

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 1st meeting held
at 10 a.m. on Friday 20th June,
1975 in the House of Commons

Present: Sir Geoffrey Howe, MP., (in the Chair)
Sir Keith Joseph, MP.,
Mr. Gilmour, MP.,
Mr. Howell, MP.,
Mr. Griffiths,
Mr. Niblock,
Mr. Ridley, } Secretaries
Mr. Cardona }

Apologies: Mrs. Oppenheim, MP.,
Mr. Nott, MP.,
Mr. Prior, MP.,
Mr. Biffen, MP.,
Sir Leonard Neal

1. Meetings and Membership

Mr. Ridley remarked that it had proved extremely difficult to find a time at which enough members of the Group were free, but that it would be best to continue to meet on Friday mornings.

Consideration was given to the question of widening the Group's membership. It was agreed that for the moment the membership should remain unchanged but that Mr. Heseltine should receive copies of the papers prepared for the Group.

2. Programmes of Work and Mr. Ridley's Paper

Sir Geoffrey Howe began by saying that Mrs. Thatcher expected the Group to produce a report by the end of July. It was agreed that the five principles in Mr. Ridley's paper (PG/10/75/1) commanded general assent in the Group. Mr. Howell recommended caution over the principle that "public expenditure is too high ..."

Use of People Outside the Group

Considerable concern was expressed about whether the Group had access to adequate economic knowledge on various technical matters. Sir Keith Joseph was anxious lest an oversight should lead to some fundamental weakness or omission in the proposals put forward by the Group, and suggested that the Group's work should be submitted to business economists and a housing finance expert for comment. It was finally agreed that in view of the short time available in which to produce a report:

- (i) The Group would proceed with its own analysis, which it would then submit to outsiders for their comments and
- (ii) Meanwhile members of the Group who had questions at which they would like outsiders to look would submit them to Mr. Ridley,

do would pass requests for papers on to the outsiders. Some of the outsiders suggested were Messrs. Pepper, Lomax, Ross, Merrett and Rybczynski

Mrs. Thatcher would be holding a meeting with several outside economists within the next few weeks. Mr. Ridley thought that the conclusions of the Meeting would probably be of interest to the Group.

4. Questions to be Asked of Outsiders

It was agreed that answers would be sought to the following questions:-

- (i) Where is the economy now?
- (ii) What is the state of the money supply?
- (iii) What is the state of corporate liquidity and the flow of funds?
- (iv) What is the outlook for world trade?
- (v) What are the prospects for the level of demand and unemployment?
- (vi) What are the prospects for international borrowing by the UK?

5. The Group's Report

There was a discussion about whether the Group's report should be more concerned with the long-term or the short-term. It was felt that the report should fall into three parts:-

- (i) the current state of the economy
- (ii) recommendations for dealing with current problems, and
- (iii) recommendations for policies for the future structure of the economy.

6. Public Sector Wages

The rest of the meeting was taken up by a discussion of public-sector wages. It was agreed that there was some hope of persuading trade unions in the public sector to moderate their claims through the imposition of limits on deficits of nationalised industries and perhaps the retention of price controls. However this policy was likely to have certain shortcomings such as the probability that it would serve as a warning after rather than before the event and that the Government might not be believed to be serious.

It was agreed that little could be done to prepare for a confrontation with any one group, because it was impossible to forecast which group would prove difficult, and because the impact of any one strike could not be assessed beforehand as picketing and sympathetic strikers were so important. Nevertheless it was argued that a certain amount of preparation could be done though the very gradual and piecemeal reform of labour law.

7. Papers Requested

Mr. Ridley would write a note on forecasts of inflation and the amount of unemployment needed to have an effect on inflation;

/...Sir Keith

Sir Keith Joseph asked that it be put to a second economist for comment.

Mrs. Oppenheim and Mr. Lamont would be asked to write a paper on prices.

Mr. Prior would be asked for ^a paper on labour law and collective bargaining.

Mr. Griffiths would write a paper on indexation.

The meeting ended at 12.50 p.m.

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