

PERSONAL

Centre for Policy Studies

8 Wilfred Street · London SW1E 6PL · Telephone 01-828 1176 Cables: Centrepol London

11th June, 1981.

The Rt. Hon. Margaret Thatcher M.P.
10 Downing St.
London S.W.1.

Dear Prime Minister -

As you know, a number of us at the Centre for Policy Studies have been putting forward proposals designed to widen and make more personal the ownership of wealth in all forms. At the same time we have begun to give some thought - as we know you too must have done - for a theme for the next election that would combine political vision with natural self-interest.

We also believe our ideas would help to accelerate the changes you were seeking when you said "the country needs a psychological revolution - a revolution in attitudes". A certain amount has already been achieved; the challenge now is to try to build on an investment led recovery as we come out of the recession. So we are seeking ways to involve people positively in the success of our industrial society in general. We seek motivation and a commitment at all levels to recreate a national sense of common purpose to achieve prosperity.

Many find it difficult to grasp monetary and economic concepts but would have little difficulty in associating themselves

2.....

A company limited by guarantee. Registered No. 1174651

To secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people, with particular attention to social market policies.

Directors: Hugh Thomas (*Chairman*) · Sir Nicholas Cayzer, Bt (*Hon Treasurer*) · Alfred Sherman (*Director of Studies*)
Simon Webley · David Young · *Secretary:* Nathalie Brooke

Founders: Rt Hon Mrs Margaret Thatcher MP · Rt Hon Sir Keith Joseph, Bt MP

with the concept of ownership - it is something that people can understand, believe in, and vote for. Moreover, like you we believe that wide ownership of capital by individuals is the corner-stone of a free society.

We are concerned at the increasing concentration of wealth in the hands of institutions and at the fiscal discouragement to the old fashioned virtues of personal thrift - for most people ownership is at second-hand and such ownership is not ownership in the motivational sense. We want to encourage individual involvement in, and understanding of, the wealth creation process; only thus can individuals really feel part of our society.

We wish to lay special stress on the Tory belief that economic power should be spread as widely as possible, with the minimum in the hands of the State; a start has to be made in reducing the centralised power of oligarchical institutions, which are too easy to control or nationalise.

We suggest that a new initiative, which we have called "Ownership to the People", is needed to bring together these philosophical and practical ideas with the existing measures already taken. It would mark a new approach in Government support for a participatory society.

We have worked out in detail a number of new proposals which are attached as a condensed summary. They can be broadly divided into ideas affecting savings and direct ownership, employee involvement, and support for small businesses. Our proposals for more financial involvement by employees open the way to remove the negative tax treatment on all forms of investment in industry.

These and our proposals for pensions reform give individuals in employment a new opportunity to be interested directly in the causes of prosperity.

One specific section of our programme relates to further measures to help small businesses; the Party is at present too easily associated with big business, which wins us no votes, and we would like to see a clear commitment against size and aggregation of commercial power, in both the public and private sector, as evidence of a manifest belief in a freely competitive society. We also want people to see that measures to help small businesses are designed to help them as individuals.

May we come and talk to you, to seek your personal enthusiasm for the programme? We believe the Party should launch this soon, perhaps as a Conference theme, in time to create the political momentum which would carry us up to and beyond the next election.

Ever yours sincerely



NIGEL VINSON.

"OWNERSHIP TO THE PEOPLE"

SUMMARY OF PROPOSALS.

A. Personal Property ownership in all forms.

A.1 Accelerate the encouragement of home ownership and the transfer of homes from local authorities to individuals - e.g. by approval of equity sharing mortgages, and by indexing the limit on mortgage relief at the present level of £25,000.

Raise the limit at which stamp duties are payable on property transfers - this would also help job mobility.

A.2 Encourage the spread of capital ownership by changes in CTT. A gift of up to £10,000, or £1,000 per annum, to a single beneficiary should be free of CTT and left unaggregated. If a millionaire leaves £10,000 to each of a hundred people so much the better. This change would also enable proprietors of small businesses to give shares to their work force without penalising their children.

A.3 Raise substantially the level at which investment income surcharge is payable, in particular for those over 60 who have saved for themselves and who are not in receipt of a company pension (which is taxed as earned income)

A.4.....

- A.4 Establish fiscal neutrality between those who wish to save for their own retirement on their own account and those who, whether from choice or as part of a company pension scheme, save through institutions. We wish to see individuals free to make their own pension choice between a personalised scheme, a company scheme if available, or no pension - other than the state pension.
- A.5 Encourage risk investment by individuals in shares of UK companies either by loi-monory type relief on the purchase of shares up to £1,000 per annum or by special relief on small dividend income (comparable to that given to National Savings) or by stock dividend relief (as in Canada).
- A.6 Provide for fuller pension transferability in the private sector so that pensions are personal and portable between jobs.
- A.7 Remove the discrimination against equity investment by abolishing the Capital Gains Tax free status for future purchases of gilts.
- A.8 Give a positive commitment on Capital Gains Tax, which, apart from its complexity, is a capricious tax on capital ownership, and is accelerating the

transfer.....

transfer of assets from private hands to institutions.
We would like to see its abolition on assets held
for more than six years and would accept, in return,
substantial short term gains being taxed as income.

"OWNERSHIP TO THE PEOPLE".

SUMMARY OF PROPOSALS.

B. EMPLOYEE INVOLVEMENT.

- B.1 Simplify and broaden the whole basis of personal share ownership by employees in companies. Significant further amendments to the existing profit-sharing schemes are needed. Our aim must be to make them more popular.
- B.2 Widen the availability of profit-sharing schemes and share-ownership schemes to all employees in the market sector, including small businesses, partnerships and public sector industries.
- B.3 Facilitate the transfer of employee-held shares, e.g. by special concessions on bearer participation certificates, or eliminating stamp duty and simplifying transfer arrangements for small parcels of shares. We want to see employees able to trade shares easily.

"OWNERSHIP TO THE PEOPLE"

SUMMARY OF PROPOSALS.

C. Support for Development of Small Businesses.

- C.1 Encourage the spread of small firms, e.g. by requiring (as in the USA) that a proportion of all large Government orders go to them.
- C.2 Provide 50/50 pump-priming new starter grants (comparable to the 1st mortgage scheme).
- C.3 Encourage denationalisation and privatisation at the local level. Franchising to the work force, or others willing to take it on, public sector activity such as refuse collection, nationalised industry showrooms, BR buffets, direct labour departments, is a quick method of getting round the problem of lack of capital of the new proprietors.
- C.4 Agree to pay social security benefits (or equivalent) for a limited period to those setting up in business.
- C.5 Encourage management buy-outs and/or the formation of co-operatives by giving start-up tax relief.
- C.6 Remove the remaining tax obstacles to demerging.

c.7.....

C.7 Require all bidders, in takeover situations above a certain size, to put forward positive proof that the bid is in the public interest - i.e. presume the opposite unless proved otherwise.