

Federal govt. finances its
massive deficit by borrowing in the
private market in competition with
business.

- The monetary \uparrow that
administration was the scapegoat.

Old growth - 50: 1607

Size of palm sector.

Rolling back palm sector.

Head: -

hollow neck: -

Removal of leaf -

Knowledge of Confucius -

On a def. on both - Attitude.

All kinds of things -

80-60's

20-4

Don't worry too much
about supply side of economy

Full employment,

Trade balance.

Supply side effects.

Now ~~very~~ reduced unemployment.

You must restructure better - we are poor.

Shift in price: labor market
was happening.

Strength back in a way in
which will work.

Please not use your power

Return - where you start.

Can't change the value of
power

Don't make the market for
labour work.

Just work

Income policy → work work.

Fixed or monetary policies.

- essential services

Free Collective bargaining work in framework
of imbalance of power

Wage index - over-riding
with restrictions

Quidity - best requirements
Optimizing & market effects



10 DOWNING STREET

THE PRIME MINISTER

Wing

Get the Joint
ministers of finance.

With attitude towards
profits

Then needed to long depends
- ref. progress.

~~Profit~~ Earning of finance - depends

Let them go - pay for it

Not - it's lost.

Not particularly efficient yet.

What you get paid depends on
market not on merit.

Land: legally owned used
on voluntary.

Approved to help in Market
Sale of Public sector
Prop. & Trans / Social Sec

Difficult - to
prevent misuse.

Property Ownership -
Below company concept

Taking back our own markets

Potentiality for productivity
improvement in large.

NOTE: In Oil.

Radical reforming.

Innovation? - Financing at. needs } review?
- budget

← Exchange Control - Review?

← Sch. 10. and 10A. T.U. funds trading at.

Working changes - work

- part of the new
accepted permanently
political.

Unlikely to reverse ∴ Swiss

General T.U. - Reaction.

Life-time of a Parliament

- Public spending
- de control?

- More defence -

but other things

Refer = law
Dread to industry
expected.

Living within means
not showing as. balance - which would depend

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Got to let spending under control.
other tax demands impossible

Adjustment of expenditure. - Restriction
relating to budget
T.H. Law report

Steel - industry - as it was before.

B.L.
S.W.C.M.

|| where supply remains
it will be
for every one

Shop jobs more money
their shop stewards

What to do - has to do it.

Time

Time early.

=

Challenge Exchange Control.

Social Policy - Economic - Social Policies.

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(3)

Central target - Inflation.

Output lost - unemployment higher.

Target - shorter - shallower.

Then however:

Expectations - longer rather policy
is earlier.

Like time of a point

- reflected in

by means of short-term price rules.

Reduce - disinflation together -

with in order to survive.

Reduce - inflation.

Reduce of disinflation - inflation.

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No window dressing.

- all is more important
to show presence of solid concrete.

Detached view -

Grass is with industrial.

And business doesn't connect with big units.

Future is more for small business.

Group some notes.

fruits of enterprise.

Commodity heights - someone new

- disappointed into

the economy

perhaps - money - manipulation then don
fore

Transitional period - Intensify & light.

Bank HMC. will be on through whatever
difficulties is - unstable.

10 DOWNING STREET

None suspended to wind back

Borrowing agreement determines this
over letters
- note to / - 4/1/1950

Public debt - pay retirement:

1,500,000

Health

- Dr. Burton.

£10,000

£500-£600 in direct
cost.

→ ① Limit to the level of care = which is
acceptable
~ possible in a hard economy.

→ ② No punitive reform - persuade people
that reform is necessary

Energy

Duncan Burn.

- Eric Sharp.

③ Failure - sometimes dimensions of
Mogoli since 1945 -
subject of enquiry.
- BM requires greater intervention.

None looked to the true solution.

Energy ~~with~~ ministry, not wanted.

④ Nationalistic attitudes reflect confusion

Coherent energy policy - consistent
with economic objectives.

Terrace Price

- Kentonmore Culture Group.

John James.

- Land

- Community Land Act.
- New Land Tax.

Leonard Neal.

- State

- Culture - Market - ind. rights
- Law.

Students - basically under-achievers.

Indian rights - progressive reform.

Employment Bill - does not contribute

freedom Blackly
- Pay out

Symbolic

Pre 1976 Law - contract.

s 25. P.L. 116. Act

- Trade Disputes -

def.

1/2 is for through

Parliament -

s. 13 - 14 TUCRA not

repealed

- many problems

needed.

Public "unlawful

prohibition

in. spirit of law

to people during one

crisis point.

Structure of the

constitution.

Institutions should be up to

rather than individuals.

Change direction - responsibility - 1-11th

state - way to change.

29. 12. 1976
day
this country.

Market - rely on.

Inst.

Fund.

① ~~Market~~ / on ~~Inst.~~

② ~~Market~~ - ~~Inst.~~ / ~~Inst.~~

③ ~~Market~~ - ~~Inst.~~

~~③ ~~Market~~ - ~~Inst.~~~~

③ ~~Market~~ / ~~Inst.~~ - ~~Inst.~~

④ ~~Market~~ / ~~Inst.~~ → if ~~Inst.~~ ec. policy ~~Inst.~~

Instrument used to Monitor & develop ~~Inst.~~

Net Inc. - 1940-41.

Key 2. Lit. Theory

No longer ~~Inst.~~ ~~Inst.~~

Review - ~~Inst.~~ which is essentially non-productive.

So the ~~Inst.~~ ~~Inst.~~

② ~~Inst.~~ / ~~Inst.~~ / ~~Inst.~~

③ ~~Inst.~~ → ~~Inst.~~

③ ~~Inst.~~ / ~~Inst.~~

The only thing necessary for the triumph of evil
is for good men to do nothing.

Intellect.

Heart.

Relief.

Prudence.

By 1981-2 the National Health Service will cost the tax-payer ten thousand million a year - over £150 for every man, woman and child - or for a married man with two children, the staggering sum of £500 - £600 per annum in direct taxation for a service, which at that price should be efficient, courteous and humane. It is patently clear to our group that the National Health Service now has none of these virtues. It is in our view, now a matter of urgency to explore alternative financing. We have the advantage of being able to study in detail what has been called a vast social experiment over more than 30 years and how it has been manipulated for political reasons by successive Governments and also how every other country has managed its' health services in the same period.

As a result we first reiterate what was stated 10 years ago - so long as the present financial structure is maintained the government must impose further taxation or face a further deterioration in standards of medical care. The alternative is to accept the impossibility of financing the rising cost of health services from taxation if public expectations of rising standards are to be achieved. Restraints on personal consumption necessary to combat inflation as a basic aim of political policy can only be achieved if they are buttressed by an outlet for voluntary spending. There is a limit to the level of taxation which is either acceptable or compatible with a sound economy. Acceptance of this - on which your present administration is based - must inevitably lead to an acceptance of the principles upon which our proposed system is based. If the tax payer's burden is to be lightened the key is that individuals, given freedom of choice and opportunity, will spend more for themselves on health services under an insurance system than they would under a tax system - particularly if this is strengthened by tax relief. At the moment they are prevented from doing so - and the fact that people will pay more for higher quality if allowed to do so is a first principle both of economic and political experience.

Why should it matter where the money comes from - as long as it comes - and is spent as people want it to be spent - for better services.

We are not seeking to dismantle the National Health Service at the outset - but to ensure that it is put into competition - which is the only way of describing proper standards and making sure that resources are used efficiently and allowing it to concentrate in those particular areas where it is best - in other words - public goods rather than public bads - because the public is now at the mercy of a vast bureaucratic monopoly which - far from absorbing the generally quoted 6 - 7 per cent in administration, is gobbling up over 20 per cent - a gargantuan machine which now exists to feed upon itself and had come to dominate those it should serve.

As things now stand the national health service confronts collapse not by action from outside, but because from its very conception it carried the seeds of its own eventual destruction within it. To pursue reform we must first persuade people that reform is necessary and we need to inform and arouse public opinion to the urgency of that reform - because the longer it is left the more difficult will entrenched interests make it. To that end in April we publish a document which we believe will do much to influence this opinion in all sections of the community.

In addition, our initial discussions with the British Insurance Companies seem favourable and may be regarded with cautious optimism.

It would be nice to have a health service again in which the doctor listens to the patient instead of the patient having to listen to the doctor.

Duncan Burn - Energy Gr¹p.

The CPS Energy Study Group started work in June 1977. Professor Colin Robinson was chairman; most of its eight members had direct experience of energy industries from the inside or as administrators or consultants.

The group saw its function as providing analyses, information and advice on which ^{Conservative} politicians could base decisions. The failures, sometimes disastrous, of Government intervention in energy industries since 1945 ^{by both parties} were legion, and the subject of many ~~inquiries~~ ^{there were} official inquiries, all designed to find better means of intervention. ^{The} market solution was deemed to lack credibility.

The group analysed instead what would happen if the energy market were freed.

Members contributed studies of topics on which they were expert. Criticisms that the market is not responsive to long term prospects, not suited to long lead times and high cost R and D, distorted by monopoly, and so on, (as though interventionist policies handled these well) were assessed.

The group concluded it would be better if energy industries were treated as ordinary industries, that in great measure post-war failures resulted inevitably from the motivation and mechanics of intervention (the machinery of appointments for example) and that much greater reliance on the market would be beneficial. *elimination of monopolies and subsidies* *There was really no need for a Department of Energy*

It would bring faster responsiveness to consumers' preferences and to real costs of supply, quicker introduction of new and cheaper sources of energy, more conservation, better protection of environment, less log rolling more open-ness, more international competitiveness.

In an interim report circulated at the end of 1978 (which you, Prime Minister, saw) the group set out in some detail, and for specific industries the steps whereby a competitive market could be restored and the risks minimised, and the important things the Government must continue to do - and do better.

We have had interesting reactions though we cannot as yet claim more.

3.

The full committee did not meet after summer 1978, but a nucleus of three has been retained. I have been asked to write a report for publication whose focus will be largely on the transitional problems if it is ultimately decided to rely more on the market.

The nucleus can respond to inquiries related to the Group proposals. We can and do call in appropriate experts. We are just starting work with such aid on some nationalised industry problems raised in the Energy Lunch Group, to which I think Eric Sharp, Chairman of that Group, will refer.

Notes of Lord Vaizey's speech at the Centre for Policy Studies
on Monday, 4 February 1980.

The national income accounts no longer reflect the reality -
a reality which people sense.

In 1983-4 the government may be recorded in the accounts as
having a poor performance while people feel better off.

Obvious political and intellectual significance.

Why is this?

The Keynesian theory on which national income accounts are
based is out of date. So we are trying to formulate a system
which more accurately reflects the complexity of life as it
is lived -

- and emphasises
- 1) the importance of describing the achievement
of economic and social ends - happiness/security
 - and 2) the essentially non-beneficial as well as
non-productive wastefulness of much state
and local authority spending on administration/
(and business bureaucracy).

Special pleading Albert Chirns and $\frac{1}{2}$ time secretary
now 153 people and £15 $\frac{1}{2}$ m.

V/AM

21 February 1980

1. In seeking solutions to some of our energy problems, we have to recognise that the ground rules for the nationalised energy producing industries have been established by successive Labour administrations, culminating in the Energy Act of 1976 and the 1978 White Paper on the Nationalised Industries.
2. The nationalisation statutes themselves reflect confusion of purpose and objectives, confusion of financial and commercial criteria, and confusion of statutory powers and responsibilities.
3. The central question therefore confronting the Group is how relevant are the principles and practices of these nationalised industries to meeting our energy needs and requirements.
4. Consider the 1976 Energy Act with its statutory prohibition on development of supply sources independent of the British Gas Corporation and the monopsony powers of BGC in determining the price of gas it buys from North Sea developers and the monopoly rent extracted from use of its distribution system.
5. We need coherent pricing policies from our energy nationalised industries which will ensure that energy resources are not misallocated.
6. We need to apply to these nationalised industries coherent and consistent financial and investment criteria, and in this context we need to examine relevance of cash limits to energy producing industries.

Continued....

7. We need to ensure that manufacturing industry are not put at a disadvantage either in terms of price or supply compared with our Common Market competitors.
8. Our task as an advisory Energy Group is to assist the Secretary of State in developing a long-term energy policy consistent with our economic objectives.

Eric Sharp

ES.LEW.
22.2.80.

CPS NATIONALISED INDUSTRIES GROUP

THIS GROUP WAS FORMED IN THE AUTUMN OF 1979 WITH TWO PURPOSES:-

- 1) TO MAKE PRACTICAL SUGGESTIONS FOR THE MORE EFFICIENT WORKING OF STATE OWNED ENTERPRISES.
- 2) TO EXAMINE WAYS IN WHICH NATIONALISED INDUSTRIES OR PARTS OF THEM CAN BE RETURNED TO THE PRIVATE SECTOR.

ITS EARLY MEETINGS HAVE CONCENTRATED ON EXAMINING, WITH THE HELP OF EXPERTS, HOW TWO NATIONALISED INDUSTRIES (SHIPBUILDING AND SHIPREPAIRING AND ELECTRICITY SUPPLY) CAN EITHER BE RETURNED COMPLETELY TO THE PRIVATE SECTOR OR THEIR MONOPOLY POWER BE SUBSTANTIALLY REDUCED. WE HAVE ALSO DISCUSSED A PAPER ON THE USE AND LIMITATION OF CASH LIMITS AS A MEANS OF CONTROLLING STATUTORY MONOPOLIES.

A. WITH REGARD TO BRITISH SHIPBUILDERS: WE DISCUSSED A PAPER SETTING OUT THE PRESENT POSITION WITH ITS PROSPECT OF EVER GROWING SUBSIDIES. IN RESPONSE TO THIS, THE GROUP CONSIDERED A PLAN FIRSTLY, TO SELL THE FIVE SHIPREPAIR YARDS AT PRESENT OWNED BY BRITISH SHIPBUILDERS TO FOUR DIFFERENT PROSPECTIVE BUYERS WHOM WE WERE ASSURED WERE AVAILABLE. THIS WOULD CUT OUT THE £22 MILLION PAID IN SUBSIDIES LAST YEAR AND RETURN A CAPITAL SUM TO THE TREASURY. SECONDLY WE DISCUSSED THE STREAMLINING OF THE SHIPBUILDING SIDE INTO FOUR REGIONS WHICH WOULD, IN EFFECT, COMPETE WITH EACH OTHER. WE CONSIDERED THE PRESENT MONOPOLY HAD LED TO WEAK MARKETING ESPECIALLY IN THE WARSHIP MARKET.

- B. WITH REGARD TO THE ELECTRICITY SUPPLY INDUSTRY: THE PAPER WE CONSIDERED SET OUT THE INEFFICIENCIES WHICH WERE OCCURRING DUE TO THE MONOPOLY ENJOYED BY CEEB IN GENERATING ELECTRICITY.

POLICY PROPOSALS INCLUDE:

1. SPLITTING THE CEEB INTO AUTONOMOUS AREA BOARDS WHICH WAS ORIGINALLY PROPOSED TO THE PLOWDEN COMMITTEE.
2. MINISTERIAL CONTROL OVER INVESTMENT SHOULD END AND THE INDUSTRY HAVE ACCESS TO CAPITAL MARKETS. THE HERBERT COMMITTEE BACK IN 1958 WAS RECOMMENDING THIS.
3. CHOICE AND SOURCE OF FUELS SHOULD BE LEFT TO THE GENERATING BOARDS AND NOT DISTORTED BY SUBSIDIES OR TAX.
4. CHOICE OF TYPE OF PLANT SHOULD ALSO BE ALLOWED.
5. DESIGN OF PLANTS SHOULD BE INDEPENDENT OF THE PRODUCER.

- C. THE PAPER ON CASH LIMITS FOR EXTERNAL FINANCING OF THE NATIONALISED INDUSTRIES SUGGESTED THAT THESE LIMITS SHOULD BE USED FOR TWO PURPOSES:

- A) TO HELP REDUCE PUBLIC SPENDING
- B) TO HELP WITH FINANCIAL DISCIPLINE

THE OVERALL 1980-1981 ^{FOR CASH LIMITS} FIGURE/ FOR 17 NATIONALISED INDUSTRIES IS £2.6 BILLION. THIS IS 15.5% UP ON 1979/1980 AND WAS CONSIDERED BY THE GROUP TO BE TOO GENEROUS ESPECIALLY IN REGARD TO THE ENERGY INDUSTRIES. WITHIN

THIS FIGURE TWO INDIVIDUAL TARGETS ARE LIKELY TO BE OVERSHOT - THOSE OF BRITISH SHIPBUILDERS AND BRITISH STEEL BECAUSE OF THEIR LARGER THAN EXPECTED LOSSES.

A MONOPOLY CAN ALWAYS AVOID COMMERCIAL DISCIPLINE GENERATED BY THE MARKET PLACE AND ADDITIONAL PERFORMANCE TARGETS ARE THEREFORE NEEDED WHERE NO COMPETITION EXISTS. WE CONSIDERED FIVE RATIOS WHICH COULD BE INTRODUCED AT ONCE AND REPORTED UPON ANNUALLY. THEY WOULD, WE BELIEVE, ADD SUBSTANTIALLY TO THE EFFICIENCY OF THOSE NATIONALISED INDUSTRIES CONCERNED. WHERE A NATIONALISED INDUSTRY IS IN DIRECT COMPETITION WITH THE PRIVATE SECTOR, THE POLICY SHOULD BE TO HAVE AS LITTLE INTERFERENCE WITH DECISIONS AS POSSIBLE.

SO MUCH FOR OUR WORK UP TO NOW. WE ARE AT PRESENT EVALUATING THE WORK ALREADY DONE IN OPPOSITION BY THE STUDY GROUP CONVENED BY THE CONSERVATIVE RESEARCH DEPARTMENT AND ARE COMMISSIONING PAPERS ON:

- . ALTERNATIVE WAYS OF FINANCING NATIONALISED INDUSTRIES.
- . WAYS OF RETURNING NATIONALISED INDUSTRIES TO THE PRIVATE SECTOR.
- . OPTIONS FOR PARTIAL DENATIONALISATION.
- . PAPERS ON SPECIFIC INDUSTRIES.