



cc D. Wilson
Paymaster-General ² PRIME MINISTER

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

To see
Ms
2/8

Rt Hon Sir Geoffrey Howe, QC MP
Chancellor of the Exchequer
HM Treasury
Whitehall

1 August 1979

Dear Sir

When we were discussing the paper on Strategy E(79)28 at 'E' on Tuesday 24 July I urged the need - which you readily acknowledged - for the right thematic presentation of our efforts to accelerate the revival of enterprise in our kind of society.

The attached amplifies some of my views.

I am copying this to Members of 'E' John Hoskyns and Sir John Hunt.

[Handwritten signature]
David

D A R Howell

1. Looking perhaps years rather than months ahead it seems to me that there are three major areas of concern to which politicians on the capitalist and market economy side ought to be turning their minds if Britain is to move on out of pallid convalescence, and if we are to be spared having the collectivists in a few years time once again hammering at the door with their ugly authoritarian 'solutions' and their strident claims that free enterprise has failed.

2. I would put the three concerns this way: First, not nearly enough people in Britain own capital assets, want opportunities for personal capital building or understand the opportunities they have already, or see themselves as in any way participating in the capital formation process upon which almost their entire living standard rests.

3. Second, not nearly enough people perceive that the source of income and output in a modern economy is not labour alone but labour and capital combined, and that a growing share in the rewards of capital offers a far better prospect of higher economic status and greater economic security than the mindless pursuit of higher money wages and salaries.

4. Third, not nearly a wide enough range of people are in a position to dispose of and decide how to invest small parcels of capital - which is the other side of the argument that too many decisions about how capital is employed are governed by ponderous committee procedures and bureaucratic mentalities and not enough by small investors, families getting together to start something up or bright lads with local backing.

5. Of course these three propositions all describe three facets of the same problem - that for the vast majority of workpeople in Britain, even today, there appears to be scarcely more economic opportunity to escape the weekly wage mentality and to advance out of the propertyless state through capital ownership than there was a hundred years ago.

6. In fact, as we know, the appearance belies, since the overwhelming majority of households now have both life policies and an occupational pension interest which gives remote asset ownership in some degree and the prospect eventually of a non-wage income from a source other than the state. But if that is today's reality it certainly fails to permeate the public debate where the rhetoric of the class struggle between labour and capital still prevails

The preoccupation continues to be with income redistribution to meet declared needs, rather than with wider participation in the ownership of new capital - thus giving armies of ^{officials and great deal of} power deciding what those needs are and how and when they will be met.

7. As for the policies which might go with these new concerns I am not even sure, and nor are any of us, exactly how the economic landscape will appear once taxation levels have really been reduced and we are no longer an inordinately high tax country. We probably need to get to the top of that hill first and take a look.

8. But I strongly suggest that much more extensive employee share ownership schemes should be part of the new scene, as should be tax schemes available to all and designed to favour strongly any portion of income, up to quite a high ceiling, set aside and invested for a qualifying period. Greater equality of tax treatment for all savings, whether through institutions or not, must be an objective which should have our support.

9. Whether we go in for the elaborate arrangements to encourage personal capital ownership that the West Germans and the French and the Americans have developed, we will have to decide as part of our tax reform programme. It is possible that administratively simpler approaches can be devised.

10. A further expansion of private home ownership and much reduced public authority 'landlord' control must obviously be part of the new scene; also the need for further incentive to land-owners to let land again instead of taking it in hand and cutting tenancies (as they have been doing for the last 30 years). Vital, too, are the policies which we are pursuing to redress the balance drastically in favour of small and new businesses. Moreover, these will have to go hand in hand not merely with the removal of obstacles to independent enterprise, as already being advocated by colleagues, but with a much

tougher assault than anything hitherto on the monopoly and oligopoly practices in both the state and private sectors which deter new entrants to markets and perpetuate some of the dinosaur mergers of the past.

11. That some major firms themselves are now wondering how they can spawn not just new subsidiaries but entirely separate new ventures is, I think, part of a healthy and wise preparation for the better pattern to come (Shell, for example).

12. A really wide spread of the ownership of industry large and small/^{and} a vigorous exposition at popular level of the immense potential of a capital-owning democracy - these seem to me to be the best guarantor of a supple and robust free economy in the future and the best hope for a really lively investment response once the taxes and other barriers come down - as well as being a crucial safeguard for our liberties against the 1984 brigade.

15. Huge forces, collectivist and corporatist, will be pushing and leaning the other way. All the more reason to ensure that resistance to them springs from the grass roots.

55



...the amount of this ...
...in the state ...
...and ...



2 AUG 1979

...that ...
...part of a ...
...for the ...

...a ...
...at ...
...of a ...
...and ...
...as well as ...
...the ...

55

...and ...
...the ...
...the ...

55

55