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CHANCELLOR*Ja. v. m.**apt for appd.**let the letter issue.*FENTIMAN DINNER, 22 JULY

You asked me to look again at my notes, and the minute I sent you on 30 July recording the main issues raised to see if there were further action points which I had not included in my minute. I have now done this, and have found nothing more to report apart from:

- (a) a vague proposal by John Nott to either tax the Banks or force them to finance some speculative investment;
- (b) a tentative KJ suggestion that there should be scope for more "crumbs of compassion" from DHSS;
- (c) the elucidation, by JP, of his ideas for early retirement, viz that it could be restricted by region and subject to a guillotine of some kind.

2. I think that your intuitive sense that more action was decided on than I have recorded may reflect either the general determination to do something about training, on which nothing further needs to be done given the MSC review; or your long dialogue with Mr Heseltine. The outcome of the letter was ambiguous. You urged him to come up with new ideas which you promised would be look at sympathetically. He was in effect arguing that his old ideas were good ones really, and only the stubbornness of the IR had led to their not being adopted. At the end you did not agree that anything should be done, I imagine because you feared one would end up raking over old coals again.

✓ 3. Looking ahead, I suspect the best thing to do would be to write a letter to John Nott on the lines of the attached draft, copying to the others present. Square brackets suggest possible omissions.

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CONF + PERSONAL

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32

DRAFT PERSONAL LETTER TO JOHN NOTT

Copies for Sir Keith Joseph
Mr Prior
Mr Heseltine
Mr Howell
Mr Jenkin
Mr Biffen
Mr Lawson

I found our dinner of 22 July of great value, and was most interested in the ideas you and our colleagues raised. I shall certainly try to organise another such dinner in due course, since it seemed to be appreciated as worthwhile by everyone present. In the meantime it may be helpful to record one or two conclusions we reached. I note them below, and would suggest that the originator (mainly you) should now take the initiative by putting "flesh on the bones" in the appropriate formal way.

You raised several points:

- (a) Export finance: we should allow foreign currency financing and allow the Bank of England to make the necessary forward market;
- (b) Entrepreneurs: people starting a new business on borrowed money should not be taxed on its repayment as if it were a distribution of profits;
- (c) Share purchases: companies should, in certain circumstances, be allowed, in effect, to buy their own shares to finance a new subsidy;

(d) Banks: as I recollect, you argued either that the Banks should be taxed, or that pressure should be put on them through the threat of taxation to finance additional speculative private sector investment.

(e) Share options: you seemed at one point to be suggesting a new provision for executives.

~~Keith~~ Joseph suggested that there might be some compassionate nuggets which would help Patrick Jenkin. I do not know whether he or Patrick have any concrete ideas to put forward. I do not, of course, have to mention the financing problems in this context!

Jim Prior raised issues about training and unemployment which we shall, I think, be tackling in the normal course of events now that the MSC Review is to hand. But he also alluded to the issue of early retirement and the possibility of measures restricted to certain regions or subject to special cut-offs. Since Patrick's White Paper on the Elderly is nearing completion, Jim might want to work up his thoughts on the retirement issue in the fairly near future.

Finally there was the issue of satellites and telecommunications, where there was general agreement that a positive initiative was needed to focus responsibility for policy in this area on the Department of Industry. I assume that this is a matter for Keith to pursue in the first instance.

For my part I should stress that I am always on the lookout for new ideas to help the regeneration of enterprise and small business, preferably ones which do not involve great administrative complexity. If they are to be of any relevance to next year, I should need to see them by the early autumn.

In copying this letter to Keith Joseph, Jim Prior, Michael Keatinge, David Howell, Patrick Jenkin, John Biffen and Nigel Lawson.

C. D. H. by U.K. + ...