

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 2nd meeting held
at 10.15 a.m. on Friday 27th June
at the House of Commons.

Present: Sir Geoffrey Howe, MP., (in the chair)
Sir Keith Joseph, MP.,
Mr. Gilmour, MP.,
Mrs. Oppenheim, MP.,
Mr. Prior, MP.,
Mr. Howell, MP.,
Mr. Nott, MP.,
Sir Leonard Neal.

Mr. Ridley } Secretaries
Mr. Cardona }

Apologies: Mr. Biffen, MP.,
Mr. Griffiths.

1. Minutes of previous meeting

The minutes of the previous meeting were accepted, subject to a qualification by Mr. Howell, who stressed that he supported the cutting of public expenditure overall, even though certain parts of public expenditure might have to rise.

2. Next meetings

The next two meetings of the Group would be at 9.30 a.m. on 8th and 11th of July. Mrs. Oppenheim's paper on the Price Code would be ready by the meetings on the 8th July.

3. Strikes

There was a discussion about the extent of the work that could be done in order to be in a position to resist strike pressure as effectively as possible. It was agreed that reforms should be unobstrusive and piecemeal, and should as far as possible be indirect approaches to the problem. It was agreed that the Paye system should be looked at, as tax rebates played a major point in supporting strikes. Some long-term contingency planning would be necessary to prepare for serious contingencies. Mr. Prior's paper would examine all the options in this field.

The Corporate sector

There was a discussion about the affects of monetary contraction on the corporate sector. These effects would probably include the cutting of stocks, investment and eventually manpower. It should be recognised that control of the money supply was a key factor in the control of inflation, but more thought would be required about how the problem of the bankruptcies and unemployment to which it must lead would be presented both inside and outside the Party.

5. The private and public sectors

It was agreed that cutting demand would cause severe problems for companies, and that to a certain extent we were aiming to switch resources from the public to the private sector rather than merely to cut demand. The public sector policy group would be looking at the question of the proper allocation of resources and the proper division of functions between the private and public sectors.

6. Response to the Government's measures

The Conservative response to possible policy changes by the Government was discussed. It was thought that it would probably be unwise to oppose a wage-freeze. Whatever the Government's measures were, they would be inadequate, and therefore it would be easy to criticise them.

7. The next meeting

It was decided that the next meeting would continue discussion of Mr. Ridley's paper on inflation, the switch of resources from the public to the private sectors, and would discuss Mrs. Oppenheim's paper on the Price Code.

The meeting ended at 11.50 a.m.

GC/CB
4.7.75