

ECONOMIC RECONSTRUCTION GROUP

Minutes of the meeting held at 10.00 a.m.
on Thursday, 24th June, 1976, at the
House of Commons.

Present: Sir Geoffrey Howe, MP (Chairman)
Mr. Baker, MP
Mr. Howell, MP
Sir Keith Joseph, MP
Mr. Nott, MP
Mr. Griffiths

Mr. Ridley } (Secretaries)
Mr. Cardona }

Apologies: Mr. Siffen, MP
Mr. Gilmour, MP
Mrs. Oppenheim, MP
Mr. Prior, MP

A. The Group's Report1. Wage-restraint

It was agreed that wage-restraint was a crucial part of economic policy and of the Group's report. An orderly wage-round was necessary. This was not an area in which we should be seeking sharply to differentiate ourselves from the Government, except over the "price" of wage-restraint.

2. Areas to be covered by the report:-

- inflation
- public expenditure
- machinery of Government
- no fine-tuning
- reviving private sector
- taxation and 'enterprise'
- the links between public expenditure, taxation, national insurance and social security.

B. A Council of Wise Men

1. There were two functions of such a council:

- (i) the education of public opinion
- (ii) "power-brokering" - the mediation of the influence of pressure-groups such as the CBI, TUC, and potentially (and perhaps desirably) all those who were not represented by the CBI and TUC.

2. As far as possible an existing institution should be built on, and some sort of link with Parliament would have to be devised. In as far as it might be desirable to encourage the development of a better research effort, we might encounter difficulties in finding enough "polymath" personnel.

3. Institutional pluralism was important. Perhaps existing bodies could be coaxed into useful research and publication in this area.

4. Messrs. Hurd and Baker would carry out further research into the various aspects of the "Council of Wise Men" proposal.

C. The monetary policy sub-group

1. The sub-group's Chairman gave the following oral report:-

- (a) there should be monetary guidelines,
- (b) the monetary indicators should be reformed,
- (c) the sub-group was preparing an "Action timetable" for dealing with the public sector deficit and with sterling.

2. It was important that both the Treasury and the Bank of England should have on their staff specialists who understood and were not dogmatically antagonistic to monetary objectives to enable the switch in emphasis to monetary policy to take place efficiently. It was very important to insert outsiders into the Treasury and the Bank at the earliest possible moment. The successful outsiders tended not to be consultants, but were those with a "line" responsibility with a clear task before them.

3. Although careful and detailed research was necessary, in the first instance it would be important to have crude goals; the refined approach could only come later. The Research Department would consider this and other related issues later in the year, at which point it would in any case be right to move from primarily political to more technical work once the planned Policy Document was published. It was essential to have very good communication between the political and technical sides.

D. Future work

1. Messrs. Jenkin, Heseltine and Raison should be added to the Group in the autumn. The Shadow Cabinet should be kept informed of policy developments, so that a political response could be obtained.

2. A discussion of exchange control might be valuable in due course.