

PO-CH / NL / 0083

PART L

Chex
Lawson

PART L



PO -CH /NL/0083



PART L

THE NATIONAL ECONOMIC
DEVELOPMENT COUNCIL

PO -CH /NL/0083

PART L

Begin: 1/8/89
Ends: 1/11/89

DD: 25 years

29/9/95

No copies needed.



PRIVATE AND IN
CONFIDENCE

National Economic
Development Council

mp

NEDC(89)
1 August 1989

CORRECTION TO MINUTES OF 5 JULY 1989 MEETING

Note by the Secretary to the Council

Sir Raymond Lygo has asked for a correction to be made to the comments attributed to him under Item 2 (page 5) of the Minutes.

Please delete the penultimate sentence: "The French aerospace industry had been helped by its Government for many years". Please insert in its place: "It could not be a coincidence that the leader in the UK export table was the aerospace industry which had for many years enjoyed continuous Government support".

MARTIN COUCHMAN

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

PRIVATE AND IN
CONFIDENCE



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National Economic
Development Council

NEDC(89)
1 August 1989

CORRECTION TO MINUTES OF 5 JULY 1989 MEETING

Note by the Secretary to the Council

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Please delete the penultimate sentence: "The French aerospace industry had been helped by its Government for many years". Please insert in its place: "It could not be a coincidence that the leader in the UK export table was the aerospace industry which had for many years enjoyed continuous Government support".

MARTIN COUCHMAN

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

PRIVATE AND IN
CONFIDENCE

OK
W
→

FROM: R J WILLS (IAE3)
DATE: 1 August 1989
x4472

- 1. MR BURR ^{TJB} 1/2
- 2. **CHANCELLOR**

ch/ Content to write as drafted, cc Chief Secretary Sir P Middleton Mr Monck Mr Wilson Mr Stephens Mrs Chaplin

If you wish, we will only send out invitations to serve a decent interval after Baker, Parkinson and Young have been asked to stand down.

DLS

NEDC MEMBERSHIP

Following the recent Government changes it is necessary to consider the Ministerial membership of the National Economic Development Council.

2. Mr Fowler's and Mr Ridley's membership is unaffected. However Lord Young and Messrs Baker and Parkinson have vacated, and Messrs Patten, MacGregor and Wakeham have taken up the other ministerial seats which usually carry with them membership of the NEDC.

3. If you are content that the appropriate changes be made I attach three draft letters as follows:

- to Messrs MacGregor, Patten and Wakeham inviting them to serve on the NEDC;
- to Messrs Baker and Parkinson thanking them for their contribution to the work of the NEDC; and
- to Lord Young, again thanking him for his contribution to the work of the Council.

4. As a matter of courtesy you may like to write to the CBI and TUC also to inform them of the changes. If so, we would be happy to provide a draft.

R J Wills
R J WILLS

DRAFT LETTER FROM CHANCELLOR TO:

pls type as final
(see also below)

SoS/Environment - Patten

SoS/Education and Science - MacGregor

SoS Energy - Wakeham

NEDC MEMBERSHIP

I am writing to invite you to serve as a member of the National Economic Development Council.

As I am sure you know, the broad purpose of the Council is to provide a forum for discussing economic and industrial matters with particular emphasis on ways of improving the performance of individual industrial sectors. The appointment would be for a two year period.

*Do not visit 15
and it is particularly important that Ministers
(ministers & others) each meet themselves.*

X

The Council usually meets at Millbank Tower four times a year, The next meeting is on Wednesday 1 November at 10.00am and I should be very pleased if you could join us then. ~~Respectfully yours~~

I am sending a copy of this letter to Walter Eltis, the director general of the National Economic Development Office.

[N L]

copy list as above

DRAFT LETTER FROM CHANCELLOR TO:

Rt Hon Kenneth Baker MP
Rt Hon Cecil Parkinson MP

*pls type
as final
(see also
below)*

NEDC MEMBERSHIP

Following the recent changes in the Cabinet I have been considering the composition of the National Economic Development Council.

I am sure you will agree that it would be appropriate if your successor were now to take your seat on the NEDC. I therefore intend to invite John MacGregor/John Wakeham to join the Council. ^{*in your place.*} ~~However,~~ I would ~~love~~ like to take this opportunity to express my thanks for the contribution you have made to the work of the Council.

I am sending a copy of this letter to Walter Eltis.

[N L]

*copy list a)
above*

pls type as final.

DRAFT LETTER FROM CHANCELLOR TO:

Rt Hon The Lord Young of Graffham

House of Lords

NEDC MEMBERSHIP

As you will be well aware, your departure from the Government means that you will no longer be a member of the NEDC.

~~It will now be necessary for a Government member to fill the seat which you have occupied on the Council.~~ However, I would like to take this opportunity to express my thanks for the contribution which you have made to ~~its~~ work.

of the Council, in different capacities over a number of years.

I am sending a copy of this letter to Walter Eltis.

[N L]

copy list as above

~~Following the recent changes in the Cabinet I have been considering the composition of the National Economic Development Council. I am sure you will understand that I shall have to offer the seat you occupied on the Council to one of three Cabinet Ministers whose offices usually carry with them membership of NEDC.~~



1. Sarah.

Pls could you look out for any replies to these 6 letters

2. BF 11/9

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon John MacGregor OBE MP
Secretary of State for Education
Department of Education and Science
Elizabeth House
39 York Road
LONDON
SE1 7PH

cc PS/Chief Secretary
Sir P Middleton
Mr Monck
Mr Wilson
Mr Burr
Mr Stephens
Mr R J Wills
Mrs Chaplin

NEDC MEMBERSHIP

I am writing to invite you to serve as a member of the National Economic Development Council.

As I am sure you know, the broad purpose of the Council is to provide a forum for discussing economic and industrial matters with particular emphasis on ways of improving the performance of individual industrial sectors. The appointment would be for a two year period.

The Council usually meets at Millbank Tower four times a year, and it is particularly important that Ministerial members do their very best to attend each meeting themselves. The next meeting is on Wednesday, 1 November, at 10.00am and I should be very pleased if you could join us then.

I am sending a copy of this letter to Walter Eltis, the Director General of the National Economic Development Office.

NIGEL LAWSON



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon The Lord Young of Graffham
House of Lords
LONDON
SW1P 0PW

A handwritten signature in black ink, appearing to be 'John Young'.

NEDC MEMBERSHIP

As you will be well aware, your departure from the Government means that you will no longer be a member of the NEDC.

I would like to take this opportunity to express my thanks for the considerable contribution which you have made to the work of the Council in different capacities over the years.

I am sending a copy of this letter to Walter Eltis.

A handwritten signature in black ink, appearing to be 'Nigel Lawson'.

NIGEL LAWSON



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon Cecil Parkinson MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

A handwritten signature in dark ink, appearing to read 'John Wakeham'.

NEDC MEMBERSHIP

Following the recent changes in the Cabinet I have been considering the composition of the National Economic Development Council.

I am sure you will agree that it would be appropriate if your successor were now to take your seat on the NEDC. I therefore intend to invite John Wakeham to join the Council in your place. I would like to take this opportunity to express my thanks for the contribution you have made to the work of the Council.

I am sending a copy of this letter to Walter Eltis, the Director General of the National Economic Development Office.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon Kenneth Baker MP
Chancellor of the Duchy of
Lancaster
1 Victoria Street
LONDON
SW1

A handwritten signature in black ink, appearing to read 'Ken Baker'.

NEDC MEMBERSHIP

Following the recent changes in the Cabinet I have been considering the composition of the National Economic Development Council.

I am sure you will agree that it would be appropriate if your successor were now to take your seat on the NEDC. I therefore intend to invite John MacGregor to join the Council in your place. I would like to take this opportunity to express my thanks for the contribution you have made to the work of the Council.

I am sending a copy of this letter to Walter Eltis, the Director General of the National Economic Development Office.

A handwritten signature in black ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon John Wakeham FCA JP MP
Secretary of State for Energy
Department of Energy
Thames House South
Millbank
LONDON
SW1

A handwritten signature in black ink, appearing to read 'John Wakeham'.

NEDC MEMBERSHIP

I am writing to invite you to serve as a member of the National Economic Development Council.

As I am sure you know, the broad purpose of the Council is to provide a forum for discussing economic and industrial matters with particular emphasis on ways of improving the performance of individual industrial sectors. The appointment would be for a two year period.

The Council usually meets at Millbank Tower four times a year, and it is particularly important that Ministerial members do their very best to attend each meeting themselves. The next meeting is on Wednesday, 1 November, at 10.00am and I should be very pleased if you could join us then.

I am sending a copy of this letter to Walter Eltis, the Director General of the National Economic Development Office.

A handwritten signature in black ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

7 August 1989

Rt Hon Christopher Patten MP
Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

A handwritten signature in black ink, appearing to read 'Chris Patten'.

NEDC MEMBERSHIP

I am writing to invite you to serve as a member of the National Economic Development Council.

As I am sure you know, the broad purpose of the Council is to provide a forum for discussing economic and industrial matters with particular emphasis on ways of improving the performance of individual industrial sectors. The appointment would be for a two year period.

The Council usually meets at Millbank Tower four times a year, and it is particularly important that Ministerial members do their very best to attend each meeting themselves. The next meeting is on Wednesday, 1 November, at 10.00am and I should be very pleased if you could join us then.

I am sending a copy of this letter to Walter Eltis, the Director General of the National Economic Development Office.

A handwritten signature in black ink, appearing to read 'Nigel Lawson'.

NIGEL LAWSON



THE DEPARTMENT OF TRANSPORT



FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

My Ref:

Your Ref:

11 AUG 1989

Dear Nigel,

NEDC MEMBERSHIP

Thank you for your letter dated 7 August about the composition of the National Economic Development Council.

I am grateful for your expression of thanks for my contribution to the work of the Council. Naturally I am disappointed to give up my seat on the NEDC but I can think of no one better than John Wakeham to take my place...

Yours

Cecil Parkinson

H/EXCHEQUER	
REC.	14 AUG 1989
TO	PS/CST, SIR P. M. DOOLEYTON
	MR MONCK
	MR WILSON
	MR BULL, MR STEPHENS
	MR P J WILLS
	MES CHAPLIN

14/8
CECIL PARKINSON



Chancellor of the Duchy of Lancaster

CABINET OFFICE
WHITEHALL, LONDON SW1A 2AS
Telephone: 01-270 0400

The Rt Hon Nigel Lawson
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

15th August 1989

Dr Nigel,

NEDC MEMBERSHIP

Thank you for your letter of 7th August. Alas I shall miss my days on the NEDC. !

-/EXCHEQUER	
REC.	15 AUG 1989
ACTION	PS/CST, S. R. P. M. DOOLEY
COPIES TO	Mr Mowck
	Mr I Wilson
	Mr Burr, Mr Stephens
	Mr R J Willis

MRS CHAPLIN

THE RT HON KENNETH BAKER MP



*Range BF 11/9
DEST. ENW
For Reply
Duncan
30/8*

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 238 2290

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

22 August 1989

Dear Nigel

NEDC MEMBERSHIP

Thank you for your letter of 7 August inviting me to serve as a member of the National Economic Development Council.

I would be pleased to do so and look forward to the meeting on 1 November.

Yours

JOHN WAKEHAM

CH/EXCHEQUER	
REC.	30 AUG 1989 ✓ 30/8
ACTION	PS/CST, S.R.P.M. DOOLEY
COPIES TO	MR MONCK, MR I WILSON MR BURR, MR STEPHENS MR R J WILLS MRS CHAPLIN.



CH/EXCHEQUER	
REC.	-7 SEP 1989
ACTION	Mr Willis (AE3)
COPIES TO	Prs Sir Sir P. Middleton, Mr Monds, Mr Wilson Mr Burr, Mr Stephens, Ms Chaplin

Bf to Neil
13/9

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000
My ref: 27659
Your ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

5 September 1989

In Nigel.

NEDC MEMBERSHIP

Thank you for your letter of 7 August inviting me to serve as a member of the National Economic Development Council.

I am delighted to accept and I look forward to attending my first meeting of the Council on 1 November.

I am sending a copy of this letter to Walter Eltis.

Chris Patten

CHRIS PATTEN

jmm



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

CH/EXCHEQUER	
REC.	12 SEP 1989 ✓ 12/9
FILE	CST
COPIES TO	S. R. P. MIDDLETON
	MR MONCK
	MR WILSON
	MR BURR
	MR STEPHENS
	MR R. J. WILLS
	MRS CHAPMAN

Neil
To add to your
string - I think
this completes
the file?

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

12 SEP 1989

Dear Nigel,

MEMBERSHIP OF THE NATIONAL ECONOMIC DEVELOPMENT COUNCIL

Thank you for your letter of 7 August in which you invited me to serve as a member of the NEDC for a two year period.

I am pleased to accept the invitation, and look forward with interest to NEDC discussions of economic and industrial matters.

I note your comments about the attendance of Ministerial members of the NEDC, and will do my best to come to the next meeting on 1 November at Millbank Tower.

I am sending a copy of this letter to Walter Eltis, Director General of the National Economic Development Office.

Yours ever,

JL

Walter Eltis
Director General
Direct Line 01-217 4049
Personal Secretary 01-217 4122



13 September 1989

TO: ALL COUNCIL MEMBERS
AND PRINCIPAL ADVISERS



**National Economic
Development Office**
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-217 4000

National Economic Development Office Booklet

In May I sent you a preliminary draft of a booklet on the work of the National Economic Development Office. I now have much pleasure in enclosing the final copy.

I hope that you will like the result as much as we do.

Walter Eltis



UNRESTRICTED

National Economic
Development Council

mp

CH/EXCHEQUER	
REC.	19 SEP 1989
ACTION	Mr Fray
COPIES TO	

ca/g
with Attachment

NEDC(89)20
15 September 1989

EUROPE 1992: PROGRESS REPORT ON TRADE UNION OBJECTIVES

Note by the Secretary to the Council

I attach (for non-TUC Members and Principal Advisers only) a copy of "Europe 1992: Progress Report on Trade Union Objectives", which was discussed by the TUC at its Congress last week.

MARTIN COUCHMAN

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

UNRESTRICTED

~~DRAFT LETTER FROM APS/CHANCELLOR TO:~~

~~PS/Secretary of State for Employment~~

Ms Briony Lodge
PS/Secretary of State for Employment

NEDC, 1 NOVEMBER

your Secretary of State

As you are aware (Mr Fowler) is due to chair the NEDC meeting on Wednesday 1 November. I should be grateful if you would please confirm that ^{he} (Mr Fowler) remains willing to do so, and that this date is now fixed in his diary.

In addition, the Chancellor has asked me to pass on to you, and also to those to whom I am copying this letter, his concern at the recent absences from Council meetings of his colleagues. The absence of Cabinet Ministers at July's meeting ^{was commented on by} (caused) the TUC ^{to pass comment} and the Chancellor is anxious to ^{avoid} prevent this happening again.

The Chancellor appreciates that his colleagues have very full diaries and that there will be times when absences from Council meetings ^{are} (will be) unavoidable. But he is also conscious that NEDC make a great effort to arrange Council meetings, the dates for which are fixed well in advance and ^{have} [which] now only number four a year. The Chancellor attaches importance to a strong attendance at NEDC, and would be grateful, therefore, if his colleagues would ensure that absences from Council meetings are kept to the absolute minimum.

I am copying this letter to the Private Secretaries to the Secretaries of State for Education and Science, Energy, Environment, Trade and Industry, the Minister for Agriculture and the Chief Secretary to the Treasury.

reorder :
in order
of rank

Trade & Industry
Education
Energy
Environment
Agriculture
CST

~~[DIS]~~

0 - S -
A - P - S -

Confederation of British Industry
Centre Point
103 New Oxford Street
London WC1A 1DU
Telephone 01-379 7400
Telex 21332
Facsimile 01-240 1578

From
John M M Banham
Director-General

CBI

27 September 1989

JMMB/AMcI

cc: PS/Chancellor

MR MONCK
MR I. WILSON
MR BURR
MR J. STEPHENS
MR R. WILLS

Sir Peter Middleton GCB
Permanent Secretary
HM Treasury
Parliament Street
London SW1P 3AG

for Rob.

gmp

NEDC MEMBERSHIP

I am pleased to recommend to the Chancellor that Sir Thomas Risk should be invited to serve for a second term of membership.

Yours,

JMM

John M M Banham

8-28/9

Martin Couchman
Secretary to the Council
Direct Line 01-217 4149
Personal Secretary 01-217 4118



4 October 1989

Ch/you wont be at this meeting but are you content with agenda - officials have no comments. I will also clear with

National Economic Development Office
Millbank Tower, Millbank
London SW1P 4QX

Duncan Sparkes Esq
Assistant Private Secretary
Chancellor of the Exchequer's Office
H M Treasury
Parliament Street
London SW1P 3AG

Mr Fowler as he's chairing.

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-217 4000

OK

Dear Duncan,

NEDC 1 NOVEMBER 1989

This is the regular letter seeking the Chancellor's clearance of the November Agenda. The Steering Group on Council Programmes has agreed to recommend the following items:

Item 1 (The Single European Market) will have a lead paper from the Office and there will also be papers from the CBI and the TUC.

Item 2 will be a presentation from the Engineering Industry Sector Group by its Chairman, Mr Bill Jordan.

Item 3 (Pay, Productivity and Employment) will have a lead paper from the Office and there will also be a paper from the CBI.

I should be glad if you could confirm that the Chancellor is content with the Agenda.

I am copying this letter to the Private Secretary to the Secretary of State for Employment, who will be in the chair on 1 November.

*Yours ever,
Martin*

/5/10

CH/EXCHEQUER	
REC.	5 OCT 1989
ACTION	Mr Stephens
COPIES TO	CST, PMG
	Sir P. Middleton
	Mr ANSON Mr MONCK
	Mr WILSON Mr BURR, Mr FRAY

mp



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

4 October 1989

Ms Briony Lodge
PS/Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

cc PS/Chief Secretary
Mr Monck
Mr Wilson
Mr Burr
Mr Stephens
Mr Fray

Dear Briony.

NEDC, 1 NOVEMBER

As you are aware your Secretary of State is due to chair the NEDC meeting on Wednesday 1 November. I should be grateful if you would please confirm that he remains willing to do so, and that this date is now fixed in his diary.

In addition, the Chancellor has asked me to pass on to you, and also to those to whom I am copying this letter, his concern at the recent absences from Council meetings of his Cabinet colleagues. The absence of Cabinet Ministers at July's meeting was commented on by the TUC and the Chancellor is anxious to avoid this happening again.

The Chancellor appreciates that his colleagues have very full diaries and that there will be times when absences from Council meetings are unavoidable. But he is also conscious that NEDC make a great effort to arrange Council meetings, the dates for which are fixed well in advance and now only number four a year. The Chancellor attaches importance to a strong Government attendance at NEDC, and would be grateful therefore, if his colleagues would ensure that absences from Council meetings are kept to the absolute minimum.

I am copying this letter to the Private Secretaries to the Secretaries of State for Trade and Industry, Education and Science, Energy, Environment, the Minister for Agriculture and the Chief Secretary to the Treasury.

*Yours sincerely,
Duncan Sparkes*

DUNCAN SPARKES
Assistant Private Secretary

FROM: MISS T E ROGERS (IAE3)

DATE: 6 October 1989

x5463

1. MR STEPHENS

*T.A. Stephens
6/10/89*

cc

Sir P Middleton

Mr Monck

2. CHANCELLOR

Mr Wilson

Mr Burr

Mr Wills

Ch. Content to proceed as proposed? 25/6/10

OK

NEDC MEMBERSHIP

Three appointments to the National Economic Development Council (NEDC) have expired. Sir Thomas Risk's in August; and those of two independent members, Robin Leigh-Pemberton's and Rachel Waterhouse's in September.

2. Sir Thomas Risk is one of the CBI nominees to the Council. Sir Peter Middleton wrote to Mr Banham on 7 September asking him to let us know the wishes of the CBI with regard to this seat. Mr Banham has now confirmed that the CBI wish to re-nominate Sir Thomas. We have no objection to this. I attach a draft letter formally inviting him to serve another term on the Council. (Annex A).

3. We also think it would be desirable for both of the independents, Mr Robin Leigh-Pemberton (Bank of England) and Mrs Rachel Waterhouse (Consumers' Association), to continue to serve on the Council. As you will recall, you will first have to consult your Ministerial colleagues on NEDC (draft letter at B). If they are content, Sir Peter Middleton would then seek the views of the CBI and TUC. Finally, if there are no objections, you would write to Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse inviting them to serve a further term.

4. As the next Council meeting is on 1 November we should seek Ministers views quickly (I suggest by 10 October) in order to leave sufficient time to consult the CBI and TUC, before issuing the individual invitations.

T E Rogers

T E ROGERS

DRAFT LETTER FROM THE CHANCELLOR TO:

Sir Thomas Risk
Governor of the Bank of Scotland
The Mound
EDINBURGH EH1 1YZ

pls
type
as
final
+ letter below

I understand that your appointment to the National Economic
Development Council has ~~now~~ ^{formally} expired, ~~After consultation with~~ ^{and I am accorded}
~~the CBI, I am now writing to invite you to serve on the~~
Council for a further two-year period.

May I take this opportunity to express my thanks for the
contribution you have already made to the work of the Council.
I hope you will accept this invitation to continue. As you
will be aware the next meeting will be held on 1 November.

copy list
as cover minute

[N L]

As final

ANNEX B

**DRAFT LETTER FROM THE CHANCELLOR TO THE SECRETARY OF STATE
FOR EMPLOYMENT**

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The NEDC membership of ^{both} Robin Leigh-Pemberton and Rachel Waterhouse has now expired. Neither is a Council member ex officio, but ~~I think that~~ there is ^{clear} a good case for continued representation of the viewpoints of both the Bank of England and the Consumers' Association. I therefore propose to invite both Robin Leigh-Pemberton and Rachel Waterhouse to serve a further two-year term.

We shall have to resolve these appointments in good time for the NEDC meeting on 1 November. I would therefore appreciate it if your office and those at John MacGregor, Chris Patten, Nicholas Ridley and John Wakeham, to whom I am copying this letter, could let my office know by 10 October whether you are content with this.

[N L]



Department of Employment
 Caxton House, Tothill Street, London SW1H 9NF
 Telephone 01-273 5803
 Telex 915564 Fax 01-273 5821

Secretary of State

CH/EXCHEQUER	
REC.	10 OCT 1989
ACTION	M Stephens
COPIES TO	CST, PMG
	Sir P. Middleton
	M ANSON
	M MONCK
	M WILSON
	M BURR
	M FRAY

10/10

Duncan Sparkes Esq
 APS/Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 LONDON SW1P 3AG

9 October 1989

Dear Duncan

[Handwritten signature]

NEDC, 1 NOVEMBER

Thank you for your letter of 4 October.

I am writing to confirm that the Secretary of State will chair the NEDC meeting on Wednesday 1 November.

The Secretary of State shares the Chancellor's view that a strong Government attendance at NEDC is important and that Ministers should be absent from meetings only when this is unavoidable.

I am copying this letter to the recipients of yours.

Yours ever

[Handwritten signature]

BRYONY LODGE
 Private Secretary





Dot Content
De Content
DTI content
De content

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

9 October 1989

Rt Hon Norman Fowler MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NA

cc Sir P Middleton
Mr Monck
Mr Wilson
Mr Burr
Mr Wills
Mr Stephens
Miss T Rogers

Dear Secretary of State.

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The NEDC membership of both Robin Leigh-Pemberton and Rachel Waterhouse has now expired. Neither is a Council member ex officio, but there is clearly a good case for continued representation of the viewpoints of both the Bank of England and the Consumers' Association. I therefore propose to invite both Robin Leigh-Pemberton and Rachel Waterhouse to serve a further two-year term.

We shall have to resolve these appointments in good time for the NEDC meeting on 1 November. I would therefore appreciate it if your office and those of Nicholas Ridley, John MacGregor, John Wakeham and Chris Patten, to whom I am copying this letter, could let my office know by 13 October whether you are content with this.

Yours sincerely.

Duncan Sparkes

p.p. NIGEL LAWSON

[Approved by the Chancellor
and signed on his behalf]



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

BP 13/10

9 October 1989

Sir Thomas Risk
Governor
Bank of Scotland
The Mound
EDINBURGH EH1 1YZ

cc Sir P Middleton
Mr Monck
Mr Wilson
Mr Burr
Mr Stephens
Mr Wills
Miss T E Rogers

Dear Sir Thomas,

I understand that your appointment to the National Economic Development Council has formally expired, and I am accordingly now writing to invite you to serve on the Council for a further two-year period.

May I take this opportunity to express my thanks for the contribution you have already made to the work of the Council. I hope you will accept this invitation to continue. As you will be aware the next meeting will be held on 1 November.

Yours sincerely,

Duncan Spence

p.p. NIGEL LAWSON

[Approved by the Chancellor
and signed in his absence]



1. ~~July~~ O/R
(to note)
2. group

10 October 1989

NEDC MEETING DATES FOR 1990

Note by the Secretary to the Council

I am grateful to members for their cooperation in enabling dates to be set for NEDC meetings for 1990.

I can now confirm the dates (all are Wednesdays at 10.00)

10 January
4 April
4 July
31 October

Members and advisers are reminded that the remaining meeting of 1989 will be held at 10.00 on Wednesday 1 November. The agenda and papers for this meeting will be circulated next week.

MARTIN COUCHMAN
01 217 4149

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX



NOT FOR PUBLICATION

CH/EXCHEQUER	
REC.	10 OCT 1989
ACTION	
COPIES TO	

National Economic
Development Council

10 October 1989

NEDC MEETING DATES FOR 1990

Note by the Secretary to the Council

I am grateful to members for their cooperation in enabling dates to be set for NEDC meetings for 1990.

I can now confirm the dates (all are Wednesdays at 10.00)

10 January
4 April
4 July
31 October

Members and advisers are reminded that the remaining meeting of 1989 will be held at 10.00 on Wednesday 1 November. The agenda and papers for this meeting will be circulated next week.

MARTIN COUCHMAN
01 217 4149

National Economic Development Office
Millbank Tower
Millbank
London SW1P 4QX

THIS PAPER IS NOT
FOR PUBLICATION

PRESS RELEASE

National
Economic
Development
Council



Ref: 89/75

11 October 1989

mp

NATIONAL ECONOMIC DEVELOPMENT COUNCIL - NOVEMBER 1989

Norman Fowler, the Secretary of State for Employment will chair the next meeting of the National Economic Development Council, which will take place at 10.00 hours on Wednesday 1 November.

The main item on the agenda will be the Single European Market and, following research by the National Economic Development Office, what further actions need to be undertaken to ensure British industry takes advantage of every possible opportunity.

A major subject for discussion will be that of Pay, Productivity and Employment, based on papers submitted by the CBI and the National Economic Development Office.

Mr Bill Jordan, Chairman of the National Economic Development Council's Engineering Industry Sector Group will be putting forward suggestions for recreating an internationally competitive engineering industry in the UK.

PRESS ARRANGEMENTS

In order to assist the media the press briefing by the Director General, Walter Eltis, will be held in the Court Room of the Farmers' and Fletchers' Livery Hall, (see over for map) 3 Cloth Street, London EC1A 7LD at 15.00 hours.

For further information telephone Liza McKinney on 01-217 4059.

PLEASE NOTE: NEW TELEPHONE NUMBERS: 01-217 4059/4125

For further information contact the Press Office

National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX. Direct Line: 01-211 4319/3608

From Sir Thomas N. Risk, Governor

Ch / To see.

Dupre

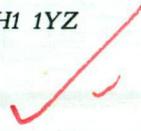
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Bank of Scotland The Mound Edinburgh EH1 1YZ

Telephone: Direct Line: 031-243 5511

Via Switchboard: 031-442 7777

mmp



11 October, 1989.

CH/EXCHEQUER	
REC.	12 OCT 1989
ACTION	
COPIES TO	Sir P. Middleton Mr March Mr Wilson Mr Bunn Mr Stephens Mr Wills Miss T.E. Rogers

2/10

The Rt. Hon. Nigel Lawson, PC, MP,
Chancellor of the Exchequer,
Treasury Chambers,
Parliament Street,
LONDON,
SW1P 3AG.

Dear Nigel,

Thank you for your letter of 9 October inviting me to serve on the National Economic Development Council for a further two-year period.

I shall be delighted to do so.

*Best wishes and grateful
thanks for your efforts on behalf
Yours all.*

*Yours
Tom.*



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

BF 16/10.

12 October 1989

Ms Bryony Lodge
PS/Secretary of State
Department of Employment

Dear Bryony

NEDC

Thank you for your letter of 9 October confirming that your Secretary of State will be chairing NEDC on 1 November.

... I attach the agenda for the meeting, which needs to be cleared by the Chancellor. Before I do this, I would be grateful for your confirmation that your Secretary of State is content. Our officials here had no comments.

*Yours sincerely
Duncan Sparkes*

DUNCAN SPARKES
Assistant Private Secretary

Martin Couchman
Secretary to the Council
Direct Line 01-217 4149
Personal Secretary 01-217 4118



4 October 1989

Duncan Sparkes Esq
Assistant Private Secretary
Chancellor of the Exchequer's Office
H M Treasury
Parliament Street
London SW1P 3AG

National Economic
Development Office
Millbank Tower, Millbank
London SW1P 4QX

Telex 945059 NEDO G
Fax 01-821 1099
Reception 01-217 4000

Dear Duncan,

NEDC 1 NOVEMBER 1989

This is the regular letter seeking the Chancellor's clearance of the November Agenda. The Steering Group on Council Programmes has agreed to recommend the following items:

Item 1 (The Single European Market) will have a lead paper from the Office and there will also be papers from the CBI and the TUC.

Item 2 will be a presentation from the Engineering Industry Sector Group by its Chairman, Mr Bill Jordan.

Item 3 (Pay, Productivity and Employment) will have a lead paper from the Office and there will also be a paper from the CBI.

I should be glad if you could confirm that the Chancellor is content with the Agenda.

I am copying this letter to the Private Secretary to the Secretary of State for Employment, who will be in the chair on 1 November.

Yours ever,

Martin



Durham

2 MARSHAM STREET
LONDON SW1P 3EB
01 276 3000

My ref:

Your ref:

~~PPP~~

~~PPP~~

The Rt Hon Nigel Lawson MP
HM Treasury
Parliament Street
LONDON
SW1 3AG

BF 24/10 ¹⁴ October 1989

Jim Nigel

Thank you for your letter of 9 October seeking my views on your proposal to reappoint Robin Leigh-Pemberton and Rachel Waterhouse to serve on the NEDC.

My office have advised yours already that I am content with your proposal. As you know I have yet to attend my first Council meeting so I cannot comment from personal knowledge on the contributions of these members but clearly they represent organisations whose views are of value to the deliberations of the Council.

Chris Patten

CHRIS PATTEN



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . 5803.
Telex 915564 Fax 01-273 5821

Secretary of State

EXCHEQUER	
NO.	16 OCT 1989
COPIES TO	Sir P. Mcdonnell Mr Mowbray Mr Wilson Mr Burr Mr Willis Mr Stephens Miss T. Rogers

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

October 15

Nigel

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

You wrote to me on 9 October about the NEDC membership of Robin Leigh-Pemberton and Rachel Waterhouse, proposing an extension of their terms of office for a further two years.

I agree that it has been helpful to widen the membership of the Council and I support your proposal.

Norman Fowler

NORMAN FOWLER





Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

imp

16 October 1989

Martin Couchman Esq
Secretary to the Council
National Economic Development
Office
Millbank Tower
Millbank
LONDON SW1P 4QX

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Monck
Mr I P Wilson
Mr Burr
Mr Stephens
Mr Fray

Dear Martin.

NEDC 1 NOVEMBER 1989

Thank you for your letter of 4 October concerning the provisional agenda for the November NEDC. The Chancellor had no comments.

Yours sincerely,
Duncan Sparkes
DUNCAN SPARKES
Assistant Private Secretary



FROM: D I SPARKES
DATE: 16 OCTOBER 1989

MISS T E ROGERS (IAE3)

cc Sir P Middleton
Mr Monck
Mr Wilson
Mr Burr
Mr Stephens
Mr Wills

BF 24/10

NEDC MEMBERSHIP

All Departments to which the Chancellor's letter of 9 October to the Secretary of State for Employment was copied have now indicated that they would be content for the Governor of the Bank of England and Rachel Waterhouse to be invited to serve a further two year term. This clears the way for Sir P Middleton to seek the views of the CBI and TUC. I would be grateful if you could provide him with suitable draft letters.

D.I.

DUNCAN SPARKES

Ne.7

Pls see whether Sir PM has written
~~to Sir P. Perbetto & Mrs Waterhouse~~
to CBI & TUC as drafted in this
minute.

They are being sent today. ✓

FROM: MISS T E ROGERS (IAE3)
DATE: 18 OCTOBER 1989
x5463

1. MR STEPHENS ^{J.A. Stephens} 18/10/89
2. SIR P MIDDLETON

cc: Chancellor
Mr Monck
Mr Wilson
Mr Burr
Mr Wills

BF 30/10

NEDC MEMBERSHIP

The National Economic Development Council memberships of Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse expired at the end of September.

2. The Chancellor has written to his Ministerial colleagues on NEDC, to seek their views about the future of these independent seats. They were content to re-nominate both Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse for a further two year term on the Council.

3. As you will be aware it is customary for the CBI and the TUC to be consulted concerning the independent seats. Should they have no objections, then the Chancellor would write to Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse inviting them to serve a further term.

4. I attach draft letters to Mr Banham and Mr Willis seeking their views. As the next Council meeting is on 1 November, we need to know the CBI's and TUC's views quickly (I suggest by 23 October) in order to leave sufficient time to issue the individual invitations. I have drafted the letters accordingly.

T E Rogers

T E ROGERS

DRAFT LETTER FROM SIR PETER MIDDLETON

Mr John Banham
Confederation of British Industry
Centre Point
103 New Oxford Street
LONDON
WC1A 9DU

October 1989

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The latest two-year appointments to NEDC of both Robin Leigh-Pemberton and Rachel Waterhouse have now expired. Neither are members of the Council ex officio, but both have made valuable contributions, and there is a good case for the viewpoints of both the Bank of England and the Consumers' Association continuing to be represented. I know that the Chancellor thinks this would be appropriate, and proposes to invite them to sit for another term.

NEDC next meets on 1 November, so I would be grateful for confirmation by 23 October that you agree to the re-appointment of Robin Leigh-Pemberton and Rachel Waterhouse to the Council, so that invitations can be issued in good time.

[P E M]

DRAFT LETTER FROM SIR PETER MIDDLETON

Mr Norman Wills
Trade Union Congress
Congress House
Great Russel Street
LONDON
WC1B 3LS

October 1989

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The latest two-year appointments to NEDC of both Robin Leigh-Pemberton and Rachel Waterhouse have now expired. Neither are members of the Council ex officio, but both have made valuable contributions, and there is a good case for the viewpoints of both the Bank of England and the Consumers' Association continuing to be represented. I know that the Chancellor thinks this would be appropriate, and proposes to invite them to sit for another term.

NEDC next meets on 1 November, so I would be grateful for confirmation by 23 October that you agree to the re-appointment of Robin Leigh-Pemberton and Rachel Waterhouse to the Council, so that invitations can be issued in good time.

[P E M]

HM Treasury



Parliament Street
London SW1P 3AG
Telephone 01 270

4360

Sir Peter Middleton GCB
Permanent Secretary

BF 36/11

cc

PS/Chancellor —
Mr Monck
Mr I Wilson
Mr Burr
Mr Stephens
Mr Wills
Miss Rogers

J Banham Esq
Director General
Confederation of British Industry
Centre Point
103 New Oxford Street
LONDON
WC1A 1DU

19 October 1989

Dear John,

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The latest two-year appointments to NEDC of both Robin Leigh-Pemberton and Rachel Waterhouse have now expired. Neither are members of the Council ex officio, but both have made valuable contributions, and there is a good case for the viewpoints of both the Bank of England and the Consumers' Association continuing to be represented. I know that the Chancellor thinks this would be appropriate, and proposes to invite them to sit for another term.

NEDC next meets on 1 November, so I would be grateful for confirmation by 23 October that you agree to the re-appointment of Robin Leigh-Pemberton and Rachel Waterhouse to the Council, so that invitations can be issued in good time.

P E MIDDLETON

HM Treasury



Parliament Street
London SW1P 3AG
Telephone 01 270

4360

Sir Peter Middleton GCB
Permanent Secretary

cc PS/Chancellor
Mr Monck
Mr I Wilson
Mr Burr
Mr Stephens
Mr Wills
Miss Rogers

N Willis Esq
General Secretary
Trades Union Congress
Congress House
Great Russell Street
LONDON
WC1V 3LS

24 October 1989

Ken Harman

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

The latest two-year appointments to NEDC of both Robin Leigh-Pemberton and Rachel Waterhouse have now expired. Neither are members of the Council ex officio, but both have made valuable contributions, and there is a good case for the viewpoints of both the Bank of England and the Consumers' Association continuing to be represented. I know that the Chancellor thinks this would be appropriate, and proposes to invite them to sit for another term.

NEDC next meets on 1 November, so I would be grateful for confirmation by 27 October that you agree to the re-appointment of Robin Leigh-Pemberton and Rachel Waterhouse to the Council, so that invitations can be issued in good time.

Handwritten signature of Sir Peter Middleton

P E MIDDLETON



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

BF 30/10

24 OCT 1989

Dear Nigel,

NEDC MEMBERSHIP: ROBIN LEIGH-PEMBERTON AND RACHEL WATERHOUSE

Thank you for a copy of your letter of 9 October 1989 to Norman Fowler.

I am content with your proposal to invite both Robin Leigh-Pemberton and Rachel Waterhouse to serve a further two-year term as a member of the NEDC.

I am copying this letter to Norman Fowler, Nicholas Ridley, John Wakeham and Chris Patten.

*Yours ever,
JL*

ppp (or BF)

FROM: MISS T E ROGERS (IAE3)
DATE: 26 OCTOBER 1989
x5463

1. MR BURR ^{EB 26/10}

cc

Sir P Middleton
Mr Monck
Mr Wilson
Mr Stephens o/r
Mr Wills

2. CHANCELLOR

NEDC MEMBERSHIP

As you are aware the National Economic Development Council memberships of Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse expired at the end of September.

2. You wrote to your Ministerial colleagues on NEDC seeking their views about the future of these independent seats. They were content for both Mr Robin Leigh-Pemberton and Mrs Rachel Waterhouse to serve a further two-year term on the Council.

3. Sir Peter Middleton has written to Mr Banham and Mr Willis, also asking them to let us know the wishes of the CBI and the TUC with regard to these seats. Mr Banham and Mr Willis have now confirmed that the CBI and the TUC are content with the nominations.

4. I attach draft letters formally inviting Mr Robin Leigh - Pemberton and Mrs Rachel Waterhouse to serve another two-year term on the Council.

T E Rogers

T E ROGERS

as pls type
Final

DRAFT LETTER FROM THE CHANCELLOR

To: The Rt Hon Robin Leigh-Pemberton
Bank of England
Threadneedle Street
LONDON EC2R 8AH

Governor

NEDC MEMBERSHIP

I understand that your membership of the National Economic Development Council has now expired. After consultation with my NEDC Ministerial Colleagues, the CBI, and the TUC, I would like to invite you to remain on the Council for a further two-year period.

As you will be aware the Council next meets on 1 November. I hope you can attend.

[N L]

J — M —

[Approved by the Chancellor
and signed on his behalf]

+ letter below

+ copy list as above

[

FINAL

DRAFT LETTER FROM THE CHANCELLOR

To: Mrs Rachel Waterhouse CBE
Consumers' Association
14 Buckingham Street
LONDON WC2N 0S

NEDC MEMBERSHIP

I understand that your membership of the National Economic Development Council has now expired. After consultation with my NEDC Ministerial Colleagues, the CBI, and the TUC, I would like to invite you to remain on the Council for a further two-year period.

As you will be aware the Council next meets on 1 November. I hope you can attend.

~~[NL]~~ J - M -

[Approved by the Chancellor
and signed on his behalf]



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

BA *mp*

27 October 1989

Mrs Rachel Waterhouse CBE
Consumers' Association
14 Buckingham Street
LONDON WC2N 0S

cc Sir P Middleton
Mr Monck
Mr I P Wilson
Mr Burr
Miss T E Rogers
Mr Stephens
Mr Wills

Dear Mrs Waterhouse,

NEDC MEMBERSHIP

I understand that your membership of the National Economic Development Council has now expired. After consultation with my NEDC Ministerial colleagues, the CBI, and the TUC, I would like to invite you to remain on the Council for a further two-year period.

As you will be aware the Council next meets on 1 November. I hope you can attend.

*Yours sincerely,
Douglas Sparkes*

p.p. JOHN MAJOR
[Approved by the Chancellor
and signed on his behalf]



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

27 October 1989

The Rt Hon Robin Leigh-Pemberton
Governor
Bank of England
Threadneedle Street
LONDON EC2R 8AH

cc Sir P Middleton
Mr Monck
Mr I P Wilson
Mr Burr
Miss T E Rogers
Mr Stephens
Mr Wills

Dear Governor.

NEDC MEMBERSHIP

I understand that your membership of the National Economic Development Council has now expired. After consultation with my NEDC Ministerial colleagues, the CBI, and the TUC, I would like to invite you to remain on the Council for a further two-year period.

As you will be aware the Council next meets on 1 November. I hope you can attend.

*Yours sincerely,
Douglas Sparkes*

p.p. JOHN MAJOR
[Approved by the Chancellor
and signed on his behalf]

The Governor

31/10

CH/EXCHEQUER	
REC.	31 OCT 1989
ASSTANT	
COPIES TO	Sir P Middleton Mr Monck Mr Wilson Mr Burr Mr Vella Mr Stephens Miss T. Rogers

Bank of England
London EC2R 8AH

30 October 1989

The Rt Hon John Major MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

mp

Dear John,

NEDC MEMBERSHIP

Thank you very much for your letter of 27 October. I am very happy to accept your invitation to remain on the NEDC for a further two-year period and confirm that I will be attending the next meeting on Wednesday.

I am delighted that one of your first acts as Chancellor is to re-appoint me to something!

Yours ever,
Robin

Consumers' Association

Publishers of **Which?**

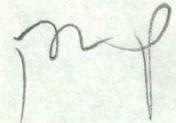
2 Marylebone Road
London NW1 4DX
Telephone 01-486 5544
Telex 918197
Fax 01-935 1606

CH/EXCHEQUER	
REC.	2 NOV 1989
ACTION	
COPIES TO	Sir P. Middleton Mr Manck Mr Wilson Mr Burr Mr Wills Mr Stephens Miss T. Rogers

2/4

The Rt Hon John Major MP
Chancellor of the Exchequer
Treasury Chamber
Parliament Street
London SW1P 3AG

31st October 1989



Dear Chancellor

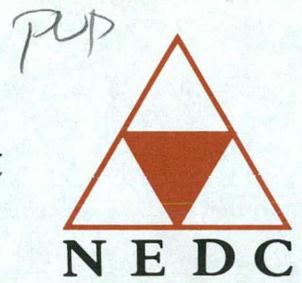
Thank you for your letter of 27th October and your kind invitation to serve on the National Economic Development Council for a further two-year period. I am honoured to be invited and am pleased to accept.

Yours sincerely
Rachel Waterhouse.

Rachel Waterhouse
Chairman

PRESS RELEASE

National
Economic
Development
Council



Ref: 89/82

1 November 1989

INFLATIONARY PRESSURES THREATENING UK COMPETITIVENESS SAYS NEDO DIRECTOR GENERAL

According to Walter Eltis, Director General of the National Economic Development Office:

"As well as delivering as little unemployment as possible, the labour market must produce results which make United Kingdom internationally competitive. Unit labour costs must rise certainly no faster and preferably more slowly than those of our major competitors. Recent inflationary pressures are such as to threaten a further deterioration in competitiveness even if productivity performance continues to match that of the last few years."

"The fall in the United Kingdom's unemployment rate has been dramatic by international standards. Over the last three years the United Kingdom's unemployment rate has fallen substantially more than it has elsewhere, so that it is now below the European Community average and below that of France, Belgium, Italy and the Netherlands - and it is very far below the levels in Spain and the Irish Republic. But United Kingdom unemployment is higher than in Germany, the US and Japan.

"The significant macro question concerns the dangers to continued employment growth of rising wages growth in the current economic climate.

"Until recently the puzzle was why, despite high unemployment, earnings growth did not fall back further after its sharp decline in the early 1980s. Even whilst this debate remained largely

PLEASE NOTE: NEW TELEPHONE NUMBER: 01-217 4059

For further information contact the Press Office

National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX. Direct Line: 01-211 4319/3608

unresolved, the important question changed to why earnings did not increase faster during the labour market upswing, particularly when a large proportion of the long-term unemployed was finding its way back into jobs.

"Alterations in the tax-benefit system have particularly advantaged high and low earners in the sense that it was their effective marginal tax rates which were most substantially reduced, but those close to average earnings have nonetheless been able to increase their real take home pay faster than their real earnings. From 1986 until the jump in the RPI in 1988 earnings growth kept well ahead of prices and the satisfied aspirations this delivered may have helped to keep nominal earnings increases under control, despite the fall of 600,000 per annum in the unemployment rate.

"Whilst competitive bidding for scarce skills forced up rates of pay at the higher end, the fact that there were still large numbers of less skilled unemployed workers meant that employers did not have to match such increases lower down the labour market.

Public Sector Pay

"Of some assistance in holding down average earnings increases since the early 1980s has been a decline in the relative pay of full-time workers in the public services. Some public services professions have not suffered a decline but the aggregate pay of public services workers as a whole has fallen relatively, and this means that many of those who depend on general government funding for their pay have fared less well than the private sector. Unlike in earlier periods this development has not yet been reversed by the sort of comparability exercises that took place in 1974/75 and 1979/80 after similar experiences of relative decline in public services earnings.

"We can identify which workers have fared worst. As in the 1970s, the 1980s have seen particular groups, such as the police, the fire service and nurses, enjoying the larger pay settlements. In contrast, central and local government workers have fared less well,

and NHS ancillary, administrative and clerical staff have done consistently badly. It is noteworthy that the groups that have tended to emerge best in the 1980s have not generally done so as a result of collective bargaining. The police gain their increases through indexation with earnings in the private sector, whilst nurses' pay operates under a Review Body set up in 1982/83 and the clinical grading review of 1988 resulted in average pay increases of 17 per cent.

"Historical experience suggests that public services workers may seek to narrow this gap, which could involve a recurrence of the recent disruptive disputes in the public sector. If market forces were capable of determining non-inflationary pay increases in the private sector, it would not be inflationary to offer public services workers fair comparability, since they amount to only about 20 per cent of United Kingdom employees. However, the United Kingdom has so far failed to arrive at an appropriate macro environment for non-inflationary pay increases in the private sector, and pay restraint for some of those providing public services, in an effort to help contain overall inflation, has been one consequence. The costs of this are potentially considerable, not just in terms of industrial conflict but also in terms of recruitment and retention difficulties.

"Whilst further significant increases in earnings growth stemming from labour market demand and price pressures may be avoidable since output growth now shows every sign of diminishing, there are no grounds for expecting the pace of earnings increases to fall back significantly.

"Through most of the 1980s the United Kingdom's relatively faster productivity growth just about offset our faster earnings growth. Since 1987 it has failed to do so.

"Pay pressures such as the ones we have described further threaten the United Kingdom's cost competitiveness and make a strong sustained productivity performance all the more important.

Exchange Rate Mechanism

"As the United Kingdom moves towards the Single European Market and a probability of ERM membership, it will be vital that unit wage costs at least rise no faster than those of leading European competitors.

"The exceptional United Kingdom productivity growth rate of the last few years has owed a good deal to its rapid output growth. If growth now slows as a consequence of the reduction in orders that can be expected to follow a prolonged period of high interest rates, productivity growth is likely to slow also. If United Kingdom wages continue to increase at the seven to nine per cent per annum rate at which they have been advancing since 1981, our unit wage costs are likely to increase far faster than those of our principal European competitors because productivity growth will cease to absorb so high a fraction of extra United Kingdom wages."

The Director General questioned how the rate of increase of United Kingdom unit wage costs can be brought back to a level that is no higher than those of its principal European competitors. He suggested it could come about if productivity growth now increased but pointed out that manufacturing output growth will certainly slow in 1990 and 1991 from the rapid six per cent growth rates of 1986/89 and this will tend to reduce the rate of increase in manufacturing productivity.

Mr Eltis said:

"Industry is now much more effectively managed than it used to be and this has been responsible for some of the enhanced productivity performance of the 1980s. It should continue to produce further productivity increases in the 1990s but, with output growing more slowly, it is likely on balance that productivity will also grow a little less than in recent years.

"For unit wage costs to rise more slowly money wages will therefore have to rise less. It is likely that wage increases would slow down as they did in 1981/82 if unemployment rose sharply. Where there is

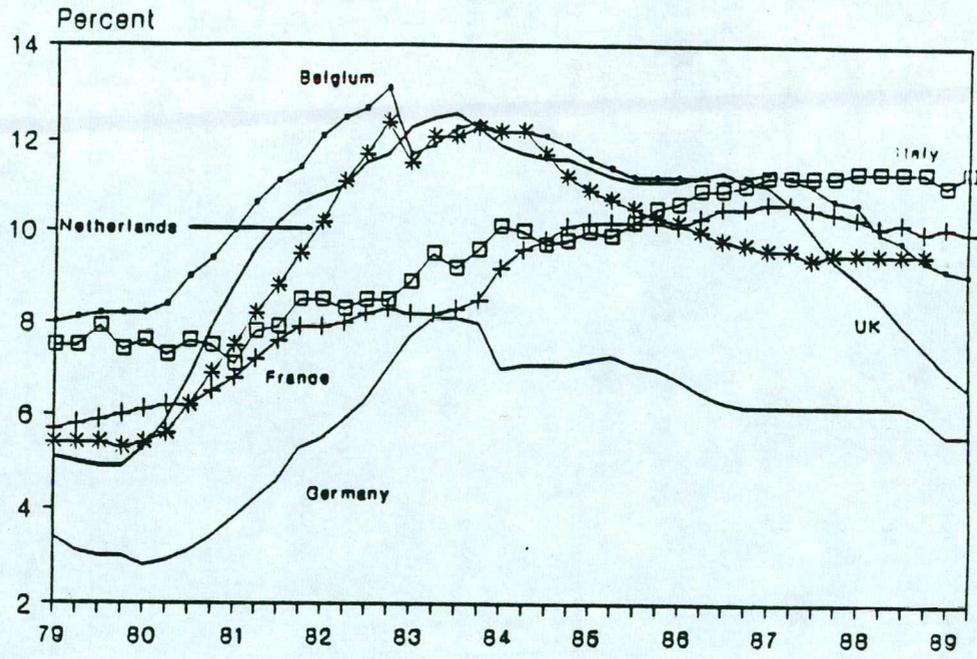
a widespread loss of jobs many workers will sacrifice the pay increases they had become accustomed to in order to keep their jobs. But that is a most expensive social and economic way of achieving a degree of moderation in pay increases. Are there alternative means of reducing the pace of earnings growth?

"One possibility is that an announcement of full United Kingdom membership of the Exchange Rate Mechanism of the EMS and a consequent commitment to a near fixed exchange rate in a single European Market might influence pay settlements in this country as it has in France and Italy. If companies knew that higher pay increases than competitors offered would lead to a loss of market share in Europe, where competition should become greater after 1992, they might resist paying such increases. At the same time unions, understanding the difficulties of the companies that employed their members, might hopefully acquiesce in rates of pay increase that would leave their employers competitive."

In conclusion, the Director General says:

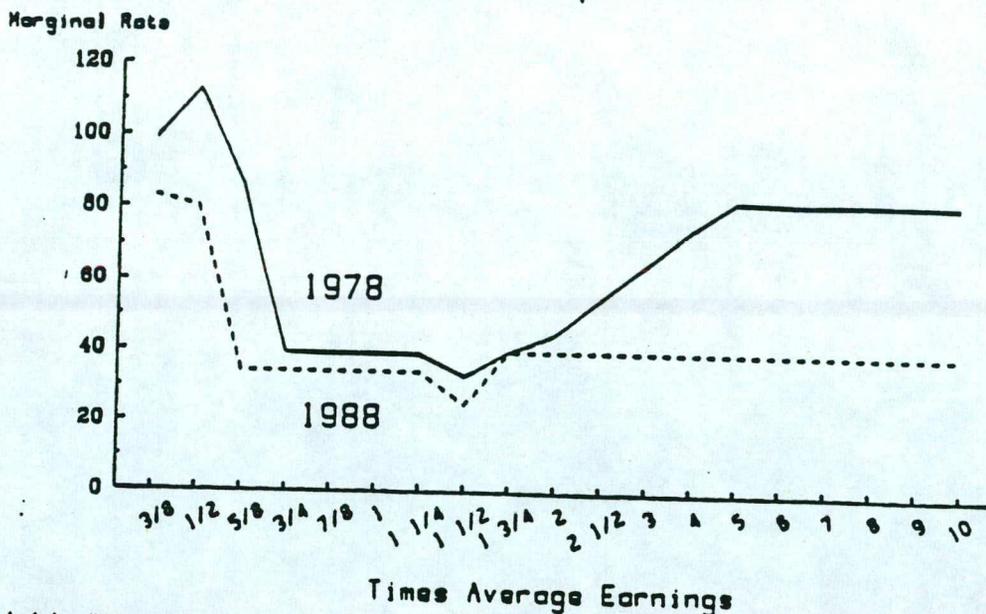
"It would be a magnificent development if ERM membership had that kind of moderating influence on pay bargaining, but the experience of France and Italy suggests that a learning process over almost a decade may be needed before there is a convergence of pay settlements in former inflationary economies towards West Germany. ERM membership does not preclude devaluations, and because French and Italian inflation rates were initially much above the German rate in the manner that United Kingdom inflation is today, the franc and the lira were devalued with considerable regularity. It is only in the last three years, some seven years after they first joined, that France and Italy have avoided such devaluations and achieved a level of wage settlements of the kind we hope for. It would therefore be naive to suppose that joining the ERM would suffice to bring the rate of increase of United Kingdom unit wage costs down to the European level."

Standardized Unemployment (Percent of total labour force)



Source: OECD

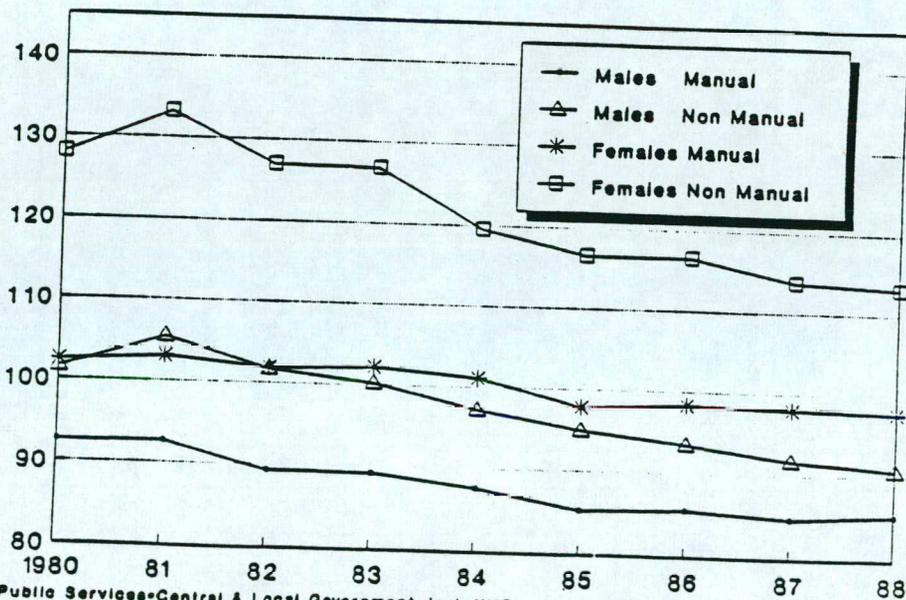
— Marginal Tax Rates (*)
 Married Man, Two Dependents (**)



(*) Including Withdrawal Rates
 (**) Two children aged 4 and 6

Source: OSE, Made estimates

Ratios of Public Services Pay to Private Sector Pay



Note: Public Services-Central & Local Government, Incl. NHS
 Source: NES