

PRIME MINISTER

*Seen by the P.M.
P.A.*

1.

Economic Advisers' Council

We now have Adam Ridley's paper on the proposed Economic Advisers' Council. This seems to me to cover the ground very well and to come to sensible conclusions (though he has, deliberately, not gone into the question of who the members of the EAC might be).

An EAC could, of course, be set up to provide the Government with a separate and independent source of private advice which Ministers could use as a counter-balance to the advice provided by the official machine. But you do not need to set up a formal council for that purpose: such advice can be obtained more informally. If, therefore, the EAC's role is to be a public one, it seems to me that it must be seen to have independent status separate from the Government machine, even if it means setting it up at a time when, generally, you are cutting down the number of quangos and similar bodies. Anything less will reduce its credibility, and this in turn will make it more difficult to attract members of the right calibre. But inherent in independent status is, plainly, the possibility of conflict with the Government's views on economic policy. We shall have to live with that.

As for the size of the Council, four or five members might be better than three. Three might make the membership too narrow. Four or five could be expected to embrace a wider spectrum of thought, while stopping short of the point where the size of the Council led to internal division and thus to impotence.

Do you wish, as the next step, to discuss the paper with the Chancellor of the Exchequer? *Thereafter, to E which will be considering a paper by the Chancellor on the ~~Finance~~ related subject of the Forum in the weeks' time?*

AMT.

18 June 1979