

SECRET AND PERSONAL



10 DOWNING STREET

From the Private Secretary

31 October, 1983.

Dec Barney

Political contributions by companies

The Prime Minister held a meeting today with your Secretary of State, the Secretary of State for Trade and Industry, and with Mr. Gummer on whether there should be some restrictions on the political contributions which companies can make.

It was argued that although the trade unions were not pressing hard at present for restrictions on company contributions, there was a danger that the public might see the Government as acting unfairly. But there was no support for the idea that companies were the mirror image of unions. The true analogy with a trade union was an employers' federation. Also, trade union legislation was nowhere nearly as strict as that which applied to companies. Furthermore, there was no parallel between an employee who could not opt out of making a political contribution if he were subject to a closed shop, and a shareholder who could always sell (though the latter argument was weakened where holdings were via pensions funds).

It was suggested that a threshold could be set giving the right of a shareholder to opt out of a political contribution where this exceeded a specified percentage of profits. The difficulty with this course was that it conceded the case for symmetrical terms. Pre-notification ballots by shareholders were even less desirable as they could cause divisions within company boards.

It was agreed that it was no part of the Government's intention to impoverish either party as this could only lead to a state financing of political parties. Without a fund-raising role, grass roots organisations would wither away.

It was further argued that there was merit in going as far as possible along the voluntary route, with the unions being given a chance to put forward proposals which would meet the Government's objective of providing workers with a free and informed choice. A time limit would be set for the implementation of their proposals. In this way the Government could avoid the accusation of unfairness.

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A further suggestion was that an offer could be made to the trade unions to withdraw the proposal for a ballot on the existence of a political fund in exchange for legislation on contracting in. If unions came to believe that there was a real chance that they might lose their political funds altogether, they might be prepared to settle for this.

Summing up, the Prime Minister said that there was no support for restrictions on companies, and that argument about symmetry should be strongly resisted. The Secretary of State for Employment would consider whether to offer the trade-off suggested above. The Secretary of State for Trade and Industry was asked to study, on a contingency basis, the implications of setting a threshold for political contributions.

I am sending copies of this letter to Callum McCarthy (Department of Trade and Industry), and to Ms. Oxford (Mr. Gummer's Office).

MR. A. TURNBULL

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