

BOX.
Nigel Lawson JP.

To: Mrs. Thatcher

18th July, 1978.

From: Nigel Lawson

cc: Sir Keith Joseph
Sir Geoffrey Howe

Dividend Control

From what I can glean there is still an even money chance that the Government may try and rush through a one clause Bill re-imposing dividend control for a further year.

However, what concerns me most is what will happen if they don't do so. I have it on the very best City authority that there are a considerable number of companies who are planning to announce very substantial increases in dividends, of anything up to 100%, as soon as the statutory control lapses, since they fear the return of a Labour Government in October and the re-imposition of dividend control.

While all this is fully understandable from their point of view, it seems to me that a flurry of very substantial and well-publicised dividend increases in August and September would be a most unhelpful prelude to a General Election, and would enable Callaghan to make a great deal of propaganda in the shape of comparisons between what is happening on the dividend front and the trade unionists' patriotic acceptance of Stage 4, etc., etc., In an effort to reduce the political and electoral embarrassments we may suffer, I would most strongly urge that the CBI be leaned on to persuade their members not to make "provocative dividend increases in front of the Election."

