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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

NATIONAL FORUM

Memorandum by the Chancellor of the Exchequer

At E(79)2nd Meeting on 1st June we agreed that a major educational effort was required to ensure that economic realities were understood by both the wider public and by those involved in pay bargaining, and I was asked to circulate a paper setting out the possibilities for a "forum" in which such matters could be discussed with interested parties in a wider context. This paper accordingly considers the form that such a forum, whose discussions certainly should not be confined to pay matters, might take.

Objectives

2. A prior question must be what such a forum is to be expected to achieve. Only when this has been decided can we sensibly consider the question of its composition, organisation, work methods, and so on.
3. In my view the main objectives should be:-
  - broad analysis of what is happening, or might happen to the economy;

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- general dissemination, both among those with greatest influence and more widely, of understanding of how the economy operates and, thus, what kinds of mutual adjustment could lead to better all-round results.

4. Thus, the main role of the forum should be seen as, in the broadest sense, educational - both for the participants and for the public at large. As far as pay is concerned, for the unions, we might be thinking in terms of bringing home the trade-off between the short and longer-term effects of pay bargaining; for employers the aim might be to underline the practical consequences of the stance they adopt. But in either case the basis would be consideration and analysis of the broad economic "facts of life".

#### The German experience

5. It is worth considering briefly the German experience with their system of "Concerted Action" to which we have attached some importance. Its original intention in the 1960s, was to eliminate (or at least minimise) misunderstandings between unions, employers and Government on macro-economic matters. The idea was that making the effects of wage decisions on prices more apparent would lead unions and employers to conform with the basic liberal market economy and not exploit power positions leading to inflation and dislocation.

6. The chief architect of the system, Professor Schiller, when Minister of Economic Affairs, ran the system in a strict way, insisting on joint communiques following meetings. Initially this was welcomed by all concerned, but after a few years disharmony started to creep in which eventually led to the leaderstaking up more unreasonable positions, with less hope of compromise. Joint communiques ceased: press conferences were held instead. At the same time attendance grew, rising to a peak of 80. The unions also became irritated that every meeting seemed to turn into an attack on them, with the other participants forming a common front. It was therefore not surprising that when a suitable pretext arose - a legal dispute with the employers over the scope of the Co-determination

Law - the unions withdrew from the system in 1977. Since then bi-lateral discussions have continued "round the coffee table". It seems likely that these will become multilateral, but restricted to a narrow group of participants. The intention would be to preserve maximum informality and avoid preaching.

#### Character of the Forum in the United Kingdom

7. A lesson to be learned from the German experience seems to be the need for informality. The forum might be regarded as more of a "happening" than an institution in any formal sense. There would thus be a minimum of rules and procedures and maximum flexibility to allow the members of the forum themselves to determine how most effectively to proceed.

8. It is for consideration whether the Forum's meetings themselves should be public. On the one hand this would maximise the wider educational value of the proceedings; but on the other it might inhibit frankness on the part of the participants and encourage unhelpful posturing. But if the meetings were held in private it would clearly be most important for the Forum to develop effective ways of projecting itself to the public at large. The exact means of doing this should be for the Forum itself to settle: there are obvious dangers in seeking any sort of agreed communique. In any case I think it would be wrong to impose at the outset any requirements that could impede a relaxed exchange of views and information.

#### Composition, Membership and Organisation

9. My own preference is for a group based around the NEDC. A summary note on the NEDC's present organisation is annexed. This shows that its terms of reference are apposite; it already covers many of the key potential participants and is not so large as to be unwieldy. Its agenda and methods of work are flexible and so could easily be adapted. No new bureaucracy would be required, whereas if the NEDC were not used it would be difficult to avoid setting up another new body.

10. So far as membership is concerned, although this would be based around the present NEDC membership, there would be advantage in going somewhat wider. For example, there should be explicit representation for small firms and non-TUC affiliated trade unions; and representation of consumer interests should perhaps also be strengthened. I think also that there would be advantage in inviting the Governor of the Bank of England to attend as a regular member. The membership need not, however, be inflexible; it could be varied both on an ad hoc basis and in respect of the "core" of membership. I do not think, however, that membership should be extended to ordinary backbench Members of Parliament or to members of the Opposition.

11. Although extended membership on these lines would still be based around the NEDC, there would be advantage in distancing it to some extent from the NEDC so that it was not thought to be identical with it. One way to achieve this might be for the Government to extend invitations to the present main participants in the NEDC and others to meet from time to time at a different place - in other words, not in the NEDC Council Chamber - under separate chairmanship for an informal discussion and exchange of views on the economy. Under this arrangement it would still be possible to invite the present Director-General to attend and also, if necessary, to enlist the help of his staff for secretarial and other purposes. But the membership could be varied on the lines suggested in the previous paragraph.

12. An important question is that of the chairmanship. There are various possibilities. One would be an independent chairman with the responsibility for nomination falling to, say, the CBI, and the TUC alternately. In Germany the Chairman has normally been the Minister of Economic Affairs. My own view is that there would be advantage in the Forum being convened, and the chair being generally taken, by the Prime Minister. This would lend the necessary prestige and significance to the arrangements; and could be presented as the Prime Minister inviting the key economic partners for discussions with her and among themselves of the issues of the day.

## Formation of Forum and Frequency of Meetings

13. Although this would mean a very tight timetable for agreeing membership and other arrangements, I think there would be advantage in having a first meeting if possible before the winter pay round gets under way. There is already a good deal of evidence of a desire on the part of both management and the unions to join together for discussions of the kind suggested. This would point to a first meeting in the latter part of October.
14. Thereafter I envisage that the Chairman might invite the Forum to meet on a minimum of two occasions a year - say in early/mid summer (i.e. prior to the beginning of the next pay round) and around the turn of the year (i.e. prior to the Budget). Discussion at those meetings would be focussed on progress in the past year and the prospects and range of choices for the coming year. On the initial occasion discussion might be based on background material provided by the Government. Thereafter, although the Government might still need to make an input, individual members of the Forum might wish, or be invited, to table papers themselves. But it would be primarily for the participants themselves to determine this and also to consider whether other meetings were desirable. For example, the Chairman might wish to suggest a meeting of the Forum to discuss a particular issue of major economic significance (e.g. the implications for the economy of the world energy situation). There is unlikely to be a shortage of topics; but too frequent meetings could devalue the effectiveness of the Forum.
15. In general I do not see the forum, at least initially, conducting very formal business, or having a technical or institutional existence of its own. Any papers which emerged would be primarily the responsibility of the organisations/individuals who had prepared them with perhaps endorsement in very general terms. In so far as any action was called for by the forum, this follow-up would normally take place through other, established, machinery.

## Relations with Parliament

16. This approach would help to simplify relations with Parliament. I am not entirely sure how far it would be right that any formal relations with Parliament should be established. It would, in any event, be open to Parliament to debate at any time the activities of the Government, including its participation in the forum, and any associated reports or statements emanating from the forum. Similarly, it would be possible for a Select Committee to invite members of the forum to appear before them. But this possibility of calling on leading economic personalities would exist regardless of whether such people met from time to time in the context of the forum.

## conclusions

17. The above proposals are in outline only and would need more detailed examination if their general thrust were accepted. However, I believe that a forum on these lines could make an important contribution to general understanding of the economic problems and choices that face us, although it would be wrong to expect too much from it. The future shape of any resultant institution or arrangement would depend, to a significant extent, on what was likely to be most acceptable in practice.

18. If the Committee share my view, I suggest that we should ask officials to examine the possibilities in greater detail and bring forward for our consideration a more specific set of proposals. We shall need to move quickly if a first meeting is to be convened in the autumn, as suggested in paragraph 13 above. At the same time I think that before we go too far it would also be useful if informal soundings were taken of the TUC and CBI at General Secretary and Director General level respectively.

HM Treasury  
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(G.H.)

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NATIONAL ECONOMIC DEVELOPMENT COUNCIL

The NEDC is a flexible institution as regards the work it does, its membership, and its procedures.

2. The Council was set up by Ministerial decision in 1962, with broad terms of reference to examine the economic performance of the nation (with particular concern for the plans for the future in both private and public sectors of industry); to consider what are the obstacles to greater growth; and to seek ways of improving economic performance, competitive power, and efficiency.
3. Because the Council is not a statutory body, and has no formal constitution, there is flexibility about the total size and composition of its membership; decisions rest with the Chancellor (who, as Chairman, appoints all members of the Council) and the Prime Minister, but the CBI and TUC have been consulted in the past about representation, and it has been customary to accept their nominations for their own respective places on the Council. The aim has been to maintain equal representation from Government, TUC and CBI; currently there are six representatives each from the two sides of industry. There are also at present two independent members (Lord Roll and the Chairman of the Consumer Council), two Chairmen of Nationalised Industries, and the Chairmen of the NEB and the MSC. The Director-General of the National Economic Development Office (which was established at the same time as the Council) is also a member.
4. The Council is deliberative rather than decision making; there is no voting or promulgation of communiques, though it is usual for the Chairman and/or the Director-General to hold a press conference after each (monthly) meeting to give an account, by agreement with the Council, of the discussion which has taken place. Though the Chancellor of the Exchequer is normally chairman of the Council, successive Prime Ministers have also taken the chair from time to time either at a regular meeting or at a special meeting for a

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particular purpose (e.g. to consider major economic events in December 1973).

5. Though the Council is the principal forum for tripartite discussion of medium term economic policy issues between Government, management and trade unions, there has also been a tendency for many major issues of economic policy - e.g. pay - to be pursued outside the Council in bilateral discussions between the Government and the TUC or CBI respectively. Over the last 3 or 4 years, discussions in the Council have been mainly concerned with problems on the supply side of the economy and with issues arising directly or indirectly from the work of the Economic Development Committees and the Sector Working Parties; however, this has in turn involved discussion in the Council of a wider range of issues, extending beyond economic and industrial policy to the relevant areas of social policy and so on.

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