinet, so as to exclude suspect leakers from it; or to do the same thing in a different way by keeping the most controversial business out of Cabinet and dealing with it in a smaller group - an "inner Cabinet". Again, the political implications of that are for you rather than for me to decide, but again I can see all the difficulties of doing it.

14. In administrative terms there would be much to be said for cutting back to a Cabinet of 10 or 12 people; but, quite apart from the political implications, I doubt whether it is possible to put the clock back that far.

15. On the other hand, if one left the Cabinet as it is in composition but took away from it (and from E) into an "inner Cabinet" more of the effective decision-making, it would create additional political strains by excluding people who would think they ought to be inside, and would probably damage rather than improve the coherence of the Government as a whole.

16. All this points to the rather dismal conclusion that you may not be able to do very much in the longer term.


17. In the short term, all of us who have been discussing this think that it is very difficult not to do something. We do not favour an investigation; so we are left with your reading the riot act, either orally or in writing.

18. I think that we should also try so to conduct the public expenditure exercise which we have just started in such a way as to minimise the amount of the business which has to come to the full Cabinet. You may like to urge the Home Secretary and the Chancellor of the Exchequer privately to make sure that as much of the business as possible is done in the Home Secretary's small group, though I am sorry to say that the existence of that has also leaked.

RA

ROBERT ARMSTRONG

23rd October, 1981



DRAFT

TO MEMBERS OF THE CABINET

At the end of the Cabinet meeting on 20th October I suggested a line for my Press Secretary to take in telling Lobby correspondents about the meeting, and asked that the rest of us, if asked about what happened at the meeting, should not go beyond that. That request was seconded strongly by the Foreign and Commonwealth Secretary, and no-one dissented.

2. Yet The Times the following morning had a front-page article with what purported to be a full account of what had happened at the meeting, including references to what particular Ministers had said. The account was distorted and in some respects inaccurate, but the article could clearly not have been written if the writer had not had access, directly or indirectly, to accounts of somebody or some people present at the meeting.

3. The impression created outside was lamentable. It was a major factor in the nervousness of the financial markets and the consequent fall of the Financial Times index later in the week.

4. These are self-inflicted and unnecessary wounds. The conclusion is inescapable from this and previous similar occurrences that some of us are much too free with the "briefings" about the Cabinet meetings which we give to journalists, whether directly or indirectly through what we tell others who do not keep confidence.

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5. Apart from the technical breaches of security, and of collective responsibility that such "briefings" constitute, they are gross breaches of the confidence which ought to subsist between colleagues in a Cabinet. If what is said inside the Cabinet Room is to be systematically disclosed outside it, the time will quickly come when members of Cabinet will not speak their minds freely in Cabinet, but will say nothing, or say only what they want to be publicly reported as having said. The readiness to make some compromise for the sake of reaching agreement will be impaired. The impression will be intensified of a Cabinet divided in itself and in disarray. Cabinet will cease to be a gathering in which major issues of policy can be seriously discussed; they will be considered in smaller groups, and some of those who now participate in decision-making at Cabinet level will be excluded from it.

6. We can avoid these dangers if each of us practises the sort of self-discipline in these matters which has usually been taken for granted in members of a Conservative Cabinet. It is simply unacceptable that members of the Cabinet should give detailed accounts of Cabinet proceedings to people outside the Cabinet - even to their junior Ministers but above all to journalists. I hope that we can now all agree to preserve our own confidence, to restore our ability to have a frank and open discussion among ourselves without fear of disclosure to the press, and to stop giving our opponents gratuitous ammunition with which to attack us.

SECRET



cc: PS/CST
PS/FST
PS/MST C
PS/MST L
Sir D Wass
PEX
Mr Kemp
Mr Monaghan
Mr Bridgeman

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21 October 1981

J.F. Halliday, Esq.,
Private Secretary,
Home Office

New Job,

As you know, the Chancellor discussed with the Home Secretary and with the Chief Whip this morning the handling of the press in relation to misleading accounts of the public expenditure discussions in Cabinet. The Chief Secretary subsequently gave an interview on the lines agreed at the meeting on "World at One". Briefing was also prepared on similar lines for use at this afternoon's Lobby Conference and, more generally, by the press offices at No.10 and here.

The Chancellor thought that the Home Secretary might like to have available before Question Time tomorrow copies of the transcript of the Chief Secretary's interview and of that press briefing. I enclose copies.

....

I am sending copies of this letter to David Heyhoe, Murdo McLean, and Michael Scholar.

Yours ever,

J.O. Kerr

J.O. KERR

LEON BRITTAN (CHIEF SECRETARY TO THE TREASURY)

Transcript from BBC Radio 4, The World at 1. October 21 1981.

INTERVIEWER: ROBIN DAY

DAY: Press reports this morning, of remarkable similarity, told us that the Cabinet, after a difficult three hour meeting, had failed to agree on what public spending cuts were justified. Well that was not so surprising as the other piece of information which had, apparently, leaked from the Cabinet room. This was that, out of 21 Cabinet Ministers, only eight supported the Treasury's reported request for cuts totalling at least £5 thousand million. The minority of Ministers, who are said to have backed the Chancellor, included the Prime Minister, it's reported; Mr Norman Tebbit; Sir Keith Joseph; Mr Nigel Lawson and Mr Leon Brittan, of course, the Chief Secretary to the Treasury.

Mr Leon Brittan came into our Westminster studio and I asked him if he would confirm that only eight out of 21 Cabinet Ministers supported the Treasury cuts proposals.

CST: I can't say what was said at the Cabinet meeting but what I can do is to say that the reports of it that I have read bear absolutely no resemblance to what did occur and it might be of interest to explain what the actual decision of the Cabinet was. What happened was that the Chancellor and I put forward proposals for public spending in the year 1982-83 and those were only discussed in outline - they were very detailed and there was always going to be further discussions - and the actual decision of the Cabinet was that it was agreed that the aim in further discussions that were to take place should be to arrive at totals as near as possible to those that we proposed.

DAY: And those that you proposed were what, for £5 thousand million or so, further cuts?

CST: I can't say what the totals were but I can say that the talk about cuts is entirely misconceived because what we were considering, actually, is the level above present plans which should be agreed to: because a number of decisions have already been taken, for example, the special employment measures announced by the Prime Minister on 27 July amounting to £700 million - building up a figure which, if nothing was done about it, would be above what was planned. The Cabinet agreed that we should seek to arrive at a figure, in further discussions as near as possible to that proposed by the Treasury. So all the talk is quite misconceived.

DAY: Mr Brittan you're beginning to confuse me and

CST: I'm sorry about that.

DAY: and, perhaps, also, some of our listeners

CST: I doubt that

DAY: which is more important as they're more intelligent than me. When you say that it's misleading to talk about cuts, what are you actually telling us. Because, as everyone understands, including people who follow these matters closely, the Treasury is proposing further cuts in public expenditure to the tune of £5 thousand million or more.

CST: Well that is what I read in the papers and what I'm telling you is the actual truth and the actual truth is that we are faced with proposals for extra spending above what we are committed to and what I have put forward, with the Chancellor, is a figure which would allow for some of that extra spending but not all of it. Now that, I don't regard as being a cut. If I can explain further, if you have a number of extra proposals for spending and even if you allow some of them, unless you, also, propose reductions in other areas of spending you will simply increase on, and on and on.

DAY: ~~Are you saying you're not proposing any cuts, in real terms,~~
in public expenditure?

CST: I am saying that what is proposed is a figure for public spending which is higher than that which is, at present, allowed for, and the question is how much higher one should go? But what I am also saying is that, in proposing a figure of that kind, one has also got to have reductions in some programmes to allow for increases in others.

DAY: Of course, I would not normally waste your time by asking you to reveal what took place in the Cabinet room but I assume, on this occasion, that you agreed to be interviewed in order to comment on these obvious leaks from Ministers of what took place?

CST: I agreed to be interviewed in order to tell you what the Cabinet decided; but, as you well know, it isn't normal to talk about who said what at the Cabinet and I very much welcome the opportunity to put the record right

DAY: But I'm still a bit confused, Chief Secretary, because, yesterday in the House of Commons, Mrs Thatcher, the Prime Minister, challenged Mr Foot to give his support for further cuts in public expenditure but you're telling us that that's a totally misleading way of conceiving it.

CST: I am explaining to you the position, that there are going to be increases in some areas and reductions in others and that is an exactly accurate position. I can't give you the figures because we haven't, finally, decided the figures but the decision of the Cabinet yesterday - and I'm talking about decisions: not inaccurate and grossly misleading tittle tattle retailed in the papers - the actual decision is that the papers that the Chancellor and I put forward, and the figures in those, should be ones that should be arrived at as closely as possible in the subsequent discussions: and I can go on to say that those figures involved, what we put forward, actually spending more money than appears in the present plans published in the White Paper.

DAY: Is it correct that, behind the Treasury proposals, was an implied warning or threat of tax increases if the necessary adjustments in public expenditure were not made?

CST: Well it's certainly right that the higher the amount of money that you spend the more you have to raise in taxes to finance that if you're not simply going to borrow more or have higher inflation: and, I think that that was spelled out and I think that that is something that everybody in the country has to accept because the money can't come from nowhere and if one is to be responsible about it; if you put spending up a certain amount then that, obviously, has to be paid for and the disadvantages of borrowing too much are all too apparent in terms of the interest rates that we are already suffering from at the moment.

DAY: So are you saying, again, Mr Brittan, that the only problem before the Cabinet is how much to increase public expenditure, rather than to cut it?

CST: I am saying that the figure that I have put forward and which is to be the basis for the future discussions, is a figure which is higher than that derived from the existing White Paper plans.

DAY: And that figure is?

CST: That figure you'll find in the White Paper

DAY: Can you remind us of it because our listeners may not have it in front of them?

CST: Well the point is, it has to be adjusted for factors, such as inflation, to give it a new base and I can't disclose that at this stage in the process. But, of course, I should, also, say that we've had Press reports which are wholly inaccurate which is why I've gone on the programme to put the record right. But, at the end of the day, when we've finished our discussions. which will only be a few weeks from now, the outcome will be made publically known so there's no

going to be any secret about it at all.

DAY: No, but doesn't it look as if the Cabinet is in very serious disarray if only because Ministers have obviously come out of the Cabinet meeting and have leaked like a dripping bucket?

CST: I don't know who has said what, and what has been invented, and what is speculation. I know what did happen. I know the outcome. I know that the reports in the Press are, with hardly any exception, totally wrong and, in fact, describe a meeting which I wasn't present at: and I, therefore, am very glad to say what the Cabinet decided. How it came about that the Press presented such a misleading account of it is not for me to comment on.

DAY: So are you saying, without revealing any secrets of the Cabinet room, that there was no kind of setback for the Treasury at yesterday's Cabinet meeting?

CST: Well there certainly wasn't a setback for the Treasury when you have a decision that the future discussions which were already anticipated, should seek to arrive at a total of spending as near as possible to that proposed by the Treasury Ministers.

DAY: Finally, Chief Secretary, should we expect a mini-budget or packet of measures later in this year?

CST: Well, mini-budget has a flavour of some sort of crisis which we are not in but the announcement of, as I've already said, we certainly propose to make public the general nature of the decisions that are ultimately taken.

PUBLIC EXPENDITURE

(For use by Treasury and No 10 Press Offices)

NB : Do not be drawn into commenting on discussion in Cabinet [Chief Secretary said on "World at One" (BBC Radio 4) today that Press reports have no resemblance to any meeting he had attended.]

Points to make

Cabinet had a discussion on the general level of public expenditure, but not on the detailed proposals. They had agreed that, in considering discussions of individual programmes, aim should be to arrive at totals as near as possible to these proposed by Treasury Ministers.

The talk of cuts in the total is misconceived. The proposals put forward by Treasury Ministers were for totals higher than the previously announced plans in March 1981 public expenditure White Paper (Cmnd 8175).

The Government have already decided on some increases in expenditure next year, notably the employment measures announced in July. What is now being discussed is the extent to which there should be further increases and how they should be financed.

The normal annual public expenditure review involves departments and nationalised industries putting forward bids for public expenditure. Some bids are for extra money to cover an existing policy. Others are for new or increased activity programmes with high priority - such as the special employment measures already agreed. Some must be described as carrying hopefulness to the frontiers of credibility.

It is necessary to decide which bids should be accepted. It is also necessary to consider whether cuts can be made in some existing programmes. If Government only increased some programmes without any offsetting reductions, the totals would rise inexorably. End result will be some programmes are increased, others reduced.

Higher spending inevitably means taxes higher than they would otherwise have been. Alternative would be higher borrowing - and so higher inflation and interest rates.

It is premature to speculate now ^{on} consequences for tax. That is for next Budget. But Chancellor has repeatedly emphasised the need for responsible financing. Hence his decision to raise taxes in last Budget. Hence his reference on "Weekend World" ten days ago.

All this is perfectly normal procedure. When Cabinet have reached decisions on programmes - in a month or so's time - the main decisions will be announced. Full details will be in White Paper, to be published at time of Budget.

Such an announcement would NOT be a mini-budget. It has become normal at this time of year to publish main expenditure decisions, and the November Industry Act Forecast.

PSBR this year is on track for Budget forecast of £10 $\frac{1}{2}$ billion, allowing for after effects of Civil Service dispute. No need for a mini-budget this year.

Figures

Chief Secretary was not prepared to say what size of increase over existing plans he had recommended. Decision will be announced in a matter of weeks.

It would be misleading to comment on various (and inconsistent) speculative figures. In particular figures for total bids are very misleading, as they range from absolute essential - which will be accepted - to pious hopes - which will not. (See above.)

LEON BRITTAN (CHIEF SECRETARY TO THE TREASURY)

No Plans for Mini-budget.

Transcript from ITN, News At 10. October 21 1981.

PRESENTER: The arguments inside the Conservative Party at Westminster, over the Treasury's demands for further public spending cuts, have gone on today, after a Cabinet row yesterday. The Treasury Secretary, Mr Leon Brittan, told ITN, tonight, that the Government still intended to stick, as closely as possible, to the Treasury's target. He said it would not mean a mini-budget this year. The Treasury want to cut spending, next year, by over £5 thousand million but, at the Cabinet, a majority of Ministers argue that such cuts would lose the Conservatives the next general election.

Our Political Editor, Glyn Mathias, asked Mr Brittan what the Cabinet decided to do?

CST: It was decided that, in the further discussions that had already been planned, we should aim that the final figure for public spending for 1982-83 should be as close as possible to the figure that the Chancellor and I have suggested to the Cabinet as being the appropriate one.

MATHIAS: So, as far as you're concerned, the Government is sticking to its spending targets?

CST: It's sticking to the targets that we put forward to the Cabinet but those targets, themselves, are going to be somewhat higher than are published in the existing White Paper which sets it out for next year: and that's because, among other reasons, some decisions have already been taken which would increase spending, such as the youth unemployment package to increase Youth Opportunities Programmes and so on: which the Prime Minister announced as long ago as last July.

MATHIAS: So you're not planning any mini-budget this year?

CST: We have no plans for that.

PRESENTER: Our Political Editor said yesterday's Cabinet was only the first round of the battle. He said Cabinet Ministers who, now, disagree with Treasury policy will continue to resist largescale cuts in a new round of talks planned by Mr Brittan. The final outcome will be known next month.