

ECONOMIC RECONSTRUCTION GROUPNote by the Chairman

I am circulating this background note to members of ERG partly in order to refresh members' minds about past progress and partly in order to suggest priorities for action in coming months.

THE LEGACY OF PAST MEETINGS

A review of commitments undertaken at past meetings reveals the following situation:

1. COMPANY FINANCE, INDUSTRIAL REGENERATION AND THE TRANSFER OF RESOURCES

At the meeting on February 26th, it was suggested that it might be desirable to consider a joint paper by the policy groups on Prices, Industry and Taxation.

- Sir Keith Joseph and Mr David Howell undertook to contact the Business Economists, David Lomax and Mr Ghown to discover their views. The Secretary would, as already planned, be talking to Professor Merrett.
- It was suggested that a paper on investment strategy from Geoffrey Wood might be desirable.

The Secretary has already prepared a draft paper on this complex of subjects.

2. MONETARY POLICY

A sub-group of the ERG to consider monetary policy has been set up following the decision at the meeting on January 15th. On February 26th that group was asked to consider the case for Debt Re-structuring. Amongst its other tasks is the investigation of contrasts and similarities between the experiences of the UK and other countries. To that end the January 15th meeting proposed inviting Messrs. Carli, Bunninger, Morse or Bell to address the group.

Sir Keith Joseph agreed to pursue the problems of reconciliation between our ideas on housing and monetary policy.

3. NATIONALISED INDUSTRIES

A separate group has now been established under the Chairmanship of Nicholas Ridley to consider relations between Government and nationalised industries.

4. PRICES

It was agreed at the February 26th meeting that more thought was needed on the timing of phasing out food subsidies. Mr Cardona has made some progress with a draft.

5. IMPORT CONTROLS

The Group requested a paper on import controls from Mr Higgins last October. In the event the paper he prepared was taken by the Shadow Cabinet

6. INFLATION

The February 26th meeting suggested that the successor to the f6 limit should be considered after the Budget. CRD have already done some work to this end. The November 6th meeting also noted that one of the Employment Groups responsible to Mr Prior would be discussing counter-inflationary policy. At present it appears that it is not yet in a position to report on that subject. Sir Keith Joseph has also asked the Group to consider the definition and measurement of unemployment and the pressure of demand.

7. ORGANISATION AND OPEN GOVERNMENT

The January 15th meeting invited the Secretaries to prepare a paper on the Treasury's institutions, philosophy and procedures of economic management. A paper on open Government has also been promised. The Chairman has suggested that some consideration needs to be given to the role of NEDO and to its role in educating employers, unions and the public.

REPORT TO THE SHADOW CABINET

We shall need to complete a fairly brief but comprehensive report for submission to the Shadow Cabinet well before the Summer Recess. That report will be, amongst other things, raw material for

- (a) economic passages in any pre-Conference Policy Document;
- (b) an election manifesto, if needed; and possibly
- (c) other publications.

Ideally the report should cover:

- (a) a more definitive treatment of the issues discussed in the last report to the Shadow Cabinet;
- (b) our general approach to the management of the economy;
- (c) economic aspects of the machinery of government;
- (d) a coherent approach to the transfer of resources into, and revitalisation of the private sector;
- (e) integration of policies for the public sector, taxation and social security into a coherent strategy;
- (f) monetary policy.

AGENDA ITEMS

If possible the Group should therefore consider papers on the following subjects before agreeing the text of its reports:

- counter-inflation
- machinery of government and open government
- reviving the private sector

- harmonisation of tax, public spending and social security policies.

Consideration of a monetary policy paper will probably have to wait until John Nott's Group has been able to make further progress. Papers on reviving the private sector will be circulated before next Thursday's meeting.