



AK VC

c. Sue C.

10 DOWNING STREET

*From the Private Secretary*

30 August 1983

The Prime Minister has asked me to thank you for your letter of 25 August. She too is sorry that you cannot attend her meeting on science, technology and industry at Lancaster House on 12 September. I will draw your comments to her attention.

(TIM FLESHER)

J.B.H. Jackson, Esq.



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PPS.

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The Rt. Hon. Margaret Thatcher, MP, PC,  
10 Downing Street,  
London, S.W.1.

25th August, 1983.

Dear Prime Minister,

It is with great regret that I have had to decline your invitation to attend the Seminar on Science, Technology and Industry at Lancaster House on 12th September. However, I am writing to say to you direct what I would have said at that Seminar.

In my judgement the most important single factor inhibiting the creation in the U.K. of wealth from science and technology is the effect of high interest rates. I am not talking about the direct cost of finance for new or established industries. I am talking about the effect a high interest rate environment has on the attitudes of the managers of venture capital funds. To take a crude example: After a long period in which it has been possible to obtain, on average, a return of some 10% on money at no risk, venture capital will only be available to a high risk "greenfields" enterprise if there is a prospect of a return (interest and capital growth together) over 5/7 years at the rate of some 30% per annum compound. If the rate of no risk return, to which fund managers were accustomed, was only 5%, then the high risk return looked for would not be halved at 15% but could well be nearer to that than to 25% - i.e. 30% less 5%.

The present expectations of venture capital fund managers with regard to rates of return on a short time-scale present a barrier to new enterprises which is extremely formidable. These barriers must be much lower if we are to generate in this country sufficient new enterprises based on new technologies in sufficient time.

Cajolery would not - and indeed should not - help in this. Substantially lower interest rates would help - and quickly.

Yours sincerely,

J.B.H. Jackson



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# HUNDAY

*Friedmans*

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cc: Dr. Nicholson  
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JEM/JS

15th August 1983

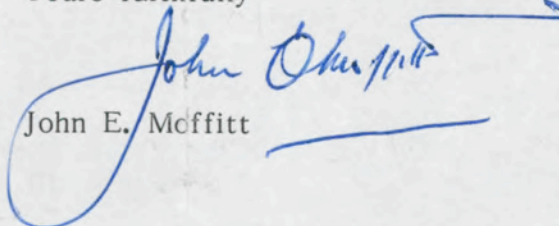
R17

Dear Sir,

Further to the Prime Minister's invitation to a Seminar on Science, Technology and Industry on the 12th September, so that I can be better briefed, I am wondering if you can give any indication as to the form this will take. I would also be interested to know who else might be present from the Agricultural Industry.

If this information is as yet confidential, obviously I will understand.

Yours faithfully

  
John E. Moffitt

The Secretary  
10 Downing Street  
Whitehall  
London

SCI & TECH: Public Seminar on Sci, Tech, and Ind:

March 83.