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Secretary of State for Trade and Industry

Prime Minister  
Satisfied with the Pettit's explanation, and hence that he should issue White Paper, which he now proposes to be second half draft next on 28 January? AG '41  
DEPARTMENT OF TRADE AND INDUSTRY

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Yes

14 January 1985

RESTRICTED

Lord Hailsham of St Marylebone  
PC CH FR5 DL  
Lord Chancellor  
House of Lords  
SW1A 0PW

LPOATW

OK

My Dear Quentin

WHITE PAPER ON FINANCIAL SERVICES

Thank you for your helpful letter of 9 January. I have indeed given much thought to the constitutional implications of my proposals. I acknowledged in my minute to the Prime Minister that the rule making powers which I will delegate to the Boards could attract Parliamentary criticism.

at X of LC's minute

Like you, I have been much concerned to avoid such criticism and following the same line of thought as you I considered the suggestions you outline. But I have concluded that to have insisted on either of them at this stage would have had two results. First the City would not have delivered self-regulation. We have repeatedly pushed the City hard on a number of issues, to the point where the Governor has expressed concern over whether he can deliver a self-regulatory system. I do not think I could press him further and I believe that either of the approaches suggested would have proved unacceptable. We would thus be left in regulatory terms either with a statutory commission or full-scale Departmental regulation. Second, we would have failed in our more general objective of distancing the Government from detailed regulation of industry and commerce. Apart from the political problems arising from such regulation we would risk slowing the speed of response of the regulatory system and making abuse and scandal the more likely. Whilst I agree that there will be those who will say we are being "soft" in the City and hard on the unions I think one could cheerfully offer a similar system for the regulation of trades unions to that which I propose for the City and have a good deal of fun in doing so! I believe the regulatory bodies will be accountable to Parliament since their powers are granted to them only whilst they command the confidence of the Secretary of State who is himself open to Parliamentary sanction.



I do not delude myself by thinking that we shall escape criticism. But we have thought our way to our conclusions balancing the risks and benefits of various approaches and I am ready to argue that the approach I propose to Parliament in the White Paper achieves a balance between the benefits of self-regulation and the proper level of accountability to Parliament to which you refer. I look to our supporters in Parliament to give their backing to these proposals.

I am copying this letter to the Prime Minister, other Cabinet colleagues, the Attorney General, the Chief Whip, the Paymaster General and Sir Robert Armstrong.

*for me,*  
*Norman*

NORMAN TEBBIT





14 JAN 1985

POST OFFICE