

1. MR. GOW
2. MR. WOLFSON

MEMORANDUM BY NIGEL VINSON

It is difficult to quarrel with most of the proposals in Mr. Vinson's memorandum. Many of the proposals concerned with taxation were considered recently by the Chancellor with some outside advice. I think there is general view in the Treasury that many of the amendments are worthwhile, but they have been postponed for two reasons; first there is the revenue loss, which occasionally is small, but sometimes is not. The second reason is that some of these measures involve complex administrative and legal problems which would take some time to work out.

Let me go through his suggestions with some comments.

- A.1 I think there is a very good case both on economic and political grounds for getting rid of council houses as quickly as we can. This would mean selling them at very low prices. There is, however, a political objection to this since it is argued this would cause very considerable distress to those people, mainly Tory voters, who have spent their lives saving and meeting mortgage commitments on houses which they bought at full market value. Why should the council tenant, who never made the effort, get the prize? In my view the additional labour mobility and the fact that the new owners would be much more committed to a Property-owning democracy would easily offset this disadvantage.
- A.2 Some changes have already been made in CTT, and no doubt more will be brought in as soon as we can iron out the problems. I think the suggestion made by Vinson is a very good one and indeed is one I have embraced for many years.

/A.3 I agree with

- A.3 I agree with this but the revenue cost might be considerable. I would argue that you cannot discriminate in favour of those over 60 who are not in receipt of a company pension. I believe that the investment income surcharge should be reduced overall without such discriminatory aspects to it.
- A.4 This is the problem of reducing the tax advantages enjoyed by pension funds. I think it would be wrong to take such tax advantages and try to spread them to individuals who provide for their own retirement. I believe the appropriate policy is to reduce the discrimination in favour of pension funds.
- A.5 I think the best way to tackle this is not by giving additional tax relief, but by reducing the level of tax on all property income (probably the most significant reduction will come with a reduction in the rate of inflation - but there are arguments, of course, and I think they are powerful ones, for indexing the income which is taxable to exclude that part which arises because of the erosion of the value of a financial asset due to inflation).
- A.6 Yes, virtually all of us would agree with easier pension transferability in the private sector. This could probably be done by vesting the pension in the individual. This is the technique used in the United States with, I think, some modest success.
- A.7 This is again a proposal with which I fully agree. However, you will find that the Treasury and the Bank of England would argue that if you remove the capital gains tax free status of gilts they would have considerable difficulty in the market. The gilt-edged market expects this status to continue. I have never been convinced by this argument.

/A.8 I think

- A.8 I think this is also a useful proposal.
- B.1 All these reforms are laudible. The sort of operation
B.2 by the National Freight Corporation with a management
B.3 buy-out and worker participation, seems to be the sort of proposal which we should make as easy as possible.
- C.1 I think this is important. Our best policy both in dealing with trade unions and in generating democratic capitalism is to encourage small firms. Probably the best possible thing we could do is get rid of much of the planning legislation, as well as certain restrictions due to health regulations, etc. But I think the proposal is a good one, since bureaucrats tend to be very fond of large firms who they can deal with easily.
- C.3 This again is enormously important. The refuse collection operation at Southend is very successful. What we need to do is encourage more local authorities into this area of enterprise - particularly in the provision of free entry into private enterprise bus services. It's my impression that even the Conservative dominated local authorities are very reluctant to shed their large direct labour force and denationalise and privatise their operations. There is a natural tendency to measure importance by the number of staff.
- C.4 This is fine, although I see a lot of administrative difficulties and it will cost money to the taxpayer. I think if you give them some respite you should require them to pay it back.
- C.5 Yes indeed.
- C.7 This is the only proposal where I am positively against. I think the takeover bid is a very important way of keeping management on its toes. And I would hate to have proofs that it is "in the public interest". I can well imagine how tribunals or courts would interpret that phrase.