

SECRET

76

NOTE FOR THE RECORD

The Rt. Hon. Jeremy Thorpe MP came to see the Prime Minister, at the Prime Minister's request, at 10 Downing Street on Saturday 2 March 1974 at 4.00 p.m. Mr. R.T. Armstrong was also present.

2. The Prime Minister opened by welcoming Mr. Thorpe for an exchange of views on the political situation as a result of the General Election. The result of the election had been extraordinary. As in 1923 and 1929, neither of the two major parties could command an overall majority in the new House of Commons. But the situation was very different from that in 1923 or 1929. On both those occasions, though neither Conservative nor Labour had enjoyed an overall majority, there was a significant difference between them in the number of seats held (in 1923 in favour of the Conservatives, in 1929 in favour of Labour); and on those occasions the Liberals held a considerably larger number of seats than now. In the House of Commons just elected, each of the two main parties would hold almost exactly the same number of seats. Though the Conservative Party would hold five fewer seats than the Labour Party, the Conservative Party had polled a larger number of votes. The Liberal Party had polled nearly six million votes, though it would have only fourteen seats in Parliament. There was thus a substantial majority of voters who must be presumed not to want a Socialist Government.

3. In this situation his overriding duty and concern, as incumbent Prime Minister, was to decide and do what was in the national interest. The essential and urgent need was that an administration should be formed which would have sufficient support in the new House of Commons and would be sufficiently stable to carry on The Queen's Government, to take the measures required to deal with the economic crisis - which would be unpleasant but must be fair as well as effective - and to command the confidence overseas which would be necessary if the balance of payments deficit was to be financed and a reasonable rate of exchange for sterling maintained.

SECRET

4. Mr. Wilson had issued a statement making it clear that he was prepared to form a minority Labour Government but not to enter into any coalition or understanding with other parties in the House.

5. It was therefore the duty of Mr. Heath to see whether a basis existed for some kind of arrangement between the Conservative and Liberal parties which would enable government to be undertaken on the basis of a Right-Centre programme. The programmes of the Conservative and Liberal parties differed in a number of respects, and any arrangement would involve decisions on either side to postpone policies which in other circumstances they would have wanted to carry out but which did not have immediate priority in relation to the overriding requirements of the economic situation. But in two major respects the policies of the two parties were both alike and both different from those of the Labour Party: both were committed to British membership of the European Community, subject to changes and improvements in Community arrangements where these could be agreed but not subject to any renegotiation of the terms of British entry; and both were committed under present circumstances to a policy for dealing with inflation which dealt with pay as well as prices with statutory backing. The Prime Minister believed that it would be possible to construct a programme for The Queen's Speech on the Opening of Parliament which both parties could support.

6. As to the nature of any arrangement between the two parties, it was necessary to judge what arrangement would give the greatest degree of stability and confidence to a new Administration. The Prime Minister saw broadly three options:

- (1) an undertaking by the Liberal Party to support any policies and measures introduced by a Conservative administration which seemed to them right and justifiable in the national interest, but with the right to oppose policies and measures if they thought fit;

SECRET

- 3 -

- (2) an undertaking by the Liberal Party to support and vote for a definite programme of policies and measures by a Conservative administration, to be incorporated in a Queen's Speech which would be drafted in consultation with the Liberal Party. This would involve continuing consultation on the content of policies and measures which could only be summarised in The Queen's Speech;
- (3) participation by the Liberal Party in Government. Mr. Thorpe, as Leader of the Liberal Party, would be offered a seat in the Cabinet, and Ministerial appointments for other members of the Liberal Party could be discussed. On this basis the Liberal Party would be committed to the new Government's programme.

From the point of view of the stability and confidence of a new administration the third option - full participation in Government - was clearly preferable. The first option was little more than every Opposition promised at the beginning of a new Parliament, and would not give stability and confidence. The second - a commitment to support an agreed programme of policies and measures - would probably form a basis on which government could be carried on by a Conservative administration, if the Liberal Party was not prepared to participate in the government.

7. Mr. Thorpe asked the Prime Minister if he had considered the possibility of a "Grand Alliance" between the three major parties in the House of Commons to form a coalition administration. The Prime Minister said that he did not believe that such an arrangement was feasible. It would split the Labour Party. The left wing of the party would never let Mr. Wilson enter such a coalition, and Mr. Wilson himself would wish at all costs to avoid the role and fate of Ramsay Macdonald.

8. Reverting to the possibility of an arrangement between the Conservative and Liberal parties, the Prime Minister said that, if the Liberal Party decided that it was closer to the Labour Party than to the Conservative Party, that decision was of course open to them. But the Prime Minister believed that in the major

SECRET

