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Item 1

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1. REVIEW OF REGIONAL ECONOMIC POLICY

The Group discussed an interim report from the Review of Regional Economic Policy, circulated under cover of a note by the Secretaries (MISC 14(82) 7). Also before the Group was a letter of 27 July from the Secretary of State for Education and Science to the Chancellor of the Exchequer.

The following were the main points made in discussion -

a. The main thrust of the review of regional economic policy clearly had to be related to the economic aspects of regional policy, but it was important that the review should also go on to consider the social aspects, including such matters as the incidence of deprivation in inner urban areas, and the political aspects, and that its final conclusions should be based on all three considerations. It was important that the review should not take it for granted that the economic case for a regional policy was well-established and widely accepted. It could be argued that regional policy had had an apparently beneficial impact on the local economies of the areas concerned only because the burden which the policy placed on the economy as a whole had had the effect of depressing economic activity elsewhere. This was an aspect which the review should consider carefully, and in framing its conclusions it was important that the review should, as was implied by the objective defined in paragraph 4 of MISC 14(82) 7, assess whether a regional economic policy could be constructed which demonstrably would not have an adverse impact on other regions or on the economy generally, while taking due account of social and political considerations

b. The interim report was right to draw attention to the fact that the institutional arrangements which applied in Scotland, Wales and Northern Ireland made it much easier there to develop coherent policies covering a number of issues than was the case in England. Of perhaps greater importance were the Scottish and Welsh Development Agencies, for which there was no comparable English counterpart, except in certain respects, for the Urban Development Corporations. The arrangements which applied in Scotland, Wales and Northern Ireland also allowed the respective Secretaries of State much greater freedom within their overall budgets to adjust the balance between

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the resources allocated to different areas than was the case in England. On the other hand, the point was made that because of the difference in scale no useful comparison could be drawn between the institutions appropriate for Scotland, Wales and Northern Ireland and those which were required in England.

THE CHANCELLOR OF THE EXCHEQUER, summing up the discussion, said that regional policy raised a number of fundamental questions which Ministers could only consider when the review had been completed. The Group was broadly content with the present thrust of the review as described in the interim report. The review should, however, take account of the points made in discussion and in the letter of 27 July from the Secretary of State for Education and Science, in the next phase of its work.

The Group -

Took note, with approval, of the Chancellor of the Exchequer's summing up of their discussion.

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