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11 March 1981
Policy Unit

PRIME MINISTER

ECONOMIC EFFECTS OF INDUSTRIAL ACTION

1. Geoffrey suggested that CCU-type preparation should extend from matters of health and survival to economic effects.. Sir Robert Armstrong has provided you with some advice on this idea; you are due to discuss it with him on Friday, 13 March.
2. We feel that Geoffrey has put his finger on an important gap in the system. There is nothing like enough thinking in advance about vulnerable points in the economy. For example, we have on several occasions suggested that some contingency planning is done with the aim of detering industrial action by the miners. Only now, faced with recent events, is that being undertaken. If it had been done a year ago, the miners might have been that much less willing to rush into the threat of industrial action last month.

Thinking ahead

3. We agree with Sir Robert that this kind of thinking - perhaps as much as a year in advance - should be the responsibility of the relevant Department. Where nationalised industries are involved, it should be an integral part of a Department's scrutiny of forward plans.
4. Unfortunately, experience suggests that Departments cannot be relied upon to do this work systematically. They need:
 - (a) A stimulus from outside (eg from Treasury, Cabinet Office or No.10) to do it.
 - (b) Some reporting mechanism to check on the thoroughness of the work and to decide on any wider issues that forward thinking throws up (eg expanding the electricity industry's EFL to take more coal stocks).
5. We therefore think that someone needs to be responsible for prodding and checking up on Departments in key areas of vulnerability. The first task would be to draw up a list of the vulnerable points.

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Ad hoc plans

6. Quite apart from this advance thinking, there is the ad hoc preparation that is necessary when a particular threat is looming. We agree that this can be done with the relevant Department in the lead. The main danger is that it will not be done early enough. Again, someone should be responsible for initiating ad hoc work.

Communication

7. Finally, there is the Government's need (and responsibility) to explain the wider economic effects of particular disputes to the public and the participants. Often Government is inhibited, partly because we do not have the facts at an early stage; partly because we seem unsure of our moral position or excessively reluctant to appear to "get involved". As a result, we often fail to put over a strong moral case or to establish the right yardsticks in the public mind. (For example, in the firemen's dispute our strong case went by default because we had not prepared the ground: the issue was seen as our failure to honour an agreement, instead of firemen's insistence, to the point of risking others' lives, that they should be completely insulated from the temporary fall in living standards that most of us have to accept.)
8. We are not sure who should be charged with this: perhaps it is a job for Francis Pym's office. A Cabinet Office or Treasury unit could ensure that the facts about the wider economic impact of disruption were available to him.
9. I hope you can take some of these points into account when you discuss this subject with Sir Robert. Perhaps it would also be useful to have the originator of this idea, Nigel Lawson, present at your meeting.


JOHN HOSKYNS

Proposition

*If you want Nigel to
come in, it would be better
to have a separate meeting.*

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