

CONFIDENTIAL



*BR*  
*R*  
*27/6*  
*Econ Pd*  
*Strategy*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

26th June, 1979

*Dear Tim,*

SUPPLY SIDE MEASURES

In reply to your letter of 19th June enclosing a note of a meeting on Government strategy on 18th June, The Chancellor has asked me to send you the attached list of ideas for improving the supply side. They include not only Treasury suggestions but others deriving from the work of sector working parties and inter-departmental official discussions; but obviously, given the nature of the exercise, they in no way represent a 'departmental view'.

John Hoskyns' letter of 19th June asked for names of possible speakers to help get the message of the Budget over to trade unionists. Possible names are Lord George Brown, Lord Robens, Sir Richard Marsh and Sir Leonard Neal. However, the Chancellor wonders whether these former trade union officials, however distinguished, are likely to make much impact on the trade unions. In his view, the brunt will have to be borne by Ministers addressing the public over the heads of trade union leaders and employers appealing to their work forces over the heads of militant shop stewards. The CBI may be able to help on this latter point. I know that Treasury Ministers have further ideas on this point, and I may well be writing to amplify this paragraph after the Chancellor returns from Tokyo.

This letter is copied to the recipients of yours and to John Hoskyns.

*Yours aw,*

*MA*

M. A. HALL

T. L. Lankester, Esq.,



SUPPLY SIDE MEASURES

(a) Finance (Suggestions being or about to be looked at in the Treasury and Inland Revenue): Reduce the bias against investment in productive assets. Look at the tax treatment of financial institutions and the tax incentive to various forms of personal saving, including the building societies, with the aim of removing any bias against the flow of savings into industry and small businesses. Review the system of corporate taxation with a view to encouraging real profitability and adequate investment in fixed assets and stocks. Remove or reduce possible encouragements to merge caused by the present tax system, and consider removing tax and other obstacles to companies which want to demerge. Consider the tax treatment of gilts relative to that of private sector borrowing. Look at Truck Acts. Consider how to publicise the effect of the recent VAT increase on the attractiveness of exporting.

(b) Review planning procedures, including local authority controls, IDCs and ODPs.

(c) Review environmental controls, building regulations and health and safety regulations including the procedures by which they are introduced and implemented.

(d) Carry forward work already in hand on marketing, product development, and import substitution, including the improvement of collaboration between buyer and seller sectors. Encourage companies and nationalised industries to emulate Marks and Spencer in promoting British suppliers.



(e) Increase non-tariff barriers to imports, by concentrating public sector staff cuts in areas where administrative delays were acceptable for that reason.

(f) Reduce Government regulations in consumer protection, form filling, employment protection and race relations.

(g) Reducing the discouragement to women to take technical and industrial jobs where skills are in short supply. A new balance in the role of the EOC.

(h) Tackle restrictive labour practices, by being ready to refer them to the MMC under Fair Trading Act. Possible measures against absenteeism.

(i) Improve labour flexibility: eg reform of the apprenticeship system and measures to overcome resistance to adult training.

(j) Measures to improve the structure of trade unions, including mergers of the smaller ones.

(k) Promote greater awareness of the role of profit; "educate" those engaged in collective bargaining to relate pay to company performance.

(l) Change the priorities of the educational system; raise the status of managers, engineers and entrepreneurs; specific grants and programmes to relieve known shortages, eg electronic engineers.

(m) Sustained reform of housing policy to encourage labour mobility; changes in rent control (beyond shorthold) and subsidy structure.



(n) Recognise that tougher competition policy is wholly compatible with less obstructive attitude to some (many?) take-overs; raise thresholds for referring to MMC.

CONQUEROR



27 JUN 1979



CONTRACTOR

101