

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 9th meeting held at 11.00 a.m. in Interview Room J at the House of Commons on Thursday 13th November 1975.

Present: Sir Geoffrey Howe, MP (in the Chair)
Sir Leonard Neale
Mr Howell, MP
Sir Keith Joseph, MP
Mr Prior, MP
Mr Griffiths
Mr Nott, MP
Mr Ridley (Secretary)
Miss Bulloch
Mr Gilbert

Apologies: Mr Biffen, MP
Mrs Oppenheim, MP
Mr Heseltine, MP
Mr Gilmour, MP

- 1) Minutes of the last meeting were confirmed by the Chairman.
- 2) Economic Developments over the coming year

The discussion of Mr. Ridley's paper (PG/10/75/16) began at the previous meeting was continued.

Some doubts were expressed as to whether unemployment was likely to reach 1½ million as many forecasts had suggested. Mr. Prior pointed out that there had been several adverse indicators to offset the upturn forecast in the United States. He had recently been told that only two major companies in this country were at present making enough profit to be paying tax, after relief for stock appreciation. He believed that we should maintain a low profile on industrial relations, and not contemplate further major legislation or reform. Employee participation would be a major issue in the ERC during the next few months, in particular the question of who should represent workers. If it was decided that it should be unions, they must be truly representative of the shop floor, and this should be proved by ballot. It was desirable to divert unions' attention from exclusive concentration on collective bargaining by involving them in other matters. Mr. Prior doubted whether we would have much success as a party in infiltrating our supporters into union ranks. His group was examining the wider ownership of equity in companies. He was in favour of enfranchising workers who had been employed for a number of years, and at the same time disenfranchising non-shareholders: there should be a qualifying five year period for both, after which their representation and powers should be equal.

On the payment of benefits to strikers' families, Mr. Prior believed the best course was to stick to a fairly loose form of words but to make it clear that responsibility for their support should fall on the unions and not on the taxpayer.

If we were to be returned to Government next year in conditions of national collapse it would be possible, on a doctor's mandate, to do many things that we could not otherwise dream of doing. We should think rather in terms of the probable situation after five years of muddling through by the present government.

Sir Leonard Neal said that encouragement of worker share ownership would be seen as a cunning device to weaken support for unions. He believed it would be possible to win a great deal of the argument with the union rank and file, but not with Len Murray. Ninety per cent of the work force were amenable and reasonable. We could never hope to win over the hard-core militant minority, nor the present TUC leaders, but by cultivating the shop floor and certain trade unions we could hope to isolate them and lessen their power to obstruct. The optimists' scenario, envisaging winning over the TUC, could only be achieved at prohibitive cost.

The Chairman said that, of the two scenarios set out in the paper, he thought the pessimistic one was the more likely. The next election would probably not take place in a crisis, but the group should work towards forming proposals for action if it did follow on an early collapse of the present government. He hoped that even if we could not win over the trade unions, we could win the argument in the public eye, and in the win-co-operation. Detailed consideration of trade union reform, pay limits and related subjects were the concern of Mr. Prior's Group but these issues were central to the whole economic problem and the Economic Reconstruction Group should give a great deal of consideration to them. We had to proceed on the hypothesis that a substantial part of the union leadership were bent on changing the entire economic system, and their attitude was one of profound and truculent hostility. He questioned whether we had begun to devise ways to avoid being manoeuvred into a corner by militants in key positions.

Sir Keith Joseph suggested that it would be helpful to identify areas both geographical and industrial where ill-will and power seriously to disrupt occurred together; and then to consider how best to mobilise the well-disposed elements in those areas. Proposals for further distribution to workers when profits were exiguous were not practicable. We should explain the facts of the present situation, and the need to control public spending as clearly as possible. And we should stress the need for better management, including gestures such as use of the same canteen by managers and shop floor.

It was noted that Mr. Wilson had been remarkably successful in handling the TUC, largely by leading the leadership to discredit themselves with both the militants and the moderates. It was possible that within the next year or so militants would drive the TUC still further to the left. But it was at present impossible to guess what the posture of the unions would be - remnant or dormant - when we took office.

The Chairman said that political parties tended to devote too little effort to gaining office with sufficient authority to do what needed to be done. We needed to define absolutely clearly about six main policy objectives, and to put across the strategy based on them. For the latter purpose we should try to mobilise management and the commentators, from Woodrow Wyatt to William Rees. Mogg. We should try to identify areas where work people were being misled by malevolent leaders.

Mr. Prior said that a period of time would be needed for old wounds to heal; we needed to identify a number of issues on which we could start to win public acceptance.

The Chairman said that he and Mr. Ridley would produce an amalgamation of the papers they had discussed for presentation to the Shadow Cabinet. Sir John Hick's recent paper from the Lloyds Bank Review and Mr. B. G. Kegan's (USA) paper would be circulated before the next meeting, when the Group would discuss the causes of the present inflation - this would take place at 10 a.m. on 20th November at the House of Commons.

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