

CONFIDENTIALECONOMIC RECONSTRUCTION GROUP

Minutes of the meeting held at 9.30 a.m. on
Thursday 14th July 1977 at the House of Commons.

Present: Sir Geoffrey Howe (in the Chair)
Sir Keith Joseph
Mr. John Biffen
Mr. David Howell
Mr. Barney Hayhoe
The Hon. Nicholas Ridley
Sir Leonard Neal

Mr. Adam Ridley } Secretaries
Miss Anne Bullock }
Mr. Nicholas True }

Apologies: Sir Ian Gilmour
Mr. James Prior
Mr. John Mott
Mrs. Sally Oppenheim
Mr. Brian Griffiths

The discussion on the Final Report of the Nationalised Industries Policy Group (EG/10/77/30) begun at the previous meeting was continued.

J. Ministerial Responsibility

The purpose of vesting financial control in a Treasury Minister was to strengthen the sponsoring Minister's hand in resisting pressure to increase spending. At present too often civil servants were the chief spokesmen for their Departments and had an interest in pressing for more funds, leaving the Treasury as the only advocate of restraint. The imposition of cash limits should make control easier. It was agreed that it would be useful to take outside advice on cash limits; in the first instance Mr. Adam Ridley would prepare a note.

Countering the Political Threat

The confidential annex to the Report was then discussed. It was recognised that we needed to have a clear idea which strikes it was possible to withstand and to win. Successful resistance required preparation beforehand. A steel strike could be circumvented by importing - provided there was no dock strike in sympathy. In private industry the most vulnerable firms usually gave way; we could increase their resistance and change the climate by making clear that they would not be bailed out.

A great deal depended on whether strikers believed that their action was worth while. Tax refunds and social security benefits had a great bearing on this. In some circumstances, where there was a breakdown of essential services, it might be

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necessary to legislate to remove benefits, and then move the troops in. Tax refunds often made more difference to income levels than benefits, in the short term. It might be legitimate to legislate to remove the obligation on employers to pay the refunds while the strike continued. In cases where the sense of grievance was strong, the strike would probably go ahead regardless of the availability of benefits. But their absence could deter strikes where enthusiasm was slight.

Withdrawal of benefit could be countered by strikers calling out a limited number of key workers. For this reason it was an illusion to see it as a cure - unless benefit was also withdrawn from people thrown out of work as a consequence of the strike. Pressure would have to come from the community at large who suffered hardship as a result of the strike.

The arguments for preparing to head off a crisis by legislating on social security benefits in advance were strong - but such a move would be tantamount to a rallying war cry to our opponents. Our intention would have to be made clear in our manifesto, and action taken within the first weeks in government. The alternative approach was to postpone action until a crisis had arisen. A possible compromise was to announce our intention, but postpone carrying it out until it became necessary.

There might be an advantage in moving certain key negotiating dates to the summer, when a strike, for example in the mines, would be less damaging.

It was agreed that we should refer to possible legislative changes in the Manifesto, but it was not at present possible to decide when action should be taken.

L. Wages Policy

Sir Richard Marsh had stressed that Ministers must avoid interfering in wage disputes: our attitude in the first months in office could be crucial. The political pressures were always in favour of keeping negotiations going. It was essential to make clear where responsibility for granting the increase and for the consequent increase in prices lay. The whole policy was undermined when, as in 1972, nationalised industry prices were held down.

L. Management

It was agreed that this part of the paper should be published as a pamphlet - probably by CRD. Some doubts were expressed over the suggestion that Chairmen and all the members of supervisory boards should become part time: part-timers would be in a weak position. The Chairman and deputy Chairman should probably be full time. The two-board structure had advantages in relieving management of outside pressures, but a unitary board was probably more effective. A holding board would be necessary when it came to breaking up the present structure of the industries.

.../ Denationalisation

Denationalisation

It was agreed that Mr. Ridley, Sir Keith Joseph and Sir Geoffrey Howe would have separate meetings with the colleagues concerned - Mr. King, Mr. Fowler and Mr. Lamont to discuss the proposals for the industries for which they were responsible.

The danger limiting our options was that a Labour Government would threaten to re-nationalise without compensation.

It was agreed that gradual fragmentation of the industries, and step-by-step decentralisation of decision making, were the best ways to proceed.

Future Programme

Further consideration was needed on cash limits and wages before the report was re-drafted for discussion by the LCC possibly in October. Mr. True would arrange meetings on the separate nationalised industries, which Sir Leonard Neal would attend.

The meeting closed at 11.00 a.

AE/VM

20th September, 1977

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