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Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-273 ..... 5803  
Switchboard 01-273 3000 Telex 915564  
GTN Code 273 Facsimile 01-273 5124

Stephen Wall Esq  
Private Secretary to  
the Rt Hon Sir Geoffrey Howe QC MP  
Foreign and Commonwealth Office  
Downing Street  
LONDON  
SW1A 2AL

*CCPC 57x*

*4 October 1988*

*Dear Stephen*

Charles Powell suggested in his letter of 14 September that I let you have a form of words on small firms for inclusion in ... the Prime Minister's brief for her trip to Poland. I attach a short piece.

*at top*

A copy goes to Charles Powell.

*Yours sincerely  
Liz Smith*

LIZ SMITH  
Private Secretary



## SMALL FIRMS

One of the most striking aspects of the success of the UK economy in recent years has been the part played in it by small enterprises. Since 1979, the number of self employed people has increased by 1 million and the number of businesses has increased by over 500 per week. These businesses have created wealth and employment; they have added to our exports; and they have brought about innovation.

We have encouraged the growth of small businesses because we believe that they make a vital contribution to the efficiency of the economy. They are, above all, a source of competition. Many a small firm is started because someone sees that a large firm is operating inefficiently, or is not providing the service its customers require. The competition from small businesses keeps larger ones efficient and alert to the needs of the market.

Small firms are able to respond quickly to the opportunities they see. Because they do not have large management structures, small businesses can take speedy decisions to enter markets, and just as quickly to withdraw if an idea does not work out. In this way small firms can test new products or processes without the large scale commitment that a bigger business needs.

The scale on which small firms can start is important. Many businesses that have grown to become well-known names have started with very little capital indeed. Some have been based upon little more than the enterprise of someone with an idea. They have built upon their success and have come to employ large numbers of people.

We believe that where the conditions exist in which people can start small businesses, many of them will do so. Starting a business is attractive because people see that they are living by their own efforts and it is through their own efforts that they will succeed. Although individually these enterprises are small, they are capable of transforming the economy through their



numbers - today around 3 million people in the UK are self employed. Some 96% of all businesses in the UK are small businesses.

I understand that in Poland you have recognised that small enterprises can play a valuable part in the economy. Some of your officials attended the recent International Small Business Congress in Helsinki. I have even found that Marx supported small firms. He wrote:

"small-scale industry is a necessary condition for the development of social production and of the free individuality of the worker himself".

I agree that a thriving small firms sector benefits both the national economy and the individual.

POLAND: pm's visit march '88

