



Matt RR

FROM: THE RT. HON. SIR KEITH JOSEPH, Bt. MP.

KJ/IM

9 October 1978

PRIVATE AND CONFIDENTIAL

Rt. Hon. Mrs Margaret Thatcher, MP

Jim Maynard

I had one of my fairly regular dinners with Sam Brittan recently and am reporting to you what he said.

First, he does ask me to emphasise that though he is not keen to join policy groups - for either Party - he is entirely at your service if ever you wish to see him for a private talk.

He supports you in your suspicion about following too closely the German technique of letting a figure be known as a safe average for pay increases - which would not raise the level of unemployment. He thinks that while Germany may have, at least in the past, been disciplined and educated enough to work around this figure, in our case it would simply become a minimum. He very much supports as much emphasis as possible on the link between pay increases, productivity and jobs but thinks that we should rest on a programme of contracting money supply targets and leave commentators and economists to advise the country and individual groups on the implications for pay. He suggests that we actually tell people, when we are cross-examined, that our job is to tell the country what the money supply growth will be each year for several years ahead and to set cash limits and target rates of return in the public sector, but not to spell out the increases or lack of increases that may be suitable for any particular employment.

He also thinks that we should lay more emphasis on the exchange rate as a crucial factor in inflation and jobs. Reducing the public sector deficit and ~~applying~~ requirements, coupled with money supply targets, should give us the prospect of a firm exchange rate, with all the benefits that produces in terms of reducing inflation and compelling competitiveness and higher productivity.

On Europe, he is slightly against joining, believing that we should put our own house in order without the temptation offered of subsidies if we overspend.

I am copying this note to Geoffrey and to Jim for information. A P.

Adam.

Cam.

Kevin

C.C.
Rt.Hon. Sir Geoffrey Howe, QC, MP
Rt. Hon. James Prior, MP

Sir Keith Joseph MP

12th October 1978

This is just to acknowledge your letter of 9th October which I will make sure Mrs Thatcher sees immediately she returns from Brighton.



Richard Ryder
Private Office

The Rt Hon Sir Keith Joseph Bt MP