

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 3rd meeting held
at 9.30 a.m. on Tuesday 8th July
1975 at the House of Commons

Present: Sir Geoffrey Howe, MP
Sir Keith Joseph, MP.,
Mr. Gilmour, MP.,
Mrs. Oppenheim, MP.,
Mr. Howell, MP.,
Mr. Nott, MP.,
Mr. Lamont, MP.,
Mr. Biffen, MP.,
Sir Leonard Neal,
Mr. Griffiths,

Mr. Ridley } Secretaries
Mr. Cardona }

Apology: Mr. Prior, MP.

1. The Price Code

The meeting opened with a discussion of Mrs. Oppenheim's paper on the Price Code and on our reactions to possible amendments to the Code. It was agreed that we should oppose a temporary price freeze or a tightening of the Code, though more effective enforcement of the Code would not be opposed. We should oppose especially hard any further tightening of the provisions of the Price Code affecting the food industry.

2. Wages

There was a discussion about the ways in which the Government may enforce wage-restraints. It was suggested that using the Price Code to try to restrain wages might be a better method of satisfying the trade unions than any other way; that perhaps some employers needed to have their resolution strengthened in this manner; and that perhaps this method allowed greater flexibility for changes in differentials between rates of pay than other statutory wage controls.

There was some concern about the unfairness of a policy which provided for sanctions against employers but not against unions. There would be great pressure on employers to pay wages higher than the norm. Private enterprise would be blamed for the bankruptcies which the Government's policy would cause.

3. Nationalised industries' prices

The correct pricing policies for nationalised industries and the need for a body to examine them were discussed. It was agreed that some body was needed to scrutinise these industries, especially with the interests of consumers in mind; but our fundamental policies towards the industries (as yet undetermined) would have to be reconciled with any detailed plans before a new institution could be drawn up. It was thought that the Monopolies Commission probably already had all the powers it needed to investigate the nationalised industries. It was decided that Mrs. Oppenheim, Mr. Heseltine and Mr. Nott should examine Mrs. Oppenheim's proposals for a new institution, and that a policy group on the nationalised industries should take over this question.

4. Inflation and unemployment

There was a discussion of the feasibility of a policy of high unemployment, if this were required in order to end inflation. It was pointed out that unemployment and bankruptcies would be unpopular with both workers and our industrial supporters; on the other hand it was thought possible that unemployment in the 1970's would be (or could be made) less unpalatable than unemployment in the past. The beneficial effect on industrial confidence of a Government appearing to take action against inflation might be cancelled out by the probability that industry will not invest until it sees the upturn at the end of the recession.

There was no dissent from the position that a wage freeze should be accompanied by sound monetary and fiscal policies, and that the ideal policy would be a total wage freeze with no price control, so that both inflation and profits could be restored to their correct proportions.