

ECONOMIC RECONSTRUCTION GROUP

Minutes of the 7th meeting held at 11.30 a.m. on Thursday, 30th October 1975, in Room D at the House of Commons.

Present: Sir Geoffrey Howe (in the Chair)
 Mr. Brian Griffiths
 Mr. David Howell, M.P.
 Sir Keith Joseph, M.P.
 Mr. Adam Ridley (Secretary)
 Miss Bulloch
 Mr. Gilbert

1. Minutes of the Last Meeting

These were confirmed by the Chairman.

2. Matters arising

Most of the meeting was devoted to a discussion of the work being done on some of the items listed in the Minutes, and to the priorities amongst them.

(i) More open Government

It was felt that particular consideration was needed of the problem Ministers face in obtaining public support for staying within public expenditure targets.

Mr. Whitelaw was examining this area.

(ii) Economic Decision Taking

Mr. Nott's and Mr. Whitelaw's groups were looking at this.

(iii) Shape of the Tax System

A working party led by Sir Arthur Cockfield would look into this. Mr. Paul Dean should be asked to augment it with retired officials. It was felt that this was a crucial area. All sources of revenue should be looked at together, including rates, national insurance and social security and the prospects for helping the corporate sector. Mr. Boswell had been asked to prepare a paper. In considering how the question of shifting tax burdens should be handled, the working party should examine payroll tax and tax credits, possibly under another name. Members noted that Mr. Siffen was arguing that following publication of the Sandilands Report, there was a need to shift taxation from the corporate to the personal sector. It was felt, however, that the immediate problem for the corporate sector was price control.

(iv) Monetary Policy

This was being handled by Mr. Ridley and Mr. Griffiths. Sir Keith Joseph had notes on this which he would send. A speech by Sir Geoffrey Howe would be circulated to those members of the Group who were interested.

(v) The State of the Property Market and Housing Finance

Nominations for a working party were expected from Harold Samuel and the National Federation of Building Trades Employers. Work in this area would have to be linked to the responsibilities of Mr. Baison and Mr. Rossi, but it should be under the strategic direction of the Group, particularly in regard to expenditure commitments.

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This was being examined by Terence Higgins.

(vii) International Borrowing; the Floating Pound

Mr. Ridley and Mr. Griffiths.

(viii) Sendilands

Sir Keith indicated that the profession was likely to accept the Sendilands approach rather than the Codley/Cripps view. Note should be taken of the views of Professor Myddleton at Cranfield.

(ix) Institutional Devices; Price Code; Incomes Policy

These would be examined when Mr. Ridley's initial paper was examined: links with Mr. Prior's working parties were required.

(x) Nationalised Industries

Much work was needed on this. There should be an examination of how the nationalised industries were to be linked to Government; what their accounting procedures should be; what general criteria should be set for them; what their social responsibilities were and how they should be handled. Mr. Heseltine and Mr. Jenkin should examine this area. Sir Keith Joseph would speak to Mrs. Oppenheim about co-ordinating her study, taking into account the consumer interest.

Sir Keith Joseph suggested three further topics on which work was required: the unemployment figures; indexation; and currency reconstruction.

It was agreed that the first of these should be looked at by Mr. Prior. Mr. Gilbert would prepare a paper, taking account of the views of the Centre for Policy Studies and Professor John Wood.

The second was felt to be important, but not an urgent priority. Sir Keith recommended that attention be paid to Michael Parkin's views on the Brazilian experience.

It was felt that whilst the experience of France in 1958 might hold lessons, currency reconstruction should be avoided whilst it remained possible to do so.

3. Public Expenditure

The Group discussed ways in which the proliferation of public controls, particularly through subsidiary legislation, could be reduced. It was noted that attempts had been made in the last period of Government to reduce regulations on housing, building, safety, and licensing, but that there was strong Civil Service antipathy to such change. A self-denying ordinance on principal legislation was called for, and encouragement of voluntary groups to maintain standards.

4. False Dawns

Sir Keith drew the Group's attention to Alan Walter's paper on the £6 policy in which the prospect of the reduction of inflation to levels of 15-17 per cent next year being hailed as the breakthrough was discussed. The Group should be aware of the dangers of an early election being called on this basis.

5. Next Meeting

It was agreed that Mr. Ridley's paper on institutional devices for investment and approaches to incomes policies should be discussed at the next meeting, to be held at 10.00 a.m. on Thursday, 6th November.