

ECONOMIC RECONSTRUCTION GROUP

Minutes of the meeting held at 10.30 a.m.
on Thursday, 26th February, 1976, at the
House of Commons.

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

Mr. Ridley } (Secretaries)
Mr. Cardona }

Apologies: Mr. Biffen, MP
Mr. Gilbert
Sir Leonard Neal
Mr. Nott, MP
Mrs. Oppenheim, MP
Mr. Prior, MP

Programme of work

- The progress made by the economic policy groups was examined. It was noted that Mr. Nott had set up a group on Competition and Credit Control. The Public Sector Groups's paper on the control of public expenditure would need to be rewritten in the light of recent information. Open Government was a topic which should be considered in the near future.

Company finances

- There was a discussion of the financial position of industry, and of the effects of the Price Code and taxation. It was suggested that a joint paper by the Price Code, industry, and taxation policy groups might be desirable. It was agreed that Sir Keith Joseph would contact the Business Economists Group and Mr. Lomax to discover their views; Mr. Howell would contact Mr. Chown and Mr. Ridley would contact Professor Merritt.
- It was agreed that more information and opinions were needed on the following subjects:
 - stock-appreciation relief from Corporation Tax
 - Advance Corporation Tax
 - price controls
 - investment promotion schemes

Investment and Productivity

- Some of the dangers of investment promotion schemes were discussed. Some firms would be able to get away with paying less tax even though not actually investing, we should perhaps not be able materially to reduce the general rate of Corporation Tax and

such schemes would further complicate business life. It was suggested that Mr. Geoffrey Wood might be asked for a paper on investment strategy.

5. It was agreed that it was dangerous to talk in public about overmanning: it was far better to stress the creation of other jobs and redeployment, though one had to be careful because the shift of resources from public to private sectors could be very slow.

Taxation

6. There was a brief discussion of the proposals of the Tax Policy Group for the reform of the Capital Transfer Tax. It was thought that they probably did promise enough to small businesses. More anecdotal evidence about the effects of the tax was required.

Subsidies

7. It was thought that insufficient consideration had so far been given to the timing of the phasing-out of subsidies. A note on our commitments on food subsidies would be prepared by Mr. Cardona. There was a brief discussion of subsidies to the nationalised industries. Mrs. Oppenheim was writing a paper on nationalised industries and the consumer. Mr. Ridley was chairing the Nationalised Industries Policy Group.

Debt restructuring

8. There was a short discussion about whether the public sector's debt was so expensive that it needed restructuring. It was agreed that the policy group on Competition and Credit Control should consider this.

The next pay norm

9. It was agreed that the successor to the £6 pay norm should probably be considered after the April Budget.

George Cardona