

30 September 1983
Policy Unit

PRIME MINISTER

THE FUTURE OF NEDO/NEDC

Prime Minister ①
For Wednesday's meeting with
the Chancellor?
AT 30/9

Should we have another look at NEDO?

It continues to be a source of political embarrassment and nasty headlines. It sustains tripartite attitudes and habits of thought which are damaging to growth and which the Government has sought in other contexts to break. Among the illusions fostered by NEDO are:

- that economic problems can invariably be resolved by seeking "consensus" among the "social partners". The Government knows that decisive and often divisive action is what is normally required on matters such as spending, pay, restructuring industries;
- that industries should look towards Government to solve their problems, rather than standing on their own feet;
- that the TUC has a valuable contribution to make to the formation of economic policy.

Despite this manifest inconsistency of aims, the Government has maintained NEDO because:

- (i) NEDC is the only "forum in which it can talk to the unions".
- (ii) NEDO and its Sector Working Parties are thought to do some "useful work".

Neither argument is convincing. Talking to the unions about economic policy in general accords them an unwarranted importance. They have no mandate from their members to discuss these general issues; the subjects on which they could claim some authority to speak - pay and industrial relations - are excluded from NEDC discussions as "too difficult". The appropriate context for such discussions is, of course, the consultations which Mr Tebbit is conducting.

The "useful work" is extremely sketchy and could hardly justify the public expenditure of £4 million annually, not to mention the cost of the time of 1,000 or so industrialists involved in the NEDO machinery. The truth is that Sector Working Parties find it far

easier to formulate requests to Government - for protection, or subsidy, or additional orders, or a stimulus to demand - than to diagnose their own industries' weaknesses. So long as such committees are institutionalised, the Government invites industries to think in this way. Industries have alternative channels, notably their own trade associations.

The presentational advantages of talking to the unions are illusory. The TUC make no secret of the fact that they regard NEDC "as a foundation in its contact with a future Labour Government" (Len Murray, 9 September 1982). The converse is that the TUC regards NEDC as a platform for launching attacks on a Conservative Government, using the poorly argued papers prepared by the NEDC secretariat as ammunition. The Government is in no position to retaliate: as "host" and Chairman, the Chancellor is obliged to behave moderately, whereas the TUC has a licence to behave as it likes.

Options

1. Abolition

This is the logical answer, but it would mean a reopening of our quarrel with the CBI and would promote the illusion, even among some of our own supporters, that we were not interested in co-operation with industry.

2. Reform

I think we could achieve most of our aims by the following changes:

- (a) Breaking down the corporatist tripartism of NEDC. At present, those attending NEDC sit in three big blocks with their acolytes behind them, and only a pitiful handful of "independent" members facing them (Governor of the Bank of England, the consumers' representative, and the nationalised industry representative). We could reform the Council to broaden and individualise its membership as follows: one representative only from each of the following: CBI, Institute of Directors, Retailers' Association, small business, TUC, self-employed, academic world. In addition, the Chancellor could invite a selection of leading businessmen and trade union leaders, but as individuals and not as

representatives. He could also invite one or two "resident gadflies" who would question the received wisdom of the producer lobbies. These could be people like John Vaizey or Douglas Hague.

- (b) Absorbing the NEDO Sector Working Parties into the relevant Ministries. This would sweep away the expensive and pretentious Neddy bureaucracy. It would save money and shorten the lines of communication between the producer lobbies and the Ministries. The Agriculture Working Party would be talking straight to MAFF, and the Information Technology Working Party would be dealing direct with Kenneth Baker. Much of this work is already done under the auspices of Departments and we would merely be wiping out duplication of effort.

A streamlined, individualised Council of this sort, with no supporting bureaucracy, would be much more straightforward, and could operate as a genuine discussion group under the Chancellor's direction.

Would you like to discuss this question with Nigel Lawson at one of your weekly meetings?

Yes mf

FERDINAND MOUNT

fm



10 DOWNING STREET

From the Private Secretary

3 October, 1983

Future of NEDO/NEDC

As I mentioned on the phone, the Prime Minister has received from the Policy Unit a note questioning the future role of NEDO/NEDC. The Prime Minister may well raise this at their next meeting on Wednesday. You may therefore like to have a copy of the original Policy Unit note. I would be grateful if this were not circulated through the Treasury.

A.T.

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H.M. Treasury

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