



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

REGIONAL ECONOMIC POLICY

In March, you agreed (Michael Scholar's letter of 8 March) that further work should be undertaken following the first report of the inter-departmental Group of officials, which has been reviewing regional economic policy, and that MISC 14 should supervise this. MISC 14 asked the official Group to do some further work, and I attach a copy of their second report.

2. The recommendations of the Group are summarised in Chapter 1 of the report. They have done some useful work in devising a blueprint for a successor scheme to regional development grants (RDGs), which should make these grants more cost-effective. As Cecil Parkinson indicated in his letter of 1 July, this offers the prospect of significant public expenditure savings. Officials have also identified some proposals for promoting innovation and the formation of new firms in the regions; and they have examined a number of other matters remitted to them by MISC 14. Chapter 9 of the report sets out possible ways in which the central issue of the new RDG scheme might be taken forward. These include the possibility of legislation in 1983-84, which we discussed in Cabinet on 7 July.

3. I think we should have an early discussion of this report to consider the proposals for improving the RDG scheme, and to decide how we want to take the matter forward. In particular, we need to decide whether we can now authorise work by officials on bringing the map of assisted areas up-to-date.



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4. Following the recent revision of Ministerial Committees on economic matters, it might now be appropriate to discuss the matter in E(A). If you agree, the Chief Secretary could circulate the report with a short covering paper identifying the main issues for Ministerial decision at this stage.

5. I am copying this minute to the Lord President and the Lord Privy Seal, to the Secretaries of State for Scotland, Wales, Northern Ireland, Environment, Employment, and Trade and Industry, and to Sir Robert Armstrong and Mr Sparrow.

*N.L.*

N.L.

11 July 1983

CONFIDENTIAL

COMPTON



2 JUL 1983



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240  
DC: NICK Owen

file

10 DOWNING STREET

From the Private Secretary

18 July 1983

Dear Margaret,

REGIONAL ECONOMIC POLICY

The Prime Minister was grateful for the Chancellor's minute of 11 July, to which was attached the Second Report of the Inter-Departmental Group of Officials which has been reviewing Regional Economic Policy.

The Prime Minister has commented that she is loth to arrange a discussion of this Report at this stage in July. She fears that, to do so, would be to get off to a wrong start. The Prime Minister would prefer a discussion in September, by which time all the Ministers concerned would have had the opportunity to digest the Report.

I am sending copies of this letter to Bob Whalley (Lord President's Office), David Heyhoe (Lord Privy Seal's Office), Muir Russell (Scottish Office), Adam Peat (The Welsh Office), John Lyon (Northern Ireland Office), John Ballard (Department of the Environment), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Trade and Industry), Gerry Spence (CPRS) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Miss Margaret O'Mara,  
HM Treasury.

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BTC



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MR SCHOLAR

cc Mr Mount

Prime Minister

14 July 1983

I strongly support X. Agree?

MCS 15/7

Yes.

mr

REGIONAL ECONOMIC POLICY

see attachment

x | Mr Lawson proposes that the officials' report on this subject be discussed in E(A). My advice is that it should be discussed first at Chequers in September. The danger of a discussion at this stage in E(A) is that the territorial departments would mount a concerted attack on the proposed reduction in automatic grants ("less money for Scotland" etc). Mr Parkinson may concede something on rates of grant (20-25% rather than 10-15%) but he is more likely to concede even greater increases in selective assistance for investment and "technology" support than is proposed in the report, by way of compensation.

We want to see the maximum savings from RDGs. We do not wish to see these savings frittered away on increased selective assistance. Support of this kind makes no demonstrable contribution to economic performance (a DoI analysis has shown that sectors with relatively low growth in employment, and high import penetration do best out of selective support). In principle it is difficult to see how officials can be more successful at picking winners than industrialists when they (officials) do not have the industrialist's detailed knowledge, nor do they face his structure of incentives (a salaried official neither makes his fortune by getting it right, nor loses his job by getting it wrong). It would be better, therefore, for an inner group of economic Ministers to consider these issues first, in the context of a longer term discussion of expenditure, employment, etc.

NICHOLAS OWEN

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*cg N-0*  
Prime Minister (2)

*This crossed with  
your decision to postpone  
until September.*

PRIME MINISTER

REGIONAL ECONOMIC POLICY

*Mus 18/7*

Nigel Lawson sent me a copy of his minute to you of 11 July, enclosing officials' second report on regional economic policy. *TPM?*

2 I agree with Nigel that an early discussion of this would be desirable. The new scheme of regional development grants should lead to significant public expenditure savings. If we are to make these savings at the earliest possible date, we need to reach agreement on the policy before the Recess, so that work can start on drafting the legislation for introduction in the present Session. As you will recall, Cabinet agreed on 7 July (C(83)22nd Meeting) to keep open the possibility of taking this legislation via an addition to the Co-operative Development Agency Bill.

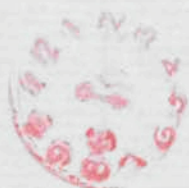
3 I am copying this minute to the recipients of Nigel's.

*C.P.*  
C P

18 July 1983

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Ashdown House  
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London  
SW1E 6RB

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