

Sir G. Howe



HOUSE OF COMMONS
LONDON SW1A 0AA

Box

7th April, 1977

Peter Cropper has written me a short note amplifying the point made in your letter to Margaret of 2nd April about investment incentives, with which I have a great deal of instinctive sympathy. The former Government Chief Scientific Adviser, Sir Ieuan Maddock, used to be a vigorous proponent of the argument that the real deficiency in Britain's investment pattern was the extent to which so much of it was misdirected.

Your point is also of potential importance in the context of our struggle to find enough room to manoeuvre to reduce direct taxation to the extent that is desirable and necessary, since Corporation Tax, in the absence of price control, could provide a source in addition to higher indirect taxes.

If, however, one was to move down the road that you suggest and yet avoid the fair charge from industry that one was adding to the political order, counter-order, disorder sequence (compare the speed with which REP has been abolished) one would need to do so on a long-term basis, in fulfilment of a well-explained and accepted strategy.

This suggests to me that it might be quite interesting for me to make a thoughtful speech, founded upon your letter, after the ideas had been more fully mulled over. I am, therefore, copying this letter to Margaret Thatcher, Adam Ridley and Peter Cropper so that Peter can see that the idea is considered by the Tax Policy Group.

John Sparrow, Esq.,
23 Great Winchester Street
EC2