

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 6th meeting held at 11.30 a.m.
on Thursday 23rd October 1975 in Room D at the
House of Commons.

Present: Sir Geoffrey Howe, MP (in the Chair)

Sir Keith Joseph, MP
Mrs Oppenheim, MP
Mr Ian Gilmour, MP
Mr Brian Griffiths
Mr David Howell, MP
Mr Ridley)
Miss Bulloch) (Secretaries)

Apologies: Mr Biffen, MP
Mr Heseltine, MP
Sir Leonard Neal
Mr Nott, MP

1. Minutes of the Last Meeting

These were confirmed by the Chairman.

2. Future Work

The future programme of work for the Group was discussed on the basis of Mr Ridley's paper (PG/10/75/14) with special reference to persuasive policies for the short term. An article by Mr Tim Congdon, on the future of deficit financing as a cure for recession, in that day's Times had brought out very clearly the underlying factors in the present situation, and it was suggested that he should be invited to advise the Group. The Chairman asked Mr Ridley to circulate a paper sent to him by Mr Nicholas Edwards, arguing for a gradualist approach in the Party's counter-inflationary policy.

was stressed

The general point/that public expenditure must be cut, and that only in this way would it be possible to release resources for the private sector and reduce interest

rates - both essential if investment in industry was to recover and unemployment be reduced.

The Chairman listed the main issues that he suggested the Group should consider during future meetings. These included:

- more open government - especially in relation to forecasting and taxation proposals
- fine tuning
- economic decision-taking
- the shape of the tax system
- monetary policy
- competition and credit control
- the state of the property market, and housing finance
- import controls
- international borrowing
- the floating £
- Sandilands
- institutional devices - on investment, participation, etc.
- the Price Code
- the role of the NEDO
- nationalised industries
- incomes policy

The role of the Bank of England was briefly discussed. De-nationalisation might give it greater independence and make it easier to attract future governors of the calibre of Signor Carli, able to influence government policy effectively. It was felt on balance, however, that it was probably better to find such a governor first; de-nationalisation would, in any case, be politically difficult.

3. Demand management and fine tuning

The alternative course open to an incoming Conservative Government would be (a) to use Keynesian techniques - but more judiciously than in the past; (b) to use the lashed-tiller monetarist approach. The latter course would depend for its success on the extent to which it proved possible to reduce public expenditure. Violent fluctuations in world trade which might reasonably be expected over the next few years, would also make it difficult to sustain.

Various possible advisers on problems of demand management were suggested, including Sir Otto Clark, Sir Frank Figgures, Lord Armstrong of Sanderstead, Peter Jay, and Alan Budd, now at the London Business School. It was agreed that Mr Budd should be invited to attend a future meeting of the group, and to lead a discussion on fine-tuning.

Outside advice should also be sought on monetary policy. Oppenheim and Bell from Schrodgers were suggested as possible invitees.

4. Import Controls

This was a priority subject for discussion, in view of the likelihood of the Government taking action. It would be necessary to give a lead to penalty supporters on our attitude to such controls. Mr Terence Higgins should

be asked to provide a paper on the areas where pressure for control was greatest.

5. Public Expenditure

The Chairman said he had asked the Research Department to undertake a thorough search for examples of extravagances and possible cuts. He was also seeking a title for special examples of public waste - equivalent to Senator Proxcuries 'Fleece of the Month' in the USA.

6. Next Meeting

It was agreed that insitutional devices for investment, and ^{approaches to} incomes policies should be discussed at the next meeting, to be held at 11.30 a.m. on Thursday 30th October.

Adam Ridley
Secretary

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ANR/VA
30.10.75