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NOTE ON CHEQUERS MEETING, FRIDAY EVENING, 8 AUGUST 1980

Present: The Prime Minister
David Wolfson
Douglas Hague
Terry Burns
John Hoskyns
Norman Strauss

The purpose of this note is to "capture" the points that came out of our discussion on Friday evening, 8 August. Much of it looks fairly superficial, but some ideas did emerge.

1. Objectives 80/81. Key areas were: (a) economic; (b) presentational; (c) free society.

We were dependent on indicators showing results, ie unemployment figures, money supply, interest rates, inflation rates etc. The turn-round to "creativity" depended on interest rates. The foundation of the economic turn-round is built on the strategy being successful.

2. We should provide more information on the world background - what is happening elsewhere. For example, all Western economies are car economies and the car market worldwide is saturated.
3. Future problems. Our real problem would be to resist the premature demand to reflate. Policy needed to ensure it was easy for small businesses to start and grow. Does our macro-strategy extinguish the micro seedlings?

How do we differentiate between the start-up vs. expansion needs for capital for businesses?

Is there a need for a "banks business venture committee"?

What are the lags and speeds of response in this start-up process for new small businesses?

4. Important presentationally to make pre-emptive strikes before all the figures are published, eg on unemployment. One answer here was for Government policy for youth to be called The Youth Employment Programme - YEP.

Here we can involve the unions in agreeing to lower wages for youth. But necessary to win public opinion first before embarking on dialogue with the unions.

5. Because of limited media attention, speeches would only contain one point during recess, in not more than 250 words.
6. Must be role for big multiples with YEP. Their function in society is to provide school-leavers with jobs.
7. Need to end incremental salary scales for teachers.

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8. Need for Government powers to overturn results of compulsory arbitration?
9. The Personal Sector has done well at the expense of the Corporate Sector. Transfers of resources are needed from Personal as well as Public Sectors.
10. If a PSBR emergency looks imminent, a need to get more money which is not to be called TAX and which must not go through the RPI. So the National Health Service contribution could be raised or there could be an increase in national insurance surcharge on the employees, not the employers.
11. Need to put VAT on imports at the ports, especially components, in order to redress the servicing capital requirements of people who use foreign components vis-a-vis those who use home purchases.
12. Index-linking seen as off the Government's strategy.
13. Need to get at use of savings money for investment. At the moment, housing crowding out industry. (But this is all secondary market investment, so not that important.)
14. General speech intro. on unemployment:

"In the interests of employment, we must do the following . . ."
15. Gas. People don't understand why they are paying for increased gas profits with gas price rises.
16. Industrial use of gas as feed stock. When renewal contracts come up, we should give gas to industry on very advantageous prices; ie unweight their price. Helping industry thus could cause oil prices to fall in competition.
17. Youth employment surcharge. If we make a surcharge on firms, etc, for youth employment or, indeed, any other moral purpose, we should always state precisely what the money is for in a way which engages people's moral sense. Then people can't reasonably ask for compensating pay rises. They are being immoral so to do.
18. Gas. Can gas be negotiated on bulk purchase terms? Look at the statutory liabilities.
19. Europe. Need to fight subsidies through, eg, Germany and Holland horticultural subsidies.
20. Unemployment. "Lucky to have a job, let alone a pay increase. Your increased pay is someone else's job loss."

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21. Competition policy - nibble away at monopolies continuously.
22. Prime Minister had told Anthony Rawlinson to reject volume and go cash. Need for tight cash limits. In future, call them Departmental budgets. Thus "this is your budget for next year". The higher the budget, the more the unemployment. Inevitably there would be some excess and this is met ex-post facto from a contingency reserve. Need to question the assumption that a seriously overspent budget would "destroy the system". Rather, it should damage the records of the people involved. If cash limits (or "the Departmental budget") are relaxed enough to be unbreakable, what are they for?
23. Need to get the private sector and public sector mutually reinforcing each other in wage negotiations. Government has a role in this as an employer of the public sector. The private sector should be handled by Ray Pennock going to talk to Ford about their wage claim and BP about the tanker drivers' claim in order to set a strong line right from the start. We must not allow a high norm to emerge in these early settlements.
24. Need to continue selling as many council houses as possible. How else can we encourage the capital-earning democracy? Eg: the French loi Monory scheme. Is there a way people can manage their own pension? Should we lose the insurance tax incentive? Is there a way to give marginal advantage to individuals? Can we introduce a stock-broker into works canteens? Prime Minister to talk to Nicholas Goodison at the Stock Exchange. Can we have brokers for individuals using the familiarity and wide distribution of building society outlets? People trust them, and they are accessible. In a sense, they are investing there already. They are behaving as mini-capitalists.
25. Need for priorities for nationalised industries. If necessary, can we let them go bust? Nevertheless, we have to get pay increases in the public sector down voluntarily and by persuasion so that we never have to "come out of a freeze" again. Perhaps explain to people what unthinking behaviour means: higher inflation, fewer jobs, and you are fighting the democratically-elected Government. What do you prefer? No salary increase or no job?
26. Need to widen the debate onto Fear, Fairness, Morality. Thus providing further understanding and motivation. People need to be given the information to help them work out what they could do/should do/want to do. Norman Strauss agreed to write note to Prime Minister on this subject of 1½ pages.
27. Douglas Hague to write a 1½ page note to the Prime Minister on topic of a "siorthold" in employment.
28. Part of freeing society is to loosen job tenure, wherever it exists. This has an effect on the Pay Research Unit numbers and should be quantified. Thus, all civil servants have security of tenure, relative to industry. Their salaries should be reduced to reflect this.

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29. Monopoly is bad for people, whether labour, capital, or nationalised industries. Can we bring the trade unions up before the Monopolies Commission in some way? Need to break down the problem of "us and them" vs. "we" at the level of the firm. Three large company unions colluding over a pay claim is a form of monopoly, against that company.
30. In order to deter NUM, is it worth dual-firing CEGB power stations for gas (which does not have to be stored) as well as for oil? What is the speed of building?
31. NCB wages. Need to split those who have worked underground (and suffered) from surface workers who have always worked on the surface. They should not be paid in the same way. The coal mines were nationalised to serve the nation. They are now milking the nation. Should we build more nuclear power stations? Speed of building? Should we give grants to factories to generate their own electricity?
32. Need for R&D project for a mini power source to provide an energy alternative to the power station in an emergency. Small fuel cells? David Howell says progress is encouraging.
33. Government R&D should have the twin objectives of both focussing strategic direction and making a profit. There is a differential strategic role in new products which are deterrents against union monopoly behaviour vs. those which are an insurance against the consequences of that behaviour. Thus a fuel cell is an insurance against a power strike, though its existence in each home may not act as a deterrent. A deterrent would be making it illegal to strike.
34. Employment Bill Green Paper. Need for Boardman to write to JP now with the Chamber of Commerce Submission. John Hoskyns to arrange.
35. Inevitably, there will be pain in the next months. We either have to justify that pain in presentation, or equalise it fairly across society. Oil price increases are a major cause of pain. How do we decide where to be fair and equalise, against where we should let the pain hurt? One thing is clear: public sector is too protected, and that is unfair. The choice is not between pain and no pain. The choice is where the pain is felt and whether people understand the reasons, and believe them to be fair?

NORMAN STRAUSS
13 August 1980