

START 11-03-83  
ENDS 17-03-83

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PO -CH /GH/0005



PART B

BUDGET BROADCASTING 1983

DD 25 year NAjs 15/7/94

PO -CH /GH/0005

PART B

PART B

FROM: I R MACKELLAR  
11 March 1983

MR HALL

cc: Mr Monaghan  
Mr Page  
DF

COI ' LONDON LINE' INTERVIEW: 15 MARCH

You will be aware that the Chancellor's two quasi-media engagements in the evening of Budget day are the Budget broadcast and the short interview with COI, London Line.

In the recent past the COI man has turned up at about 6 pm at No 11 and waited (patiently, of course) until about 8.30 pm for the interview.

Robert Wilson, who will be asking the questions, wonders whether it would not be more sensible for him to turn up later this year - say, at 8 pm. This would allow him to have the rest of the London Line programme (ie extracts from the Budget speech and Mr Shore's response) ready for transmission, instead of having to return to that after the interview.

May we give him a realistic time? If so, would 8 pm suit - or a bit later?

Ian Mackellar

IAN MACKELLAR

6/6.30

If the speech is as short as IOK says, if the 10-min. P.M. Bill is as a runway, then ~~6.30~~ with the latter

Contact: Robert Wilson 930 7701

Chancellor ←

If you can bear it, we get going on the

5.05

5.25

5.50

before

off

(or)

6.15

3.30 - Speech  
4.45 - Back to work for other  
5.05 - Lobbying  
5.30 → No. 11  
(This seems to give a lot of leeway?)

Budget broadcast might be best - you'll want to consider all you've printed. Can we offer him 6.30 or so?

May 11/3

FROM: I R MACKELLAR  
11 March 1983

MR HALL

cc: PS/Chancellor —  
PS/CST  
PS/FST  
PS/MST(R)  
Mr Monaghan  
Mr Page  
Press Officers  
Mr Johnson  
DF

*mwp*

*11*

BUDGET RADIO AND TELEVISION

Ministers have undertaken to carry out 18 radio and television engagements next Tuesday and for the rest of the week. We may expect others as comment from, say, the CBI, TUC, Institute of Directors and so on is made public and as the more esoteric points of the proposals are digested. At present, the list looks something like this:

Chancellor

15 March

evening	Budget Broadcast		No 11
evening	COI Radio 'London Line'	Robert Wilson	No 11

16 March

7 am	BBC Breakfast Time	Frank Bough/Alison Mitchell	Noll
7.30 am	AM	Douglas Moffitt	Bridge Street
8.15 am	TV-AM	Peter Jay	No 11

17 March

6.30 pm	Question Time	Robin Day et al	Greenwood Studio
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18 March

10.45 am	Jimmy Young Programme	Jimmy Young	Broadcasting House
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Chief Secretary

15 March

ad hoc	BBC Budget Programme	Robin Day or John Tusa	Norman Shaw
	ITN Budget Programme	Alastair Burnett	Norman Shaw
	IRN	Douglas Moffitt	Norman Shaw

5

6

	BBC Radio 4 Budget Programme	Robert Williams	Norman Shaw
	BBC TV News	James Long	Norman Shaw
	ITN News at Ten	David Rose	Norman Shaw
7.15 pm	Channel 4	Sarah Hogg	Wells Street
*9.45 pm	BBC R4 World Tonight	(discussion)	Broadcasting House
*10.35 pm	Newsnight	(discussion)	TV Centre

Financial Secretary

15 March

5.45 pm	Central TV	Reg Harcourt	Wells Street
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16 March

11.30 am	BBC Radio Stoke	Chris Ramsden	Norman Shaw
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MST (Revenue)

15 March

6 pm	Anglia TV	Malcolm Allsop	Wells Street
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\*These times are provisional

*Ian Mackellar*

IAN MACKELLAR



BUDGET CONFIDENTIAL

FROM: R I G ALLEN  
DATE: 11 Mach 1983

*John/Mom  
Any advice  
on points below?*



*[Handwritten initials]*

→ CHANCELLOR

cc Mr Kemp  
Mr Hall  
Mr Ridley  
Mr Harris

CHARTS FOR THE BUDGET BROADCAST

At your meeting this afternoon, you suggested that the final column of Chart C - on inflation - should be slightly amended. It will continue to be animated, and could show:

- a. The average rate of retail price inflation under the present Government, taking into account some or all of the forecast period, with a caption perhaps saying "1979 onwards". If we take the period to 1984 H2 the figure works out at about 10½ per cent.
- b. Some intermediate position, say the average inflation rate in 1982, 8½ per cent.
- c. The latest (January 1983) RPI inflation figure of 4.9 per cent - this was, of course, already to have been shown in Chart C.

2. I have spoken to Margaret Douglas about this idea. We are both a bit concerned about putting in any intermediate figure - eg the 8½ per cent shown above. In her view this would be a very difficult idea to put across, with viewers liable to get confused. The essential point - how we are now doing better than the average - might come across more strongly if you just show (a) and (c). *OK - can R I G A say that amount to rest*

3. I must confess to being a little concerned about Chart A on unemployment. It will be very difficult for you to avoid the accusation of misrepresentation, however carefully you choose your words, when the final column shows an average level of unemployment of only 2 million, accurate though that figure is within the terms of the chart. If there is one statistic that is surely well established in the public mind it is the current 3 million level. If you really want to take the unemployment point on the jaw it might be best to take unemployment levels at the end of each period of Government: these would be, broadly, 0.4 million in 1964, 0.6 million in 1970, a similar figure in 1974, 1.3 million in 1979 and 3 million

*I'd hope to stick with this - since I don't mind few a charge of misrepresentation: don't we do it last time?  
Need we chart show or just quote a single figure for each period?*





BUDGET CONFIDENTIAL

today. This does not quite show the same inexorable rise, but it is arguably a more honest presentation. The alternative, as I say, would be to make the point about the rise to 3 million very clearly and explicitly in your text.

4. I have told Margaret Douglas that I will let her have your reactions to these points on Monday morning.

127

R I G ALLEN

EB



BUDGET CONFIDENTIAL



FROM: E KWIECINSKI  
DATE: 11 March 1983

MR F MARTIN

cc ~~PS/Chancellor~~  
PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State (R)  
PS/Minister of State (C)  
Sir D Wass  
Mr Middleton  
Mr Moore  
Mr Kemp  
Mr Hall  
Mr Andren  
Mr M C Mercer  
PS/Inland Revenue  
Mrs Hubbard - IR  
PS/C&E  
Mr Howard - C&E

BUDGET PRESS NOTICE: ENTERPRISE AND SMALL FIRMS

The Financial Secretary has seen the Press Release attached to your note of 10 March. He is content with the Press Notice, subject to the minor amendments to the CTT paragraph I spoke to you about earlier today.

A handwritten signature in dark ink, appearing to be "E Kwiecinski".

E KWIECINSKI



FROM: I R MACKELLAR  
11 March 1983

PS/MST (REVENUE)

cc: PPS  
Mr Hall  
Mr Monaghan  
Mr Page  
DF

MINISTER OF STATE (R)'S ANGLIA TV INTERVIEW : 15 MARCH

I am grateful for your minute of 10 March: I am still trying to raise Essex Radio to rearrange the interview.

2. I spoke to Malcolm Allsop this morning. He was delighted that we had been able to rearrange the Anglia slot at Wells Street.

3. He will be in the press gallery during the speech and wondered whether, if you had a spare seat in the car, he might travel with you to Wells Street. It would have the advantage that, if you were delayed by a few minutes, the Minister and Allsop would have had an opportunity for their preliminary chat. He is an amiable companion, as the Minister knows.

*Ian Mackellar*

IAN MACKELLAR



FROM: I R MACKELLAR  
11 March 1983

PS/FINANCIAL SECRETARY

cc: PPS \_\_\_\_\_  
Mr Hall  
Mr Monaghan  
Mr Page  
DF

CENTRAL TV INTERVIEW: 15 MARCH

Reg Harcourt says that, in case the Chancellor's speech lasts longer than expected and the 5.45 pm appointment slips, he is trying to make arrangements to do the interview live from Wells Street at 6.30 pm.

For the time being, of course, the present arrangement stands.

*Ian Mackellar*

IAN MACKELLAR





FROM: JOHN GIEVE

DATE: 11 MARCH 1983



MR MACKELLAR

cc. Principal Private Secretary  
Mr Monaghan  
Mr Hall  
Mr Page

J

BUDGET DAY BROADCASTING: CHANNEL 4 BID AND ROUND-UP

The Chief Secretary is content with the programme of interviews proposed in your minute of 10 March.

Jc

JOHN GIEVE  
11 March 1983





*psyp*

FROM : A P HUDSON

DATE : 11 March 1983

MR MARTIN

cc PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State (C)  
Sir Douglas Wass  
Mr Middleton  
Mr Moore  
Mr Kemp  
Mr Hall  
Mr A J White  
PS/Inland Revenue  
Mrs Hubbard - IR

BUDGET PRESS NOTICES

The Minister of State (R) is content with the following:

- a. The press notice on Tax Measures to Assist Charities (your 10 March minute to him);
- b. The items he is responsible for in the press notice on Enterprise and Small Firms (paragraphs 9, 19, and 21 in your 10 March minute to the Financial Secretary).

A handwritten signature in black ink, appearing to be "A P Hudson".

A P HUDSON  
Private Secretary



FROM: M A HALL  
11 March 1983

MR RIDLEY

*All the usuals.*

c c Chancellor ✓  
Mr Kemp  
Mr R I G Allen  
Mr Harris  
Mr Jay } *Hand by MAIL*  
Mr Dobbs }  
Mr Kerr

BUDGET BROADCAST

Your redraft of yesterday.

2. If I may say so, I think this is coming on well. I have one or two comments.

Para 1

I still have slight misgivings about this paragraph, more about the wording than the sentiment. Could I suggest the following changes:-

First sentence to read "the problem is that successful broadcasting is supposed to be all about.....

Fourth sentence to read "so you wont be surprised that there are no gimmicks in my Budget today. It follows just the same lines as my four previous ones. And its become clearer..... right ones".

Page 2. Surely Australia has come to be identified with labour troubles and other economic problems? Should you not use Holland as a better example?

Page 4 top line. This sound complacent. Might we not say "and the result is that we are getting inflation under control too".

Page 5, first complete paragraph, last sentence. If we say

At the moment.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

"but we in the Government" the point is made more clearly.

Page 7. Worth quoting the number taken out of tax here.

Page 9. I like these two last paragraphs. But I don't think we should overdo the "slow and steady". I would just take the phrase out and leave the final sentence to read "its the policy we are sticking to because we know it works."



M A HALL





BUDGET CONFIDENTIAL



FROM: MISS M O'MARA

DATE: 11 March 1983

MR ALLEN - without charts

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State (C)  
Minister of State (R)  
Mr Kemp }  
Mr Hall } without  
Mr Ridley } charts  
Mr Harris }

BUDGET BROADCAST

... I attach the latest version of the Budget broadcast.  
The Chancellor would be grateful for any comments, except on  
the charts which by now are effectively fixed, as soon as  
possible on Monday morning, and in any case not later than 10am.

*Mom*

MISS M O'MARA

BUDGET CONFIDENTIAL



BUDGET BROADCAST

EST - too apologetic  
at start  
EST's Tim Benton  
has provided  
an alternative

[There's a basic problem about a Budget broadcast.  
And I can't pretend I've solved it.

Omit square  
bracketed text:  
Substitute EST p.1  
(as amended)

The problem is that successful broadcasting is all about  
coming up with something new, and different, and unexpected  
all the time.

But successful management of a nation's economy is all  
about steadiness, and consistency, and sticking to the  
same plan.

MH - original wording  
provides comments on  
leak

today's Budget won't leave you by surprise.  
So, [there aren't any surprises in my Budget today.]

It follows just the same lines as my four previous ones.

With just one difference, perhaps. It's becoming clearer  
and clearer every year that those lines are the right ones.]

Into Jay text from EST:

Of course it's a slow business. [It was bound to be.]

We've all known, for years now, that things have been going  
wrong in Britain [for a long time.]

STRET.

A good many of you will remember the days when we scarcely  
thought of buying anything that wasn't made by British  
workers in British factories. But gradually that changed -

/motor bikes



PK

motor bikes from Japan, <sup>shirts, from Taiwan.</sup> [cars from Germany] shoes from  
 Poland  
 Italy.

[too sweet!]

[During all those years our economy was getting weaker.]

If we're honest with ourselves, we've known for a good time now that we faced a long haul back to real prosperity.

What's more, ~~in the last few years~~ the rest of the world <sup>has been running</sup> has ~~run~~ into difficulties as well. <sup>over the last year or so, unemployment</sup> In ~~strong~~ countries, <sup>in countries</sup> like Germany <sup>and</sup> or the United States, unemployment has been going up even faster than here. It's a world-wide problem.

That's another reason why I was right to tell you, three years ago, that it'll "take more than one Budget, more even than two or three" to get things right: "because these things take time."

Of course, some people still argue that <sup>the</sup> Government could take the old short cut, and create lots of new jobs - just by lashing out more Government spending - by borrowing more.

But they really should know by now that that's <sup>no answer.</sup> <sup>totally self-</sup> a recipe for <sup>defeating</sup> disaster. ]

It doesn't work, because it doesn't last: in a year or so inflation is galloping ahead; the Government has to slam on

/the brakes;



the brakes; and unemployment shoots up even higher than it was before.

The figures prove it beyond doubt.

The average level of Government spending has gone up under every previous Government since the <sup>W</sup>ar, as ~~every~~ Governments tried to spend <sup>their</sup> ~~its~~ way out of rising unemployment.

And did it work? For a few months, yes. But in the long run it made things much worse.

CAPTION A  
Unemployment

You only have to look at the figures to see what was really happening. Under ~~every Government since the war the~~ <sup>The</sup> average level of unemployment has been <sup>gone on rising</sup> ~~higher than the one~~ before. Under successive Governments —

*1/3 m on average between 1951 and 1964, 1/2 m between 1964 and 1970, 3/4 m between 1970 and 1974, 1 1/4 m between 1974 and 1979, 2 m on average under the present Government and, of course, [3 m] today "high street"*

*MGA-16  
bring in  
the 3m figure. Supported  
by PK but it does  
look to me like an  
own goal. Rather  
than catalogue the  
figures, could he not  
say "under successive  
Governments until it reached  
today's level of 3m"*

*ad borrowing RIGRA/PPK*

And the link between Government spending, and unemployment is inflation. In the short run perhaps, it can create a few jobs. But in the long run it ends up destroying many more. **J**

*shut*

CAPTION B  
Inflation

And you can see that inflation has gone up step by step under every Government. Government spending ~~and borrowing~~, <sup>They all</sup> ~~the three~~ go together.

/That's why we





[That's why we knew we had to control Government spending, ~~and borrowing~~ and beat inflation.]

*which we could control began to affect.*

We inherited plans for a huge increase in spending over the years ahead. <sup>prime</sup> So we had to ~~(cut)~~ them drastically - [and sometimes, in the short term, painfully.]

But all the time we've done all we can to look after <sup>we</sup> people who can't look after themselves.

Even after allowing for rising prices, we've been able to spend more, not less, than previous Governments on the Health Service. <sup>over half</sup> Half a million more people <sup>occupy beds</sup> received ~~treatment~~ in NHS hospitals <sup>in 1981</sup> [~~last year~~] than in 1978. <sup>omit.</sup>

*figures are only estimates, only for 1981 so it's possible that to omit they relate only to in fact.*

More, not less, on pensions. More, not less, on the unemployed and training young people - helping them to find a job.

But at the same time we have been getting the total of Government spending <sup>and borrowing</sup> under control. And the result is we're getting inflation under control as well.

CAPTION C  
Inflation  
again

*REGA*

<sup>for a quarter of a century</sup> This Government will be the first since the War to achieve an average inflation rate lower than the one before. ~~And~~ if you look at our tremendous progress year by year it's even more encouraging.

*under the previous Labour Government, retail price inflation averaged about 15 percent a year. Under this Government, that average is likely to fall to 10-11 percent. But that's the average. The actual increase in prices over the last 12 months has been only 5 percent. And that downward pressure on prices will continue, although there may be a slight rise. /And not just in the inflation rate for a short while towards the end of the year as the effect of the recent fall in sterling fed through into prices.*



and low borrowing also help bring

PK / RIG A - original implies the same price for inflation and interest rates.

And not just lower inflation, ~~but lower~~ interest rates ~~down~~ as well. We knew when we came into office that Britain couldn't go on for ever living on borrowed time and borrowed money.

CAPTION D

As I've said, Government borrowing had been rising dangerously for a long time. I've <sup>checked and reduced it.</sup> cut it down very firmly.)

RIG A - need to be more cautious No. 11

In the last 18 months, that's brought down the cost of what businesses and families borrow, quite dramatically. As a result the average couple, buying their first home, are paying <sup>about £40</sup> ~~£7~~ less a month than a year ago. And it's costing companies hundreds of millions less to invest in tomorrow's jobs.

But still unemployment is much too high. And there's only one long term way to deal with that.

PK / RIG A - wider aspect of competitiveness

British industry has to make goods at ~~prices~~ that can compete, to win orders around the world and in Britain too.

And then take people on to meet those orders. That's how a real recovery has always worked. Better productivity, <sup>increased with low wage settlements</sup> lower prices, and in time, more jobs.

RIG A

For years in Britain we were producing less per man and woman than almost any of our competitors. <sup>our productivity performance was so bad that it was NO</sup> [In fact we were doing so ~~badly~~ <sup>STRT</sup> badly it was almost an international joke.]

RIG A - original wasn't quite right? Back to original

delete - MST(c)

Now that's all changed.

/From 1960



CAPTION E

RCA

From 1960 to 1980 when our competitors' productivity <sup>in manufacturing</sup> grew  
 by <sup>4</sup> ~~x~~ per cent <sup>a year,</sup> ours only grew by <sup>2 1/2</sup> ~~x~~ per cent. But <sup>between 1980 and</sup> since  
 1980, theirs <sup>rose</sup> has only <sup>1 1/2</sup> risen by ~~x~~ per cent, <sup>a year but</sup> while ours <sup>rose by</sup> has  
<sup>not risen then by 4 1/2 percent</sup> ~~shot up to b~~ per cent.

As a result, we're beginning to win back a larger share of world trade. ~~for the first~~

RCA not true

~~time in a generation.]~~ That's something the British people have achieved - not this Government. People like those who work at Jaguar, for example, making <sup>almost</sup> ~~three~~ times as many cars per man this year as they did two years ago - and selling them. But we in the Government have been playing our part too.

Resisting calls to go back to the old inflationary binge of more Government spending, <sup>and borrowing</sup>

Cutting taxes when we can. And when we do, choosing the right priorities.



↓ FST points out that this is the first mention of a Budget measure [EST's text brings them in much earlier, of course]

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased.

CAPTION F

NIS

I've cut that now no less than three times in the last 12 months. And that will <sup>make it easier for firms to grow and provide</sup> help to bring back jobs. <sup>use extra jobs we long to see</sup>

RIGA I've cut <sup>other</sup> taxes ~~again~~ today ~~especially~~ to help new businesses, particularly small businesses - (which, as they grow, can create the new jobs we need) <sup>use firms which will become tomorrow's household names.</sup>

for example,

This year, I've introduced the Business Expansion Scheme - <sup>the most generous</sup> <sup>[I know of] any where</sup> ~~with very generous~~ tax reliefs for investment in ~~all~~ small and medium-sized firms - old as well as new.

FST/IR-cut because it's the best

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

DM Tax help <sup>when</sup> for firms that ~~that~~ give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

Because we've made such headway against inflation, we increase duties on tobacco, beer, wine & spirits <sup>have been kept</sup> <sup>if a pint on beer</sup> <sup>in a packet of cigarettes this year, to pay for some of</sup> <sup>the help given to us up in other areas.</sup> <sup>Ad</sup> <sup>don't raise money</sup> <sup>has price increases have done</sup> <sup>and the tax on petrol has gone up less than that.</sup>

But/I've found room too, to help those whom we all want

to help: <sup>the elderly, those of working age who've been made redundant and also families with children</sup>

Take Pensioners, for example. [ Since we were elected, prices have gone up by [ ] per cent. Pensions have gone up by more than that, by [ ] per cent. [And pensioners won't be losing any of that increase.] [Next November,

Next November, pension will go up again in line with inflation. Since we were elected, pensioners will have got <sup>75 per cent</sup> compared with a rise in price of 10 per cent.

GM, who thinks it's too complicated to refer to adjusted with his audience. You may still see it's worth seeing the bull point by adding "And pensioners won't be losing any of that increase" after "in line with inflation".

"And pensioners won't be losing any of that increase" after "in line with inflation".





pensions will go up again by the same amount as prices have risen between last summer and this.

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up to £6.50 a week. It'll be worth more than ever before.

GM

and the additional one percent benefit to £4.05 a week.

People who are out of work will have the full value of their <sup>unemployment</sup> benefits restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real cash help through the year <sup>not only in</sup> when their husband dies <sup>in which</sup> but in the next one too.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people ~~particularly the low-paid~~ and good for business too.

PK - points on threshold needs to be raised.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come

/first.



first. But this year I've been able to cut it quite a bit.

Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. <sup>Point out</sup> <sup>with</sup> ~~More than a million~~ low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.



Every measure in this Budget is designed to help the recovery which is now getting under way. And it is, you know. Slowly, but surely.

There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain.

That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it, as we've always been before.

Of course we won't see unemployment come tumbling down overnight. That's a problem the whole industrial world is going to have to cope with for quite a time to come.

But there is a new mood of realism and determination in the country.

It shows up in the <sup>fewer</sup> (low) strikes (figures), <sup>more exports</sup> (the good export figures), <sup>much lower price rises</sup> (the falling inflation figures), (the) rising productivity (figures) - almost everywhere you look.

PK  
They would fall a bit

That's <sup>what</sup> (the result) we've been aiming for (consistently) ever since we took over. <sup>It's the policy for sound recovery and jobs which last</sup> And it's the policy we're sticking to because we know <sup>all</sup> (it works) <sup>it's the only one which works</sup>





**BRITISH BROADCASTING CORPORATION**

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11th March, 1983

cc PPS  
Mr Ridley  
Mr Harris  
Mr R Allen  
Mr Kemp

Dear Martin,

I thought it might be useful to list the charts we are now preparing.

They are:-

- A. Unemployment
- B. Inflation (up till 79)
- C. As B. but with animated 79-83
- D. The Borrowing Burden
- E. Manufacturing Productivity
- F. Tax on Jobs

Attached are very rough sketches. Final work on F can only be done on Tuesday afternoon.

Best wishes,

Margaret

Margaret Douglas  
Producer  
Current Affairs Group, Television

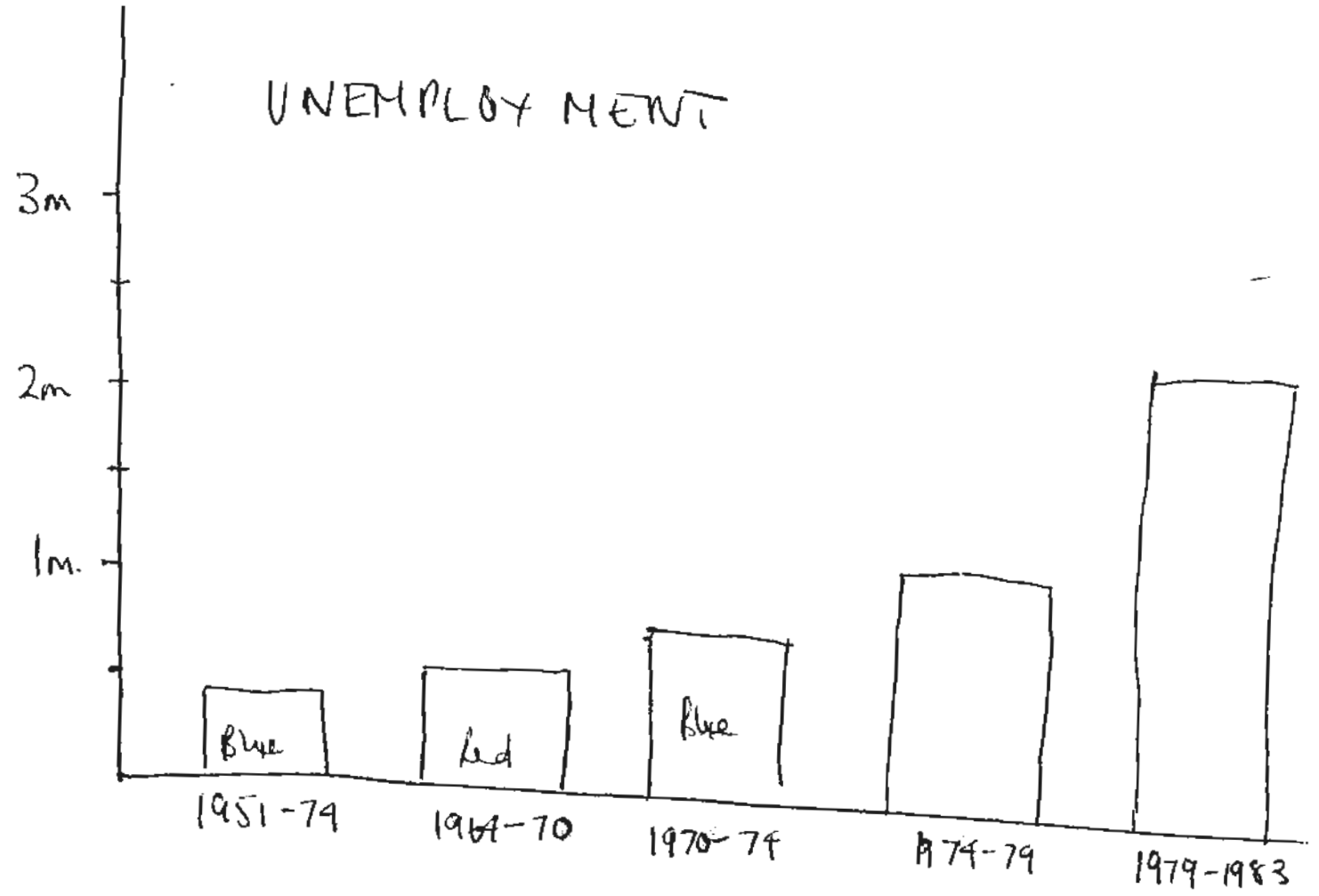
Martin Hall, Esq.,  
Press Secretary,  
The Treasury,  
London S.W.1





Chart A - Unemployment  
 (designed to look like inflation  
 chart.)

Figures: 51-64 1/3 million  
 64-70 1/2 "  
 70-74 3/4 "  
 74-79 1 1/4 "  
 79-83 2 "





Charts B + C - Inflation

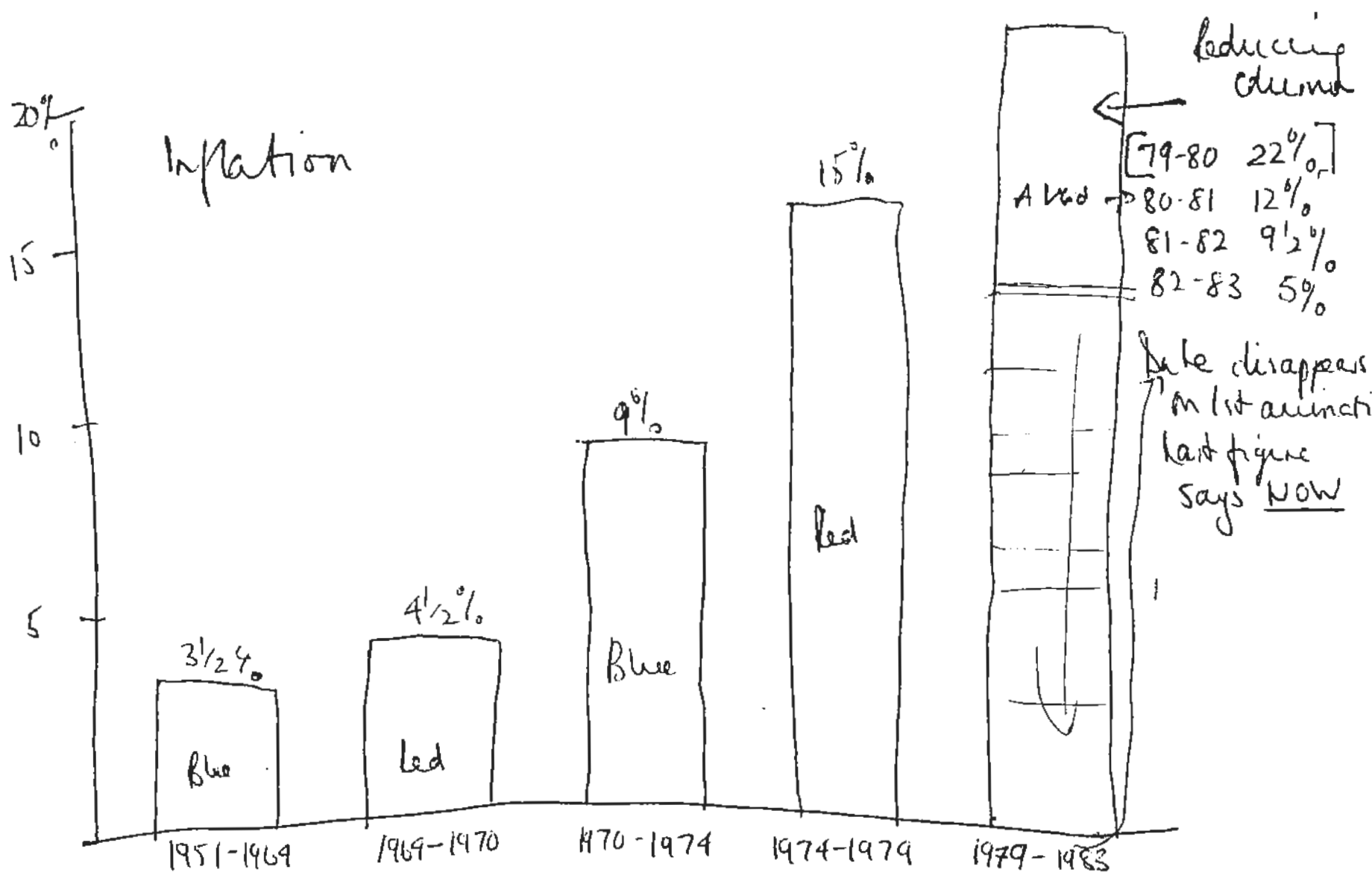
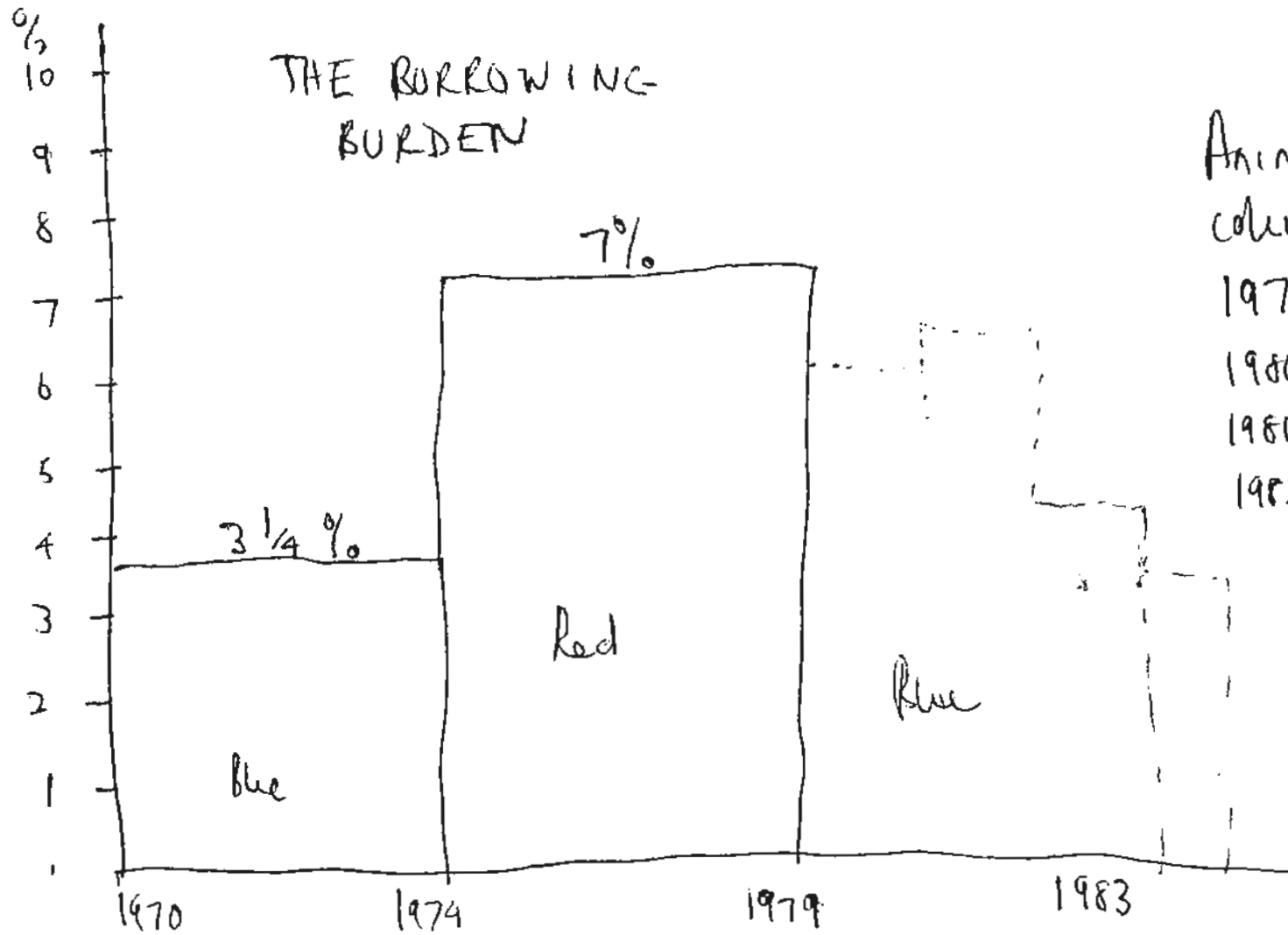




Chart B - The Borrowing Burden



Animate in last column:

- 1979-80: 5%
- 1980-81: 5 3/4%
- 1981-82: 3 1/2%
- 1982-83: 3 3/4%



Chart E

Manufacturing Productivity

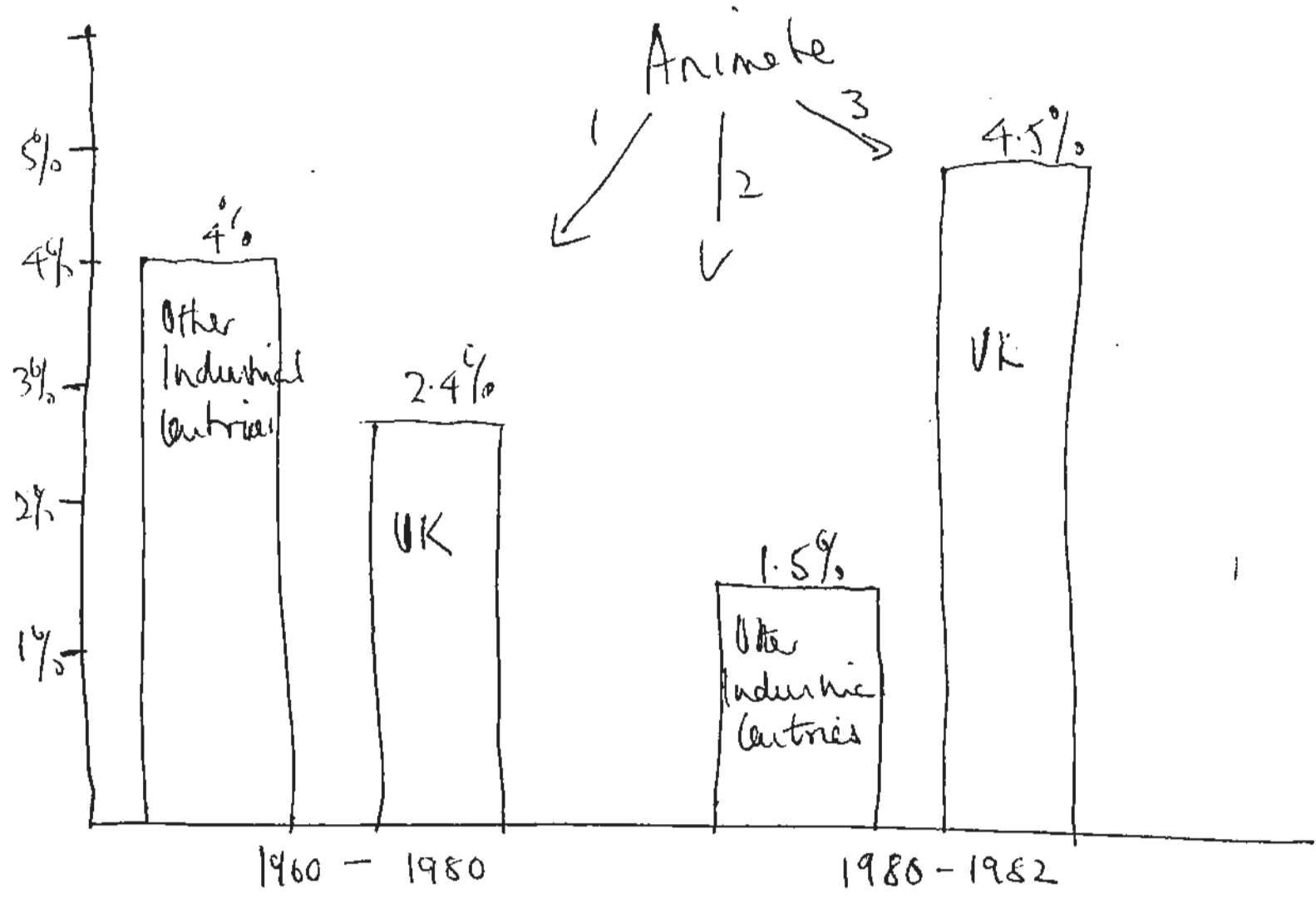
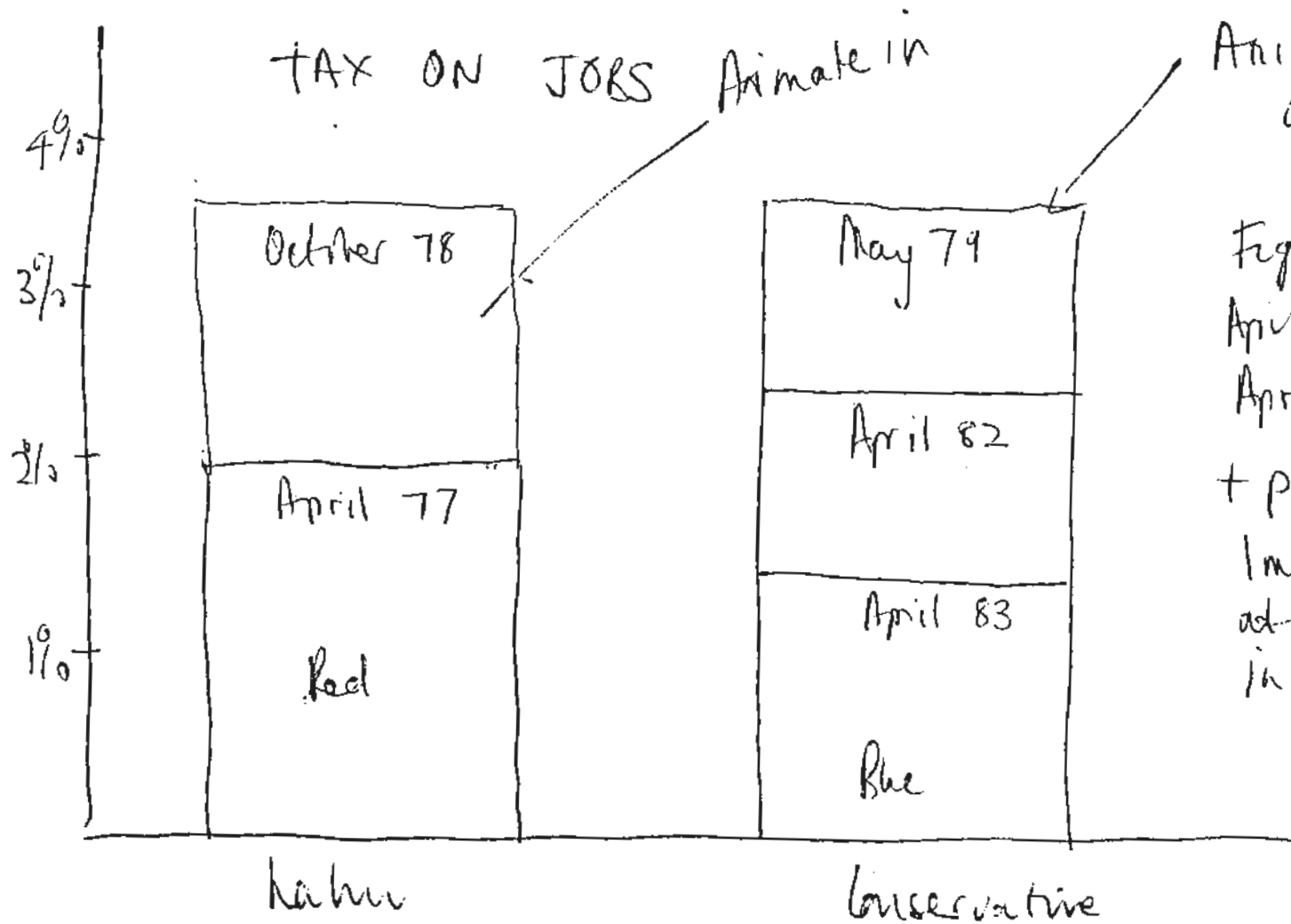






Chart F: Tax on Jobs



Animate in + down

Figures:  
 April 82 2 1/2%  
 April 83 1 1/2%  
 + possibly  
 more change  
 at some point  
 in 1983



*fw*



cc: Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr. Ridley  
Mr. Cropper  
Mr. Cardona  
Mr. Aaronson

CHIEF SECRETARY

BUDGET BROADCAST

.....  
The Chancellor has asked me to circulate the attached version of the Budget Broadcast, which he has revised in style rather than content, for urgent comments please.

2. He is seeing Anthony Jay at 9.45 this morning.

*L.S.J., for*

(P.S. JENKINS)

10 March 1981



BUDGET BROADCAST - 10 MARCH, 1981

Yes - in many ways, it's a tough Budget. And times are tough already for a lot of people.

I know. Because in the last year I've been to a lot of the places where people are suffering most from the recession. To Northern Ireland, South Wales, Clydeside, and the North. And, of course, I've met the businessmen, whose firms are being squeezed. The people in public services trying to keep up standards despite the cuts. And, worst of all, those who're looking for a job - some of them for quite a time.

So, if the Government understands how grim things are the obvious question to ask is: What are we doing about it? And I've got to start by explaining that there are some things we can't do anything about. We can't for example cut ourselves off from the rest of the world. And at the moment a lot of other countries are facing the same kind of thing. Unemployment's going up in Germany, in France, in most western countries - even Japan.

Because we in Britain have been making things especially hard for ourselves. Over quite a number of years. We've been pricing ourselves out of jobs.

/Because our



Because our pay's being rising much faster than our production.

So our costs have been rising faster than our foreign competitors. Much faster. More than twice as fast. And in the last three years nearly three times as fast. So it's been getting harder for us to sell our goods abroad. And easier for other countries to sell their goods here. The pay rises of recent years have caused a lot of today's unemployment.

And that problems have been getting worse in Britain for a long time. Under Governments of both parties. The figures show that very clearly.

Take inflation first. Under each new Government - Labour or Conservative - prices have gone up faster than under the one before. Less than 3 per cent a year at the end of the first Conservative Government after the war.  $4\frac{1}{2}$  per cent under Mr. Wilson's first Labour Government of the 1960s, 9 per cent under the last Conservative Government. And 15 per cent under Mr. Callaghan.

Some people think we can choose between inflation and unemployment. Let inflation rise a bit, they say. To get unemployment down. But it doesn't work like that. The two go together. Higher inflation means higher unemployment.

/these figures





These figures show that. They show the average level of unemployment under each of those same Governments. And you can see that unemployment has been climbing steadily too: 400,000 up to 1964. Half a million by 1970. Three-quarters of a million by 1974. And one and a quarter million under the last Labour Government.

That's why it's so important to defeat inflation. It isn't just theory. It's fact. We have to keep inflation coming down. If we're to stop unemployment going up.

And on that we're making headway. Real progress, as you can see.

The inflation rate has been coming down month by month since last spring. And it is going to come down further.

I said last year that it would take more than one Budget, more even than two or three, to have a chance of getting inflation under control. That's why we can't let up now.

There's something else we want to. And that's lower interest rates. That's good for people with a

/mortgage



mortgage. But it's good for business as well. And that's good for jobs.

And the main reason why interest rates have been high is because Governments have been borrowing too much. That's been my other big problems this year. Because if I'd done nothing about it, then Government borrowing next year would have been up to a record £14 billion. Even bigger burdens on industry. And so an even bigger risk to jobs. I could not accept that. So I've had to take action to get Government borrowing down. And it's better to do that by raising taxes on those least harmed by the recession than by cutting expenditure that's helping those who've been worst hit.



A lot of my Budget is about helping those who most need help. Pensions will go up in November. By £2.45 for the single person. And by £3.90 for the married couple. Child benefit's up too by 50 pence.

That fully compensates for rising prices. In this International Year of Disabled People - we're giving some extra help to them too. And we're taking special measures to help the unemployed - particularly young people who have not found a job.

Obviously these things have to be paid for. And I've tried to place that burden on those who can afford it best. On the oil companies and the banks, for example. They're been making good profits, despite the recession. But I've raised taxes for individuals as well. Because while business has been getting worse off, most of us have had rather more to spend.

That may come as a surprise. But during the last three years earnings have gone up much faster than prices. So, even after you allow for inflation, real incomes after tax have actually risen by [a sixth] [17 per cent]. A real rise in living standards. That would be fine, if only national production had risen as fast. But it hasn't. Production's up by on 2 per cent. So individuals have on average been able to spend eight times more than the increase in what we product.

Check figures  
on chart

/And it's



And it's company profits that have suffered. Company profits - that's today's investment for tomorrow's jobs. Company income even if you include the North Sea has fallen by [a quarter] [25 per cent] over those same three years.

That's why I've had to ask individuals to pay more. That's why I've had to put up taxes on beer, whisky, cigarettes and petrol. I have been able to leave income tax rates as they were. But I've not been able to raise the income tax allowances. I've had to [do that] To help those who are worst off. And to help businesses. Because helping businesses means helping jobs.

It's Britain's businesses that will help Britain back to prosperity. And that's why I'm helping them now. We've given a lot of money to help British Steel and British Leyland to bring themselves up to date - to get competitive. Through lower prices for bulk users of gas and electricity, for example. And above all by getting interest rates down.

But it's the new firms, the new businesses I want to help particularly. I've already done a lot for them in earlier Budgets. Today I'm carrying on the task by launching what I've called the Business Opportunities Programme. A whole series of tax reliefs and incentives

/to improve





to improve the chances of people who want to start new businesses.

My last job has been to keep up the battle against extravagance in public spending. Because public spending is [very largely paid for by private industry]. And private industry's been fighting very hard.

Fighting, by getting pay settlements down - because they've got to. That's why we in Government have got to do the same. We can't pay ourselves or each other more than the taxpayer, or the ratepayer can afford.

I've said that our policies won't bring quick or easy results. But already there are encouraging signs. I've shown you how inflation is coming down. And it's a fact that our exports are still doing well. One of the most encouraging things of all - new businesses are starting up. [And we may now be coming to the low point of the recession.] Of course, things will stay difficult for a while yet. You don't reverse a 20-year decline overnight. Today's Budget can't bring quick results. At the moment it's an uphill slog. But I'm sure it's better to stick at that than to go back to the old downhill side.

Goodnight.



V 48413 to note  
2 RT



MR UNWIN

cc Principal Private Secretary  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Minister of State (C)  
PS/Minister of State (L)  
Mr Bridgeman  
Mr Battishill  
Mr Monck  
Mr Lavelle  
Mr Allen  
Mrs Gilmore  
Mr Aaronsen  
Mr Folger  
Mr Corlett  
Mr Kelly  
Mr Ridley  
Mr Cropper  
Mr Cardona  
PS/Inland Revenue  
PS/Customs & Excise

A handwritten signature in pink ink, appearing to be 'A' or 'B'.

#### BUDGET DEBATE

Your minute of 27 February sought information on the likely arrangements for the Budget Debate.

2. Ministers have already agreed that the Debate on the Budget will be over the following four days:

Tuesday 10 March  
Wednesday 11 March  
Thursday 12 March  
Monday 16 March

The formal announcement will be made by the Leader of the House in his weekly Business Statement on Thursday 5 March.

3. There is no allocation of days to specific aspects. What happens is that immediately after the Chancellor's Budget Speech, the Opposition will, in the light of the Budget content, inform the Government Chief Whip of their spokesmen for the second, third and fourth days of the debate. Once this information is to hand, the Government will be in a position to anticipate the topics likely to be raised and then go firm on the provisional plan as to which Ministers should be fielded on each day.

4. On day 2 (11 March this year) it is the convention for the

/Opposition



Opposition to open, with a Treasury Minister - usually the Chief Secretary - speaking immediately afterwards. In recent years the Liberal spokesman has then followed with a Treasury Minister - either the Financial Secretary or the Minister of State (Commons) winding up at the end of the day. One or other of the same two Treasury Ministers also delivers the closing speech on day 3, while the Chancellor conventionally concludes the debate on day 4.

5. I understand that Treasury Ministers have now discussed the speaking arrangements and, subject to learning the names of the Opposition spokesmen, the provisional plans are:-

Day 1 - Tuesday 10 March:

Budget Statement, Chancellor of the Exchequer

Response by Leader of the Opposition

One or two Backbenchers

(The day's debate usually ends at around 7.00 pm)

Day 2 - Wednesday 11 March

Statement by the Secretary of State for Health and Social Security on Social Security changes (After Question Time and before the formal debate resumes)

The day's debate opened by the Opposition, followed by Chief Secretary on public expenditure, day's debate closed by the Financial Secretary.

Day 3 - Thursday 12 March

Opening by Secretary of State for Health and Social Security  
Closing by Minister of State (Commons)


Day 4 - Monday 16 March

Opening by Secretary of State for Industry

Closing by Chancellor of the Exchequer

6. I understand that the Secretaries of State for Employment and Energy are standing by to participate in the debate if required.

7. Once we know the final format we must take the necessary steps to ensure that both the Front Bench and the Speaker's Box are fully covered.



A J SALVESON  
Parliamentary Clerk  
3 March 1981



*Top copy  
attached.*



FROM: MISS M O'MARA

DATE: 11 March 1983

MR ALLEN - without charts

cc Chief Secretary  
 Financial Secretary  
 Economic Secretary  
 Minister of State (C)  
 Minister of State (R)  
 Mr Kemp )  
 Mr Hall ) without  
 Mr Ridley ) charts  
 Mr Harris )

BUDGET BROADCAST

... I attach the latest version of the Budget broadcast.  
 The Chancellor would be grateful for any comments, except on  
 the charts which by now are effectively fixed, as soon as  
 possible on Monday morning, and in any case not later than 10am.

*Mom*

MISS M O'MARA





BUDGET BROADCAST

There's a basic problem about a Budget broadcast.  
And I can't pretend I've solved it.

The problem is that successful broadcasting is all about coming up with something new, and different, and unexpected all the time.

But successful management of a nation's economy is all about steadiness, and consistency, and sticking to the same plan.

So, there aren't any surprises in my Budget today.  
It follows just the same lines as my four previous ones.

With just one difference, perhaps. It's becoming clearer and clearer every year that those lines are the right ones.

Of course it's a slow business. It was bound to be.  
We've all known, for years now, that things have been going wrong in Britain for a long time.

A good many of you will remember the days when we scarcely thought of buying anything that wasn't made by British workers in British factories. But gradually that changed -

/motor bikes



motor bikes from Japan, cars from Germany, shoes from Italy.

During all those years our economy was getting weaker.

If we're honest with ourselves, we've known for a good time now that we faced a long haul back to real prosperity.

What's more, in the last few years the rest of the world has run into difficulties as well. In strong countries, like Germany or the United States, unemployment has been going up even faster than here. It's a world-wide problem.

That's another reason why I was right to tell you, three years ago, that it'll "take more than one Budget, more even than two or three" to get things right: "because these things take time."

Of course, some people still argue that Government could take the old short cut, and create lots of new jobs - just by lashing out more Government spending - by borrowing more.

But they really should know by now that that's  $\bar{a}$  recipe for disaster.  $\bar{7}$

It doesn't work, because it doesn't last: in a year or so inflation is galloping ahead; the Government has to slam on

/the brakes;



the brakes; and unemployment shoots up even higher than it was before.

The figures prove it beyond doubt.

The average level of Government spending has gone up under every previous Government since the war, as every Government tried to spend its way out of rising unemployment.

And did it work? For a few months, yes. But in the long run it made things much worse.

CAPTION A  
Unemployment

You only have to look at the figures to see what was really happening. Under every Government since the war the average level of unemployment has been higher than the one before.

And the link between Government spending and unemployment is inflation. In the short run perhaps, it can create a few jobs. But in the long run it ends up destroying many more.

CAPTION B  
Inflation

And you can see that inflation has gone up step by step under every Government. Government spending and borrowing, inflation, unemployment. The three go together.

/That's why we



That's why we knew we had to control Government spending, and borrowing, and beat inflation.

We inherited plans for a huge increase in spending over the years ahead. So we had to cut them drastically - and sometimes, in the short term, painfully.

But all the time we've done all we can to look after people who can't look after themselves.

Even after allowing for rising prices, we've been able to spend more, not less, than previous Governments on the Health Service. Half a million more people received treatment in NHS hospitals [last year] than in 1978. More, not less, on pensions. More, not less, on the unemployed and training young people - helping them to find a job.

But at the same time we have been getting the total of Government spending under control. And the result is we're getting inflation under control as well.

CAPTION C  
Inflation  
again

This Government will be the first since the War to achieve an average inflation rate lower than the one before. And if you look at our tremendous progress year by year it's even more encouraging.

/And not just





And not just lower inflation, but lower interest rates as well. We knew when we came into office that Britain couldn't go on for ever living on borrowed time and borrowed money.

CAPTION D

As I've said, Government borrowing had been rising dangerously for a long time. I've cut it down very firmly.

That's brought down the cost of what businesses and families borrow quite dramatically. As a result the average couple, buying their first home, are paying £ 7 less a month than a year ago. And it's costing companies hundreds of millions less to invest in tomorrow's jobs.

But still unemployment is much too high. And there's only one long term way to deal with that.

British industry has to make goods at prices that can compete, to win orders around the world and in Britain too. And then take people on to meet those orders. That's how a real recovery has always worked. Better productivity, lower prices. And in time, more jobs. For years in Britain we were producing less per man and woman than almost any of our competitors. In fact we were doing so badly it was almost an international joke. Now that's all changed.

/From 1960



CAPTION E

From 1960 to 1980 when our competitors' productivity grew by x per cent, ours only grew by y per cent. But since 1980, theirs has only risen by a per cent while ours has shot up to b per cent. As a result, we're beginning to win back a larger share of world trade. ~~For~~ the first time in a generation. That's something the British people have achieved - not this Government. People like those who work at Jaguar, for example, making ~~three~~ times as many cars per man this year as they did two years ago - and selling them. But we in the Government have been playing our part too.

Resisting calls to go back to the old inflationary binge of more Government spending.

Cutting taxes when we can. And when we do, choosing the right priorities.



CAPTION F

NIS

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that now no less than three times in the last 12 months. And that will help to bring back jobs.

I've cut taxes again today especially to help new businesses, particularly small businesses - which, as they grow, can create the new jobs we need.

This year, I've introduced the Business Expansion Scheme - with very generous tax reliefs for investment in all small and medium-sized firms - old as well as new.

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

Tax help for firms that give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

But I've found room too, to help those whom we all want to help.

Pensioners, for example. Since we were elected, prices have gone up by [ ] per cent. Pensions have gone up by more than that, by [ ] per cent. [ ] And pensioners won't be losing any of that increase. [ ] [ ] Next November,

/pensions will



pensions will go up again by the same amount as prices have risen between last summer and this.

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up £ a week. It'll be worth more than ever before.

People who are out of work will have the full value of their benefits restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real cash help through the year when their husband dies.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people - particularly the low-paid - and good for business too.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come

/first.





first. But this year I've been able to cut it quite a bit.

Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. More than a million low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.



Every measure in this Budget is designed to help the recovery which is now getting under way. And it is, you know. Slowly, but surely.

There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain.

That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it, as we've always been before.

Of course we won't see unemployment come tumbling down overnight. That's a problem the whole industrial world is going to have to cope with for quite a time to come.

But there is a new mood of realism and determination in the country.

It shows up in the low strike figures, the good export figures, the falling inflation figures, the rising productivity figures - almost everywhere you look.

That's the result we've been aiming for consistently ever since we took over. And it's the policy we're sticking to because we know it works.





**BRITISH BROADCASTING CORPORATION**

LIME GROVE STUDIOS LONDON W12 7RJ  
TELEPHONE 01-743 8000 TELEX: 265781  
TELEGRAMS AND CABLES: TELECASTS LONDON TELEX

11th March, 1983

cc PPS  
Mr Ridley  
Mr Harris  
Mr R. Allen  
Mr Kemp

Dear Martin,

I thought it might be useful to list the charts we are now preparing.

They are:-

- A. Unemployment
- B. Inflation (up till 79)
- C. As B. but with animated 79-83
- D. The Borrowing Burden
- E. Manufacturing Productivity
- F. Tax on Jobs

Attached are very rough sketches. Final work on F can only be done on Tuesday afternoon.

Best wishes,

Margaret

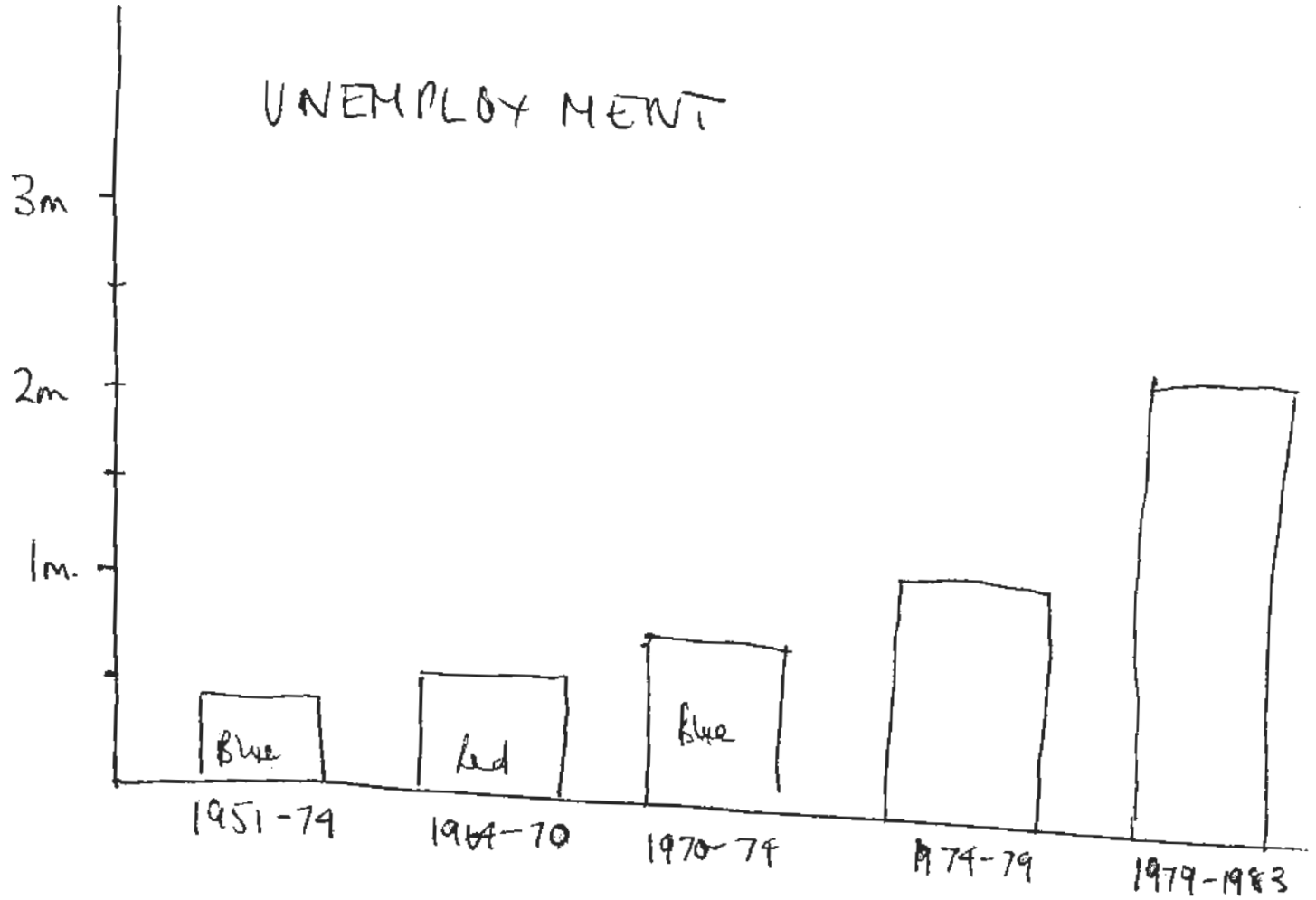
Margaret Douglas  
Producer  
Current Affairs Group, Television

Martin Hall, Esq.,  
Press Secretary,  
The Treasury,  
London S.W.1



Chart A - Unemployment  
 (designed to look like inflation  
 chart.)

Figures: 51-69 1/3 million  
 69-70 1/2 "  
 70-74 3/4 "  
 74-79 1 1/4 "  
 79-83 2 "







Charts B + C - Inflation

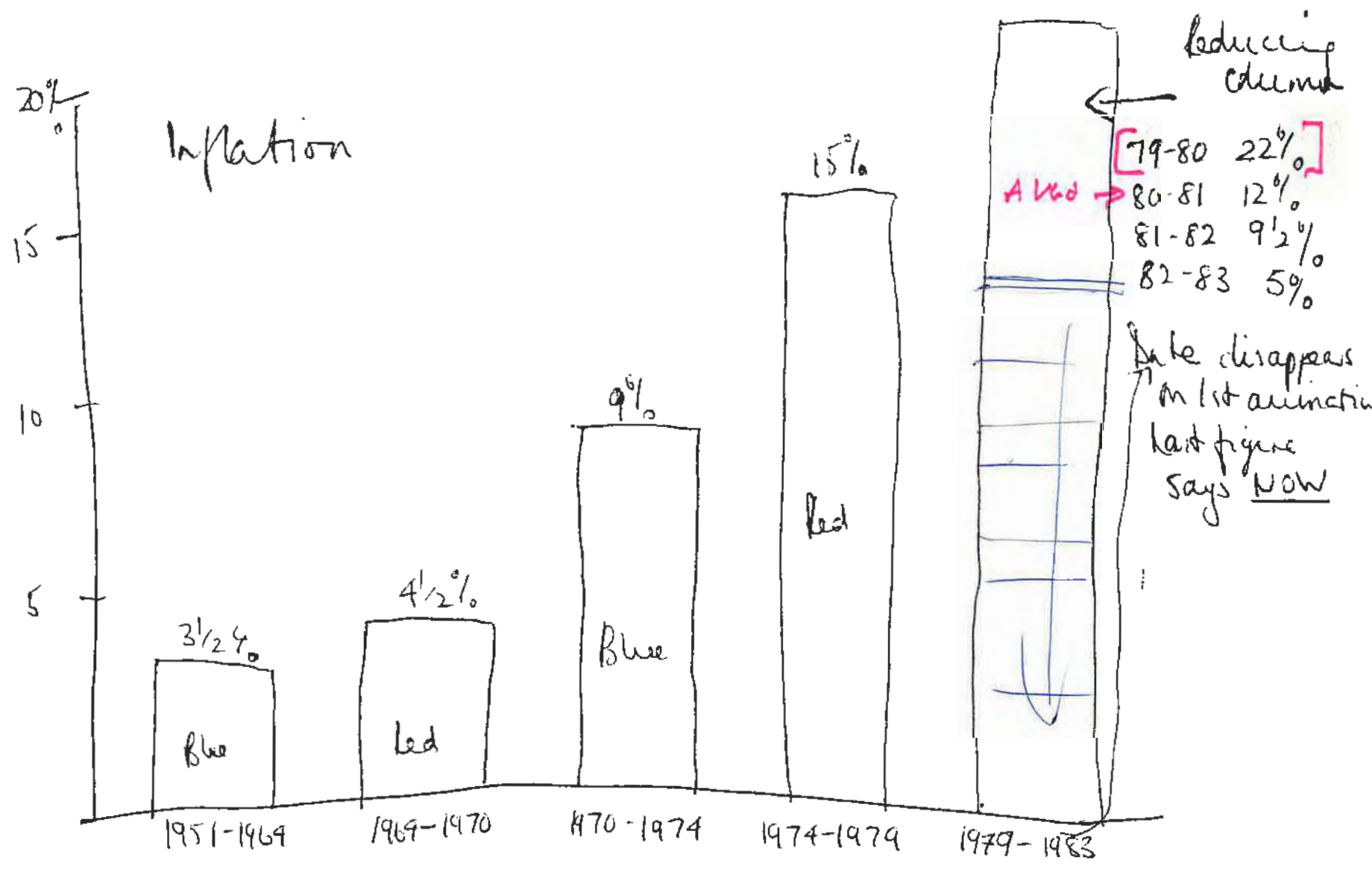
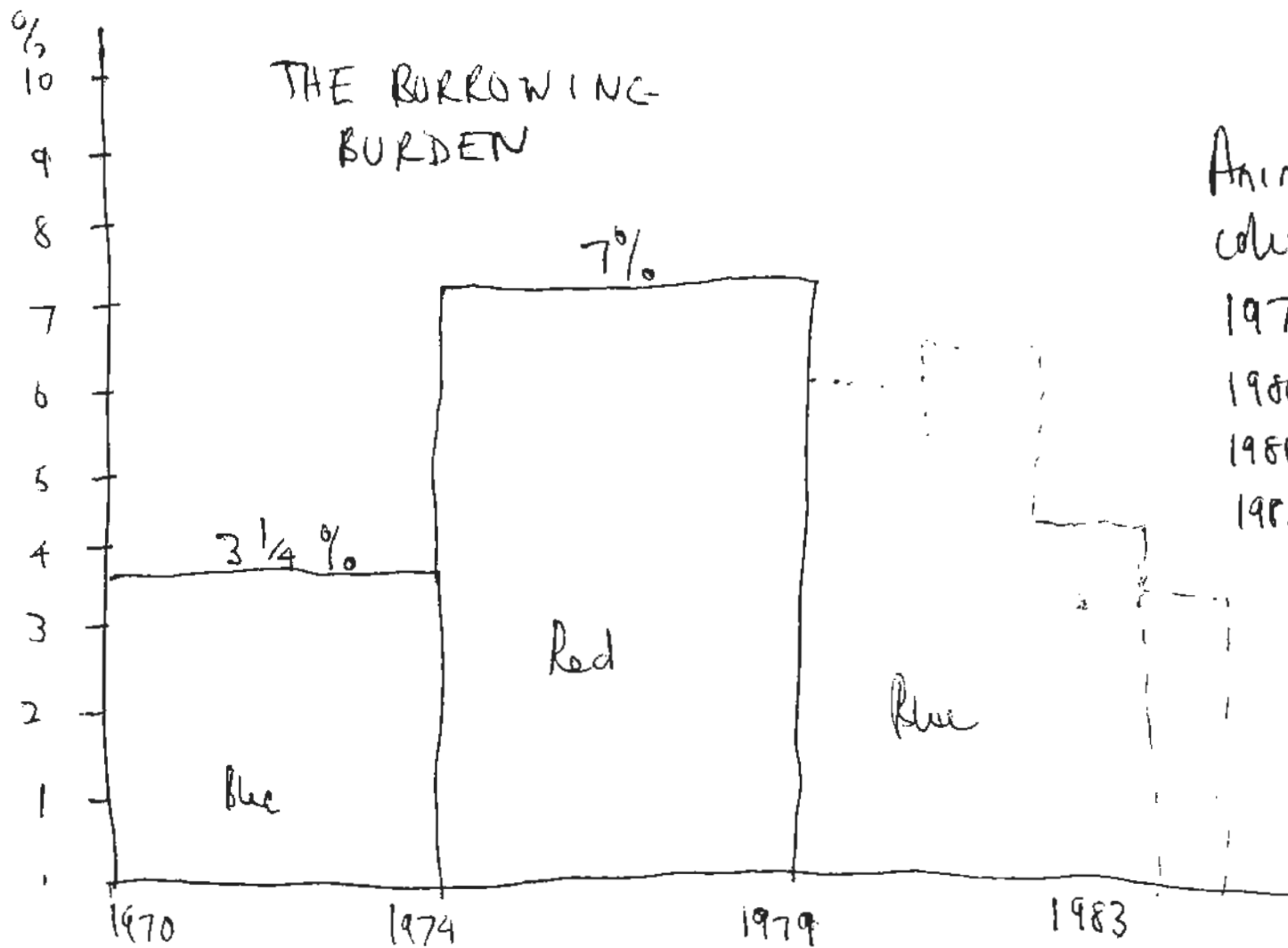




Chart B - The Borrowing Burden



Animate in last column:

- 1979-80: 5%
- 1980-81: 5 3/4%
- 1981-82: 3 1/2%
- 1982-83: 3 1/4%



Chart E Manufacturing Productivity

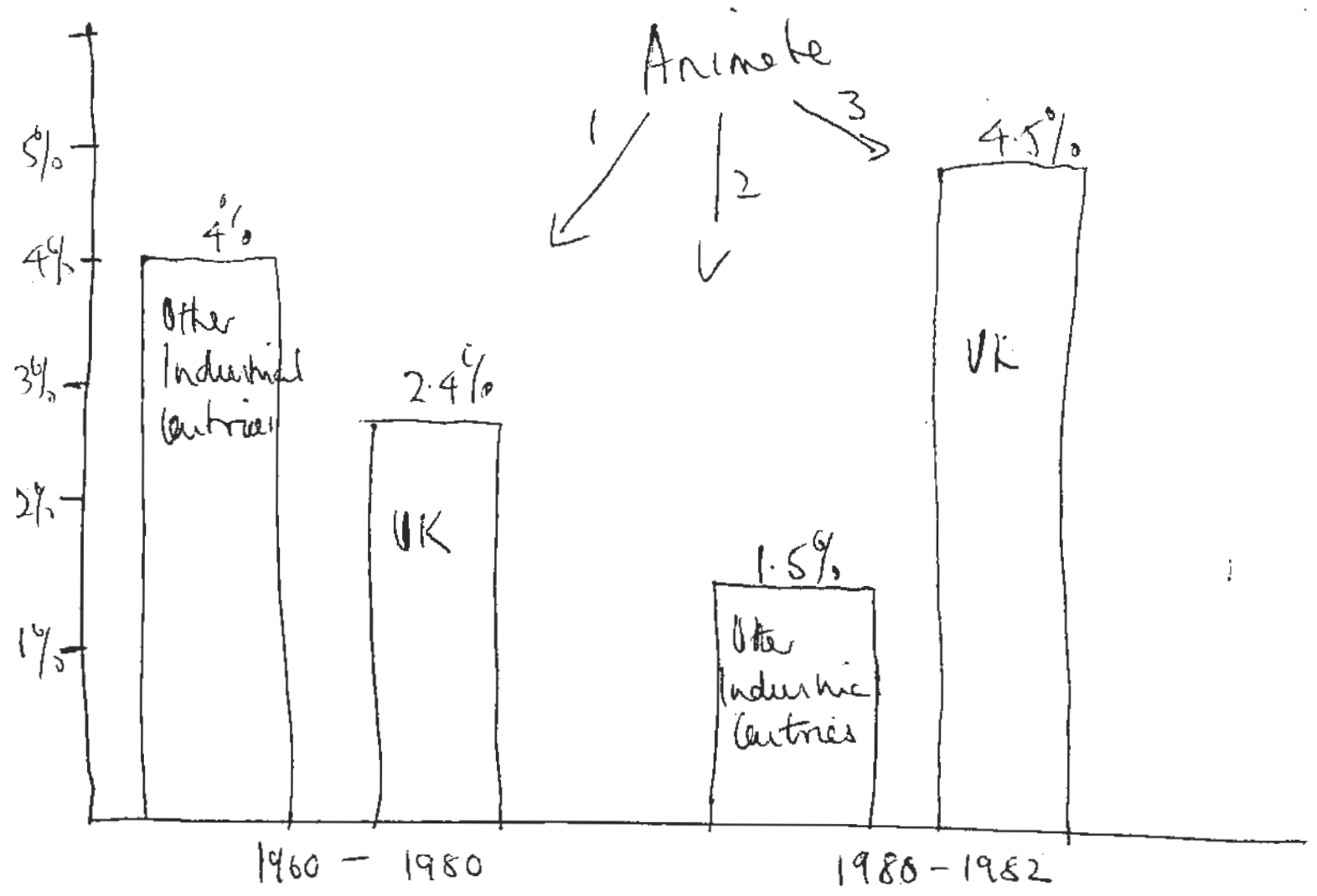
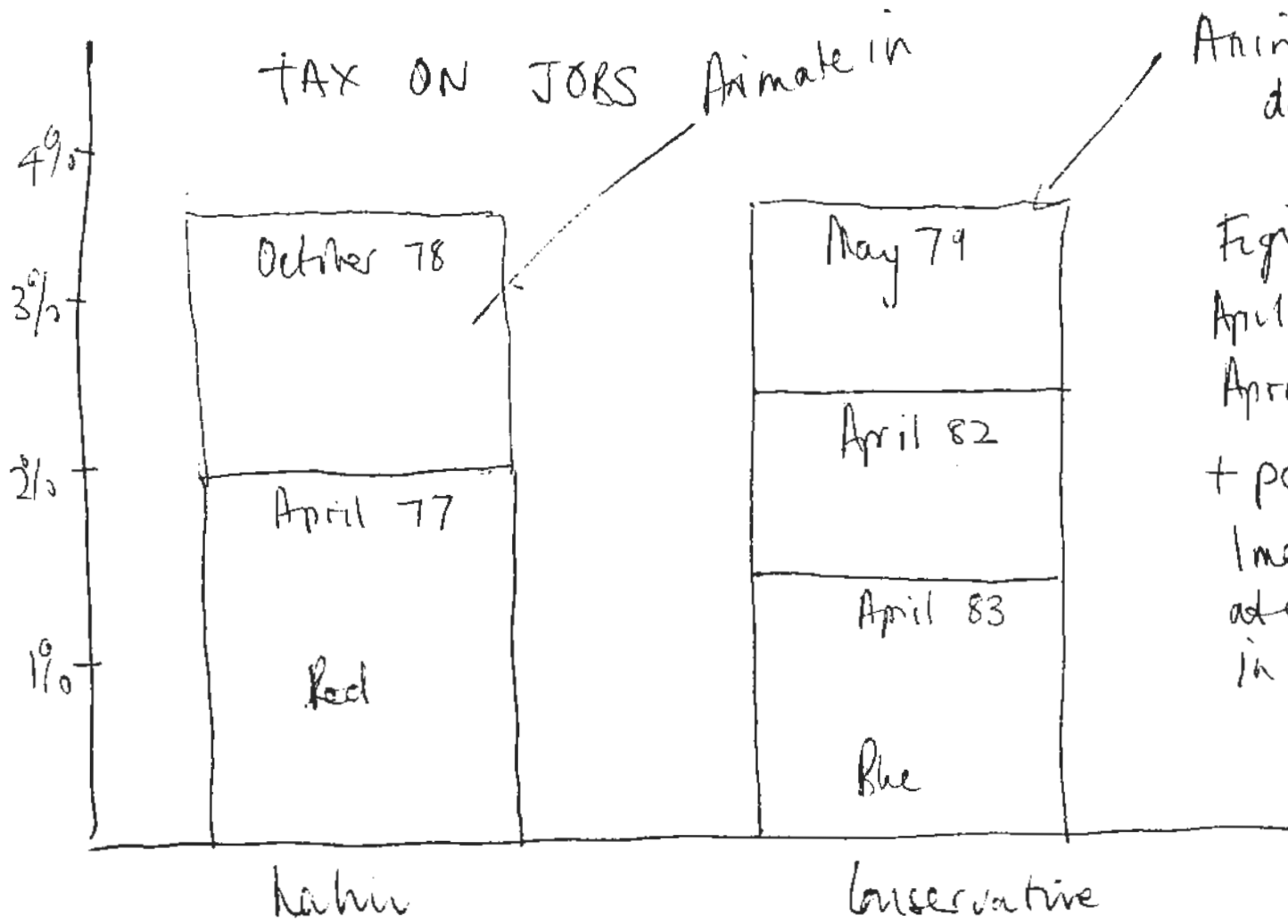




Chart F: Tax on Jobs



Figures:  
 April 82 2 1/2 %  
 April 83 1 1/2 %  
 + possibly  
 more change  
 at some point  
 in 1983





BUDGET CONFIDENTIAL



FROM : A P HUDSON

DATE : 11 March 1983

MR STEWART - IR

cc PS/Chancellor  
PS/Financial Secretary  
Mr Middleton  
Mr Moore  
Mr Robson  
Mr Ridley  
PS/Inland Revenue

BUDGET PRESS RELEASE : INTEREST ON EUROBONDS

The Minister of State (R) is content with the sections on the Treatment of Interest on Eurobonds in the draft press release attached to your 10 March minute to the Financial Secretary.

A handwritten signature in black ink, consisting of the letters "A P H" in a stylized, cursive font.

A P HUDSON  
Private Secretary

BUDGET CONFIDENTIAL



FROM: G S JOHNSON  
11 March 1983

1. MR PAGE
2. MR KWIECINSKI

cc: Miss O'Mara  
Mr Brazier  
Mr Chambers  
Mr Batchelor  
  
Mr Hall  
Mr Monaghan  
Mrs McKinney  
DF

IN STUDIO BUDGET RELEASE

This minute confirms the rehearsal arrangements with BBC TV at Wood Lane on Monday 14 March. A car has been arranged to take you to studio 6 from the Treasury circle at 2.15 pm, the driver will be Mike Goodland and the licence number of the car is WOY 857X. The car will have a BBC TV sign displayed on the windscreen. On this occasion you will be accompanied by Mr Towers (press office).

On Budget day the time and transport arrangements will be the same. Please contact Mr Brazier for your set of documents which must comprise of:

- 10 copies of sectioned version of Speech, in separate envelopes each marked with number of section
- 1 unstapled Speech with sidelines and headlines for page-by-page distribution
- 2 separate envelopes, containing 1 copy of Speech, snapshot, FSBR, Command Papers and Press Notices, addressed to:-
  1. Producer, BBC Budget Programme
  2. James Long: BBC Economics Editor.
 and to be handed over at end of Speech.

It is advisable to check that you have the right amount of documents and that they have been collated correctly.

Your studio contact is David Dickinson, programme producer, Tel: 743-8000.

  
G S JOHNSON



BUDGET CONFIDENTIAL



FROM: MISS M O'MARA

DATE: 11 March 1983

MR ALLEN - without charts

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State (C)  
Minister of State (R)  
Mr Kemp )  
Mr Hall ) without  
Mr Ridley ) charts  
—Mr Harris )

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The Chancellor would be grateful for any comments, except on  
the charts which by now are effectively fixed, as soon as  
possible on Monday morning, and in any case not later than 10am.

*Mom*

MISS M O'MARA

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/motor bikes





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Of course, some people still argue that Government could take the old short cut, and create lots of new jobs - just by lashing out more Government spending - by borrowing more.

But they really should know by now that that's ā recipe for disaster.7

It doesn't work, because it doesn't last: in a year or so inflation is galloping ahead; the Government has to slam on

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the brakes; and unemployment shoots up even higher than it was before.

The figures prove it beyond doubt.

The average level of Government spending has gone up under every previous Government since the war, as every Government tried to spend its way out of rising unemployment.

And did it work? For a few months, yes. But in the long run it made things much worse.

CAPTION A  
Unemployment

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And the link between Government spending and unemployment is inflation. In the short run perhaps, it can create a few jobs. But in the long run it ends up destroying many more.

CAPTION B  
Inflation

And you can see that inflation has gone up step by step under every Government. Government spending and borrowing, inflation, unemployment. The three go together.

/That's why we



That's why we knew we had to control Government spending,  
and borrowing, and beat inflation.

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the years ahead. So we had to cut them drastically -  
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But all the time we've done all we can to look after people  
who can't look after themselves.

Even after allowing for rising prices, we've been able to  
spend more, not less, than previous Governments on the  
Health Service. Half a million more people received  
treatment in NHS hospitals last year than in 1978.  
More, not less, on pensions. More, not less, on the  
unemployed and training young people - helping them to find  
a job.

But at the same time we have been getting the total of  
Government spending under control. And the result is  
we're getting inflation under control as well.

CAPTION C  
Inflation  
again

This Government will be the first since the War to achieve  
an average inflation rate lower than the one before. And  
if you look at our tremendous progress year by year it's  
even more encouraging.

/And not just



And not just lower inflation, but lower interest rates as well. We knew when we came into office that Britain couldn't go on for ever living on borrowed time and borrowed money.

CAPTION D

As I've said, Government borrowing had been rising dangerously for a long time. I've cut it down very firmly.

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But still unemployment is much too high. And there's only one long term way to deal with that.

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/From 1960





CAPTION E

From 1960 to 1980 when our competitors' productivity grew by x per cent, ours only grew by y per cent. But since 1980, theirs has only risen by a per cent while ours has shot up to b per cent. As a result, we're beginning to win back a larger share of world trade. [for the first time in a generation.] That's something the British people have achieved - not this Government. People like those who work at Jaguar, for example, making [three] times as many cars per man this year as they did two years ago - and selling them. But we in the Government have been playing our part too.

Resisting calls to go back to the old inflationary binge of more Government spending.

Cutting taxes when we can. And when we do, choosing the right priorities.



[ maining section: budget measures ]

10

Every measure in this Budget is designed to help the recovery which is now getting under way. And it is, you know. Slowly, but surely.

There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain.

That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it, as we've always been before.

Of course we won't see unemployment come tumbling down overnight. That's a problem the whole industrial world is going to have to cope with for quite a time to come.

But there is a new mood of realism and determination in the country.

It shows up in the low strike figures, the good export figures, the falling inflation figures, the rising productivity figures - almost everywhere you look.

That's the result we've been aiming for consistently ever since we took over. And it's the policy we're sticking to because we know it works.





*Call + press for Cav. in the location  
to Jones  
Collins  
W. White*

*map*

FROM: LIZA MCKINNEY  
11 March 1983

- 1. *PP.* MR HALL *S.S.M.*
- 2. CHANCELLOR

cc: Mr Monaghan  
Mr Page  
Mr Johnson

*most photos to  
+ all known  
for the angles,  
which were  
v. important*

Note  
Liza d. aft

PRE-BUDGET PHOTOGRAPHY - SURREY

Just to recap on the arrangements for Saturday morning.

- 1. 10.30 am - Press arrive Bristows, Redhill Aerodrome
- 2. 11.00 am - Chancellor, Lady Howe and Budget arrive - the Chancellor is asked to drive straight round to the front of the Bristow hanger - directly on to the heliport concourse so to speak. Brian Collins, the Managing Director of Bristows, tells me this means taking the first left just before one reaches the large new building and then first right in front of it. I am assured it makes sense once one is behind the wheel!

Photographic settings suggested -

- a. Pose: with engineers working on a North Sea helicopter in the hanger
  - b. Variations on a theme with helicopters on the tarmac, including one with the Chancellor at the controls of a British-built edition.
3. 11.30 am - Tiger Club (it is just next door to Bristows)

Standing beside a Rollastone Beta - it is a 1970s single-engine plane built at Redhill from a British DIY Kit. Powered by a Rolls Royce engine, its name is "Blue Chip" - rather appropriate.

A Tiger Moth will be available but having discovered the availability of Blue Chip, I would suggest it fits our purpose better.

- 4. 11.45 am-12 md. Depart for the Dog and Duck.

Sergeant Clarke has police organisation in hand and all arrangements have been confirmed. We expect around 30 press photographers and cameramen.



Mr Monaghan and I intend to be at Bristows by 10 am to ensure that all is ready for the Chancellor's arrival. It only remains to pray for good weather.

A copy of the press notice that was sent out is attached.



LIZA MCKINNEY







# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-233-3415  
Telex 262405

4 March 1983

TO ALL PICTURE EDITORS AND TV NEWS EDITORS

CHANCELLOR OF THE EXCHEQUER

PRE-BUDGET WEEKEND PHOTOGRAPHS

There will be an opportunity at 11 am on Saturday morning, 12 March, to take informal pictures of the Chancellor of the Exchequer, the Rt Hon Sir Geoffrey Howe, QC, MP and Lady Howe at Redhill Aerodrome, near his home at Nutfield, Surrey.

The Chancellor and Lady Howe have agreed to be filmed during a visit to Bristow's Heliport and the Tiger Club. Should the weather be inclement it will be possible to photograph the Chancellor and Lady Howe looking at the various aircraft in the hangars.

After visiting Redhill Aerodrome, the Chancellor and Lady Howe will go by car to the Dog and Duck Inn (formerly the Prince of Wales) near Outwood, about three miles away.

It would help if photographers were to meet John Monaghan and Liza McKinney, from this office, outside the Bristow Helicopter complex at the Aerodrome at 10.30 am. Bristows have ample parking space available.

Please note that this is a film-photo occasion only. Reporters are not invited and interviews will not be given.

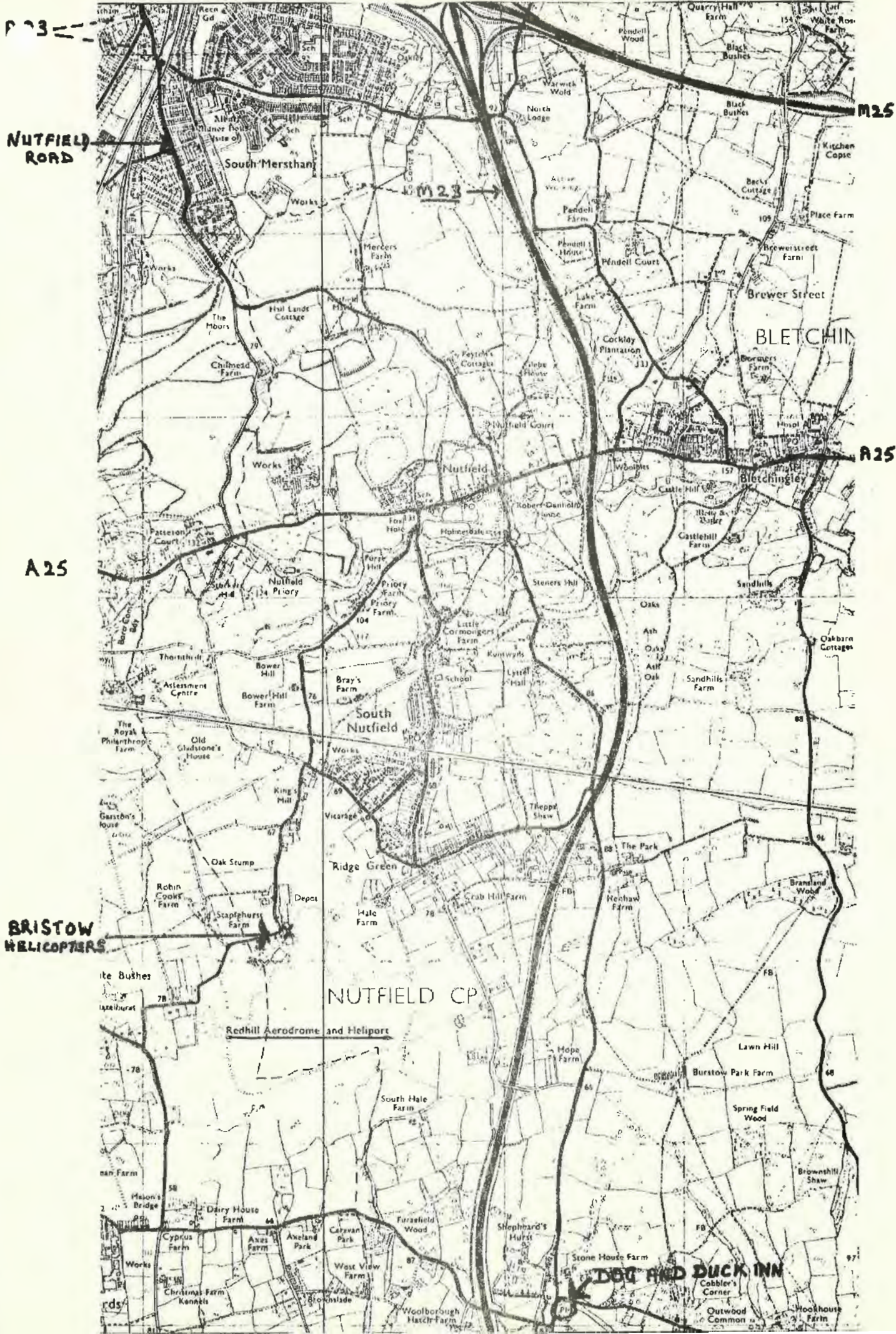
PRESS OFFICE  
HM TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG  
01-233 3415

56/83

NOTE TO EDITORS

Attached is a copy of an Ordnance Survey map showing the locations. Probably the best route to take from London Coulsdon is the A23 to Merstham, then the Nutfield Road which, on its way to Nutfield, becomes Nutfield Marsh Road and Church Hill, to the A25. Turn right on to the A25 through Nutfield. Turn left by the school and follow Kings Cross Lane, Kings Mill Lane and then the sign posts for Redhill Aerodrome.





M23

NUTFIELD ROAD

M25

M23

A25

A25

BRISTOW HELICOPTERS

NUTFIELD CP

Redhill Aerodrome and Helipoint

DOG AND DUCK INN

Cobbler's Corner



FROM: C D HARRISON  
DATE: 11 MARCH 1983

MR MARTIN

cc PS/Chancellor  
PS/Chief Secretary  
PS/Financial Secretary  
PS/Minister of State (R)  
PS/Minister of State (C)  
Sir D Wass  
Mr Middleton  
Mr Moore  
Mr Kemp  
Mr Griffiths  
PS/C&E

BUDGET PRESS NOTICES: INDIRECT TAXES

This is to confirm, as I told you on the telephone, that the Economic Secretary was content with the press notice attached to your note of 10 March. The only change he had to suggest was to delete "eg" in the sentence on tobacco duty, and insert the word "typical" before the word "packet".

CSA

C D HARRISON



CONFIDENTIAL

FROM: MISS J M SWIFT

DATE: 11 March 1983



D

MR F MARTIN

cc Chancellor

Financial Secretary  
Economic Secretary  
Minister of State (R)  
Minister of State (C)  
Sir Douglas Wass  
Mr Middleton  
Mr Moore  
Mr Kemp  
Mr Hall  
Mr Chivers

PS/Inland Revenue  
Mrs Hubbard - IR

BUDGET PRESS NOTICES: INNOVATION AND TECHNOLOGY

The Chief Secretary has seen your minute of 10 March and the draft press notice.

2. He notes that in the light of the E Committee meeting yesterday no Alvey material of any kind has been agreed or can be mentioned in the press notice. Otherwise, the Chief Secretary is content.

MISS J M SWIFT

CONFIDENTIAL





FROM: M A HALL  
11 March 1983

CHANCELLOR

c c Mr Ingham No 10  
Chief Secretary  
Mr Middleton  
Mr Burns

BUDGET STORIES

You should know that Peter Simmonds of the Mail on Sunday has spoken to both my opposite number at DHSS and to me about a story he has "picked up in Westminster" that the Government consider that the time is now ripe to switch from the forecasting to the historic basis for uprating pensions and benefits. We both played an absolutely straight bat, and I do not know how strong a lead he has been given. But there is clearly a risk of a story in the Mail on Sunday.

2. The other story which is running very strongly is that the Prime Minister has prevailed in her wish to raise the mortgage interest ceiling from £25,000 to £35,000. Naturally we are giving no steer on this either.

3. Finally, it does seem that there is now not much expectation that anything will be done on NIS.

M A HALL



## SUPPLEMENT TO 4.3.83 VERSION OF CHECKLIST OF ALTERNATIVE POLICIES

C  
LABOUR

C9 Mr Shore's pre-Budget  
Economic Statement  
published 10 March 1983

£11 bn package of fiscal measures for 1983-84 claimed to create  $\frac{1}{2}$  million jobs in 12 months at net PSBR cost of 'around £6 bn'. Total PSBR in 1983-84 to be about 4 per cent of GDP.

- (i) £4 bn on cost-cutting measures (to offset inflationary effect of sterling depreciation) including cuts in VAT and/or NIS (and perhaps council rents)
- (ii) £5bn on increased public spending on capital investment eg housing and social services
- (iii) £2 bn on improving social benefits: eg CB increase of £2 p.w., higher sup. ben. for long term unemployed, double Christmas bonus, £200 death grant
- (iv) 'Self-financing' package of tax redistribution. Measures: 10 per cent real increase in personal allowances but lower thresholds for higher rate bands, tighter CTI rules, mortgage interest relief restricted to standard rate. ALSO abolition of ceiling on earnings liable to NIC, and drive against tax evasion.

- Interest rates 'artificially high' - should be cut (size of cut not specified)

Exchange rate fall already experienced 'welcome': not clear how far a further fall now thought desirable.

\* Noted that timing of upratings means cost only £1bn in 1983-84



E3.

Note

Spoke R/FST. They  
will advise.

JR 14/3

CHANCELLOR

(pup)

RESTRICTED

FROM: ADAM RIDLEY  
11 March 1983

CST

cc FST Mr Bailey  
Mr Moore  
Mr Gordon

Call FST pm  
for a loan review?

BUDGET REPS: THE COOPERATIVE DEVELOPMENT AGENCY

Skimming the latest list (12) of Budget representations for this year, my eye was caught by two proposals put forward by the Cooperative Development Agency. These are:

- to allow investment in cooperative businesses to benefit from the business start-up scheme
- to increase the upper limit (now £10,000) of the value of shares which can be held by a member of an Industrial and Provident Society.

There seems to me to be some merit in considering both at some stage in the future <sup>and</sup> -/who knows there might be a case even for modification of the Finance Bill to one or other effect even at this late stage. The cost would be utterly negligible in both cases. The benefits could, on the other hand, be considerable, particularly if small cooperatives mushroom as a flexible method of job-creation for the young unemployed, on the lines put forward by the "instant muscle" people on which I have reported to you recently.

2. My reason for supporting the first proposal is self-evident. There are probably not that many cooperatives which are yet in a state to benefit from the start-up scheme (or its successor); but there could well be some, and the prospect of eligibility could be very important. The case for considering the second is that, as I understand it, most (? all) cooperatives are, in fact, "Industrial and Provident Societies". While one tends to think of such bodies being formed by fairly poor individuals, to perpetuate this would be absurd. It is perfectly possible that rather wealthier characters might be attracted by the coop form of corporate structure, not least in situations like management buyouts. An added point - widely ignored - is that such societies do not pay corporation tax, but a standard 40% profits tax which is, of course, rather lower.

AR

A N RIDLEY



*Prop*



FROM: ROBIN HARRIS  
DATE: 14 March 1983

CHANCELLOR'S MORNING MEETING

271st Meeting

Note for the Record

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State (C)  
Minister of State (R)  
Mr Goodlad MP  
Mr Renton MP  
Mr Ridley  
Mr French  
Mr Harris

1. Press Release on Oil Prices

The Chancellor said that he would look again at the budget press release on oil prices, particularly the last paragraph.

2. Budget Speech and Broadcast

The Chancellor asked for urgent comments from those present on the latest drafts of the budget speech and broadcast. He asked Mr Ridley to look again at Section G7 in the Speech. He asked the Financial Secretary, in the light of the conclusions of the subsequent meeting, to advise on any changes in and shortening of the passage in the Speech dealing with deep discount bonds.

A handwritten signature in black ink, appearing to be 'RH'.

ROBIN HARRIS

Circulation:

Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (R)  
Minister of State (C)  
Sir D Wass  
Sir A Rawlinson  
Mr Burns  
Mr Fraser

Sir L Airey  
Mr Ridley  
Mr French





FROM: I R MACKELLAR  
11 March 1983

1. MR HALL ✓  
2. CHANCELLOR

cc: Mr Monaghan  
Mr Page  
DF ✓

BREAKFAST TELEVISION: 16 MARCH

BBC TV Breakfast Time is proposing the following arrangements for its 20 minutes with you at No 11 on 16 March, beginning at 7 am:

- ✓ 1. a four-minute live interview down-the-line with Frank Bough at 7 am, discussing some aspects of the morning papers' Budget coverage; and
- ✓ 2. a recorded 'dissection' of other stories with Alison Mitchell, who will be present, for transmission later in the programme for the benefit of later birds among the audience.

Miss Mitchell has promised that a complete set of papers will be delivered at 5.30 am, in case your own have not arrived.

Are these arrangements acceptable? ✓

Ian Mackellar

IAN MACKELLAR

Chancellor ←

down - like 5:30 am, so that we can talk over our systems. ✓

MM 11/3



Reference

(PW)

M. French

cc. M. Kern —

M. Harris

Budget Broadcast.

Tony Jay & Michael Jekels are coming to see me at 3:30 on Tues 25<sup>th</sup> for a preliminary discussion of the Budget Broadcast, in preparation for a more meeting with the Chancellor on Feb 3<sup>rd</sup>. You are both welcome to attend if you are free.

M. 241



An Inquiry into the Treasury

Presented by Hugo Young

Produced by Anne Sloman

Programme 3: The Budget Makers.

Transmission: Sunday, 13th March 1983, 1815-1845, Radio 4

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HUGO YOUNG: The images of place associated with the budget, are, we like to think, familiar. The first is a snapshot on the steps of Number 11 Downing Street. The Chancellor of the Exchequer emerges from his official residence, ritually grinning, and holding up the same old battered red box which, year after year, is supposed to carry the budget secrets. The second comes an hour or two later. We are in the House of Commons. The place is packed to the doors, not an inch of the tasteful green leather benches is visible. Humming expectantly, the House waits, until the Chancellor finally rises and then, after an hour or more of ponderous economic analysis swiftly deals out the tax changes to catch the late evening paper headlines.

It's all very traditional, even reassuring. But, as a piece of dramatic truth, it is decidedly misleading.

Let me offer another image, from where the Budget really begins. The place is a computer room: a new, bright lit, modern room, in an old building, where the green on the walls is a rather tasteless shade of lime. Here the hum is inhuman, and it never ceases. There are a few people about, the bright-eyed boffin-types you seem to find at computer installations everywhere. This is the Treasury computer room, and we are in the presence of the nearest thing you can find to the physical embodiment of the Treasury model -- that famous, or infamous, structure of economic equations, the massive study of which does so much to dictate what, in fact, the Chancellor appears to be so coolly reeling off in the House of Commons. The Chancellor himself, Sir Geoffrey Howe, seems to feel he's in a theatre.

SIR GEOFFREY HOWE: One feels rather like an actor-manager on the first night of the plays he's written himself, subject to the over-riding condition that nine-tenths of the plot is settled by the world in advance anyway.

HUGO YOUNG: Do things ever go wrong? The Permanent Secretary, Sir Douglas Wass.

SIR DOUGLAS WASS: Oh yes, you can go wrong wherever human activity's concerned. But it's a well rehearsed exercise in the sense that we've had many Budgets before and many people doing any one Budget have done a previous Budget, and therefore, are aware of all the loose ends. There is also a great manual of, as it were, guidance to people on the Budget which goes into considerable detail about points that have got to be covered -- how many copies of this paper are produced, what time this is to be released, and so on and so forth. when the press are to<sup>be</sup> involved, when the Chancellor is to see the Lobby. And each new generation of budget-makers, of course, has reference to this. Now all this helps to avoid the making of a mistake, but, nevertheless, there's something new in every Budget, which can expose one's self to the possibility of error.

HUGO YOUNG: This programme is not about next Tuesday's budget. If you've tuned in hoping to get a hot tip as to whether it's whisky or cigarettes or petrol you should stock up with, I'm afraid you'll be disappointed. What it's about is how the Treasury goes about making the Budget -- the process and its bearing on the total effect of budgets -- the Budget judgement as it's called. That's what the Budget really is: a major statement of economic policy and, as such, prone to both error and continuing revision. At one extreme, indeed, if you're really blase, Budget Day ~~is~~ itself might seem overrated. Peter Kemp, a rare bird in the Treasury, being a qualified accountant, and having no University degree, is the Under Secretary in charge of the central unit, where the Budget operation is co-ordinated.

PETER KEMP: In one sense, I think you should say that

budgets never, never really stop and they never really start. There is a continuing, ongoing process of ministerial, economic policy making. This Government has published its medium-term financial strategy, and that's an ongoing strategy, which maybe, the numbers in it may be revised from time-to-time, but the ongoing strategy of getting down inflation and restoring output in that way is an ongoing business, and doesn't really come to a head necessarily at any particular time.

HUGO YOUNG: Even so, as one of Kemp's subordinates, David Norgrove, adds:

DAVID NORGROVE: It does help to have this one day of the year when there's a kind of terminus which you have to make a major presentation of the Government's economic policies, which then becomes a "locus classicus" for the rest of the year.

HUGO YOUNG: The process does actually begin a long time before the Budget, shortly after the last one, in fact, with the preliminary discussions about next year's public spending. After that's been fixed, along the lines discussed in last week's programme, debate turns to the Budget; tax-raising, monetary policy, government borrowing and all the other components, with all their constantly varying effects, of economic management. Long before the Chancellor himself gets involved, composing those emphatic declarations and firm prophecies we hear on Budget Day, the first people to come into their own are the economists, who spend their time mapping and observing this teeming entity called the British Economy, on the Treasury model: an abstract thing, now crisply rendered more real by the Economist in charge of macro-economic policy analysis, Rachel Lomax;

RACHEL LOMAX: At the physical level, it's just a computer programme with a lot of equations - I mean quite a lot of equations, about seven-hundred in the case of the Treasury model. And the equations represent an attempt to describe the workings of the economy in terms of economically meaningful numerical

relationships.

HUGO YOUNG: Meaningful maybe, but are they scientific?

RACHEL LOMAX: I think to pretend that you can achieve anything like the precision that you can in the physical science, is obviously quite wrong, there's a lot of art in it as well, and I think the people who build models and use them are more conscious of the limitations of the models than the rest of the world. I mean, I think we have rather modest claims for what models can do, I mean we would regard them, I guess, as a framework for thinking about rather complicated problems, rather than a sort of oracle, the sort you see in science fiction films, where you go and you ask "What will happen if?" and the model tells you the answer. I mean we would never treat it that literally, it's just a tool.

HUGO YOUNG: It is on this vastly complex computerised network that forecasts can, nevertheless, be tested for what effects certain budget measures might have on other economic facts. Computers, you see, are like science fiction -- at least to this extent. They can keep fifty balls in the air at once; Rachel Lomax again:

RACHEL LOMAX: If I wanted to know, for example, what the effects of changing tax allowances was -- the Chancellor was thinking about doing that in the budget and he asked me what would be the effect -- I would have to start from the forecast. That would give me a base. I'd have to formulate a rather precise question, it's very important to ask the right questions if you're going to get a sensible answer, so I would have to ask the computer what's the effect of changing these tax allowances on the assumption, for example, that the exchange rate is free to float, on the assumption that the government is pursuing a fixed interest rate or a fixed money supply policy, a range of assumptions about how the government behaves when the rest of the economy changes. We then do another computer run, if you like another forecast, and it



prints out a new version of the forecast, but most usefully, it works out conveniently for us what the difference from the original forecast was. And it'll show what the effect on output, employment, the PSBR, the exchange rate whatever it is that I'm particularly interested in. And then, typically, I would sit and puzzle and decide whether I liked the answer and believed it.

HUGO YOUNG: That last point's very important. Treasury economists have visual display terminals on their desks and can get an instant read-out on the model. New Laser printing can produce a complete print-out of, for example, a five-year projection, running to a hundred-and-twenty pages in one minute. But after that flash of super technology, picture Rachel Lomax sitting back and deciding whether she liked what the forecast said -- a picture furthered coloured in by Peter Middleton, who's about to become Permanent Secretary at the Treasury:

PETER MIDDLETON: I think the usual view looked at from the outside, is that the forecast is produced by a lot of robots stuck in the basement, usually in the form of fancy-dress mathematical equations of one sort or another. But, of course, that's not the case, though, as I said, there's a lot of hard work, a lot of research and a lot of estimation goes into producing the basic equations in the model, it's done against a shifting world where relationships break down and at any time, the number of relationships which are actually fully estimated is very, very small indeed. The process which the forecasters go through is to apply judgement to that, they don't quite believe what their equations are saying, we wouldn't want to employ them if they did.

HUGO YOUNG: For behind the irrefutable statistics from the past, which do form the major basis for estimating the future, is the unpredictability of coming events - oil prices, farm deals in Brussels, exchange rate and the rest. Which all require of forecasters and ministers, as Douglas Wass says, human judgement:

DOUGLAS WASS: Some of the judgements are necessarily little more than guesses, and guesses in which there's no professional expertise. A professional economist who's trained in econometrics is no better at guessing what the Brussels Commissioners are going to recommend on the next CAP price increase than I am or you are. Now, when we discuss the forecast, among ourselves as officials and with ministers, we frequently do look at some of these more tenuous assumptions and ministers will, like any customer look at the validity of some of those assumptions. They'll also look at assumptions which where there is perhaps some professional input, but where there's a great deal of judgement being made. In all those areas, at every level of discussion, whether one's professionally qualified or not, there is room for argument as to whether the right assumption has been made. And it those sort of ways ministers may express scepticism or doubt about particular assumptions, may say well wouldn't it be, isn't it more likely to be this? And we'd talk about the possibility that it would be this rather than that, and may change the forecast somewhat. So there is, there is scope, I think, for the lay consumeran forecast to challenge the product even though it is a professionally produced product.

HUGO YOUNG: For this process, half science and half seat-of-the-pants, it's ultimately ministers who carry the can. The forecast can add up to high politics. It mustn't look absurd, and, according to Andrew Britton, late of the Treasury and now Director of the National Institute for Economic and Social Research. it mustn't, preferably, look too depressing to the masses outside:

ANDREW BRITTON: What the discussion actually, in practice, consists of very largely is the question of what is the range of outside views? And ministers sometimes wishing to, if they feel that the Treasury Forecasters themselves are putting forward a view which is perhaps rather pessimistic relative to the average forecast out in the public, the ministers may say well they would prefer to see something more towards the optimistic end. That's the sort of

thing that goes on.

HUGO YOUNG: There had been times when the business had become thoroughly suspect:

ANDREW BRITTON: There was a time in which ministers attempted to have it both ways, they tried both to change the numbers and to disown them. But that is not the current practice. The current practice is that the ministers do play, as I say, some role in deciding what the numbers should be and they then take responsibility for them.

HUGO YOUNG: The irreverent thought did occur to me that since the forecasts are so often wrong, were in any case bound to be uncertain, and were now controlled by ministers who had set their face against old-fashioned fine-tuning of the economy every time it slid out of line with the forecast -- perhaps too much time was spent on them. Peter Middleton soon put me right:

PETER MIDDLETON: You never know exactly where you are now when you're doing a forecast, and, of course, you never quite know how the rest of the world's going. It's difficult enough to forecast your own economy without forecasting the rest of the world. And there are times, as this last year, where everybody in the world just about got their forecasts wrong, they all got inflation too high and output too high. But I don't think that's a reason for saying 'Oh well, we can do just as well on the back of an envelope.' You can't. If you regard the forecast as contributing to your understanding of the economy, I think it makes a good deal more sense, anybody who runs his economic policy on the assumption that the forecast numbers are going to be right, when the only thing you know for sure about is that they're not going to be, wants his head examined. But we don't do that.

HUGO YOUNG: Besides, whatever the doubts, there are, as Peter Kemp reminds us, decisions to be made:

PETER KEMP: The forecasters, if they were living in an ivory tower as so many of the commentators are, would like to say,

well, we think that the public expenditure borrowing requirement ought to be this or possibly that, and there may be some four or five billion pounds difference between the two, and they'd give a bracket. Unfortunately, you know real life isn't like that. One actually has to work to a spot figure, one actually has to, has to decide what one's going to do if one is going to reduce a given tax, that has a cost and that has to be measured.

HUGO YOUNG:                   So the big picture is as clear as it can be, a forecast is fixed, some of the large judgements about how much expansion or contraction to provide for, how much borrowing, how much inflation, are beginning to disclose themselves. Uncertainty is resolved by the need to choose and to act.

On these choices, the Treasury is never short of advice. The Budget is the great annual moment, towards which every kind of interest group, from licensed victuallers to pensioners, through building societies, child poverty people, stock-brokers and even actors and theatre managers, directs its lobby for change favourable to itself -- as well, of course, as favourable to the national interest. What weight these interest groups have naturally varies from government to government. In present times, for example, the CBI, led by Sir Terence Beckett, seems to be in and out of the Treasury every week:

SIR TERENCE BECKETT:       The meetings we have with them are really quite frequent during the year. It's a mistake to think we have one meeting just before the Budget, for example, to talk about the representations we've got on that subject. There are meetings taking place all through the year with Sir Geoffrey Howe, with his principle ministers in the Treasury, and with the Treasury officials. And it is, of course, a variety of representatives from the CBI, it's the President, its members, the Chairman of the Economic Policy Committee, for example, and sometimes it's our officials here in conjunction with their officials.

HUGO YOUNG: Sir Terence told us he personally saw the Chancellor once or twice a month, interspersed with numerous telephone calls. At the TUC these days, says its Assistant General Secretary, David Lea, it's a rather different story:

DAVID LEA: Well under this Government I think we can say that we can count on the fingers of one hand the amount of contact we've had. It's quite extraordinary actually, the contrast, the contrast not only, if I may say so, with the Labour government, there is a point to be made there as well I'm sure, but with previous Conservative governments, the freeze on relations with the TUC has been very marked.

HUGO YOUNG: Even the TUC has its say before the Budget. It publishes a respected economic review. But I rather gathered that little of what it or anyone else says comes exactly as a surprise to the mandarins. Officials like Peter Middleton sound as though they've heard most of it before. One lot of advice was about economic strategy:

PETER MIDDLETON: Then you get another lot, which is advice about what people would like to do with particular taxes, I mean you very rarely get advice amongst that in the direction of increasing taxes. It's almost all tax reduction. Some of it's very predictable you know that the Scotch Whisky manufacturers aren't going to suggest you put up the tax on Scotch and tobacco manufacturers aren't going to suggest you put up the tax on tobacco and the child poverty action group aren't going to suggest you increase the poverty trap.. But, nonetheless, all these things are gone through and sifted for two things, one to see if the arguments have changed, or whether the weight of the arguments have changed, and sometimes they will have, sometimes they won't because in particular different industries go through different phases of course of profitability and otherwise. And secondly, to see what they say.

HUGO YOUNG: Only the very specialist groups, it would

seem from Douglas Wass, really have a chance of changing the Treasury's all-seeing mind:

DOUGLAS WASS: You have to remember that we are in contact continuous/almost with the large pressure groups so we know how their thinking is evolving over time, and their budget representations never come to us as a complete surprise, I mean we've had talks with them over the years. Their thinking is evolutionary, there's not a step-jump in it as a rule, so it is comparatively rare, for instance, for the Tobacco Advisory Council to put in budget representations which take us by surprise. Nevertheless, there are occasions sometimes when a body, a pressure group, has taken this thinking a little farther without disclosing it to us and does produce, what you call a new idea. That's certainly possible. I think we would claim, yes, we take notice of all these people. And particularly where representation is being made to us by a rather specialist body, I mean someone like Contract Hire Equipment, a specialist body which may have views about the functioning of some credit mechanism or the functioning of some allowance system in the fiscal code. What they have to say about the impact of the monetary system or the fiscal system on their ability to sell competitively in the third market, would be of very considerable interest to it, of course we'd listen to them.

HUGO YOUNG: Rich and varied, as the range of access to the Treasury at Budget time, not everyone there is wholly happy that the process is fair and even-handed. Under Secretary, Peter Kemp, thinks it could even cause a serious distortion:

PETER KEMP: I mean an example I think, is the case of industry versus persons, I mean one of the great arguments comes up with every single budget of course is what are the relative priorities in so far as there are reliefs to be given, as between things that might help industry and things that might help persons. It's curious that although we have, for instance, a big industrial lobby, these people like <sup>the</sup> Confederation of British Industry and all

the rest of it, there isn't really, oddly enough, must of a lobby for individuals. I've often thought if there was a confederation of British Persons, we might be, we might make it differently.

HUGO YOUNG: But never fear, the corrective is to hand:

PETER KEMP: But I suppose, in a way, the Treasury has to become the Confederation of British Persons to make sure that this is so.

HUGO YOUNG: This elevated body, second only it seems, to the House of Common British Persons, across the road at Westminster, carried out its duties in this role by a process of elimination. At an early stage, every single possible tax change is put down on a piece of paper, which David Norgrove, one of the principals working on the budget, obligingly showed us:

DAVID NORGRÖVE: I thought you might be interested to see a copy of the document that's prepared at about that time and then constantly updated through the year, up till the Budget. I mean a huge number of minor and major possible tax changes, some of which are dropped at various stages and some which come back in. Back here you can see that there's a list of various things that were eventually dropped, though they're not dropped by....and they range from major changes in the Investment Income Surcharge to the treatment of the bonds issued by the African Development Bank.

HUGO YOUNG: And against most of the entries was a note about which minister, on what date, had authorised the proposal to be dropped. To do this intelligently, however, ministers need a vast amount of information about the effects of particular tax changes. So, to this end, in parallel with all the forecasting and lobbying, not to mention the peering at a far horizon in case a sudden change in the oil price is about to throw everything out, something called the Ready Reckoner is being put together. An instant guide to ministers, and others, on what will happen, for example, to the PSBR, the exchange rate and everything else if they cut Income Tax by ten per cent. But this is no ordinary

reckoner, it goes back to the business of judgement. We were let into a meeting, one of several called to put it together, a delegation of economists from the Inland Revenue and Customs and Excise trooped in to meet their Treasury counterparts, in another of their unadorned committee rooms, essentially to see if they could agree. What would 2p on beer duty or 5p off the standard rate, (I take notional examples) actually mean? The meeting was halfway between a seminar and a seance. Government economists have to cultivate this weird mixture of extreme meticulousness and a talent for blind stabs in the dark, assisted by well-remembered ghosts from the past. Half the time we were there was spent discussing beer, and those present seemed, rather charmingly, to have little more idea than you or me why beer consumption had gone down, and what this should mean for the beer tax. It all drove home a point Peter Middleton had made earlier:

PETER MIDDLETON: I think the key to economic policy making is to recognise that you aren't going to be accurate because, as I say, people's behaviour and responsés is always changing, the world's not getting anymore certain. I don't think there's any prospect of er... of greater accuracy. What you can do is get a little bitsurer about the direction in which the various measures you take are going to work but, as for the preciso effect, you never really know.

HUGO YOUNG: But right or wrong, the show must go on. The actor-manager has a deadline to meet. As everyone never ceased to say, the budget is the Chancellor's baby, all this activity by officials and economists is a preliminary to his judgement and his decisons. For Peter Kemp, the pace is hotting up:

PETER KEMP: At the end of the day the decisions are the Chancellor's, of course, in conjunction with his.. with his ministerial colleagues...um and the Prime Minister and that sort of thing. But in the buildup there is a very real and



continuing dialogue, we are practically, constantly in the Chancellor's room, er...throwing ideas around, looking at various mixes, packages if you like, and that sort of thing.

HUGO YOUNG: There's no doubt that the pre-Budget weeks do put great pressure of work on a lot of officials. In this last week, with two days to go, Peter Kemp has worked eighty hours, the weekends included; his central unit colleague, David Norgrove's workload reaches its peak slightly earlier:

DAVID NORGROVE: You may find, for example, that there is a draft of a budget speech to be got out, um at the same time as you're trying to pull together recommendations or analysis on the substantive issues that are being discussed in relation to the Budget. Um those two things go together and I think it's quite helpful that they are, to some extent, concentrated in the same people. It helps to ensure that the things are kept together and co-ordinated and so on. But it does cause that degree of pressure of work and to some extent I feel at budget time rather like a human word processor, only I have a biro and a pair of scissors and a stapler instead of an actual machine.

HUGO YOUNG: And the speech, of course, is where it all comes together. That public moment, the only one most people are aware of, is you may be sure, given the fullest possible thought. The Chancellor has many scriptwriters, composing draft after draft. For the Treasury, too, despite a tendency to loftiness, has the sense of Budget Day being its moment of greatest exposure. Peter Kemp, at the centre of the drafting effort, is as aware as any editor of the different audiences the speech has to satisfy:

PETER KEMP: It's got to be a number of things that you can't always be at the same time, it's got to be fairly clear and accurate because even as it's being delivered, if somebody's saying something about the exchange rate or the markets, there are folk up in the City with their transisters on on their one hand, and their computer print-out on their other, buying and selling

sterling like mad. And so he has to be careful from that point of view. At the same time, he's got six-hundred-odd MPs there in the House to listen to him to barrack or cheer, as the case may be, he's now got, because of the activities of people like yourself, large numbers of motorists and housewives and the like all up and down the country, all listening to him too.

HUGO YOUNG: It's so much more of an occasion than a boring old White Paper:

PETER KEMP: It's not easy to get the right mixture of accuracy, listenableness, touch of wit if we can get it in, and that sort of thing which goes to make an occasion. I don't think one need underrate, one might say well it doesn't much matter what the actual occasion is because after all it's what's in it that matters and it wouldn't really matter very much if it was just printed and laid on MP's doorsteps or issued as a monstrous press notice. I think that is to underrate the fact that there is still a certain amount of excitement and interest in this and so a lot of attention is paid to the packaging, the speech. It's more than just wrapping it is, I think, important in itself:

HUGO YOUNG: For Sir Douglas Wass, who retires at Easter, Tuesday's is his last Budget. He's been an intimate witness to the making of scores of them, but the occasion still has not lost its excitement -- nor the relief when it's over:

SIR DOUGLAS WASS: It's a bit like boat-race night when one's an undergraduate. Yes, I mean one has been working very hard, for perhaps two months, in conditions of secrecy which always add to the sort of, the feeling of being a member of a corps. And therefore, of a team. The Budget is the boat-race, it is the day it all happens, it's all go to synchronise, things can go wrong, you're in a state of some nervousness and tension and then it finally happens and the feeling of relief that it's all gone well without a hitch is tremendous. It's a bit like a sporting contest in one sense at any rate.

HUGO YOUNG: The man standing centre stage, however, is the Chancellor himself. He makes, in the end, a personal decision. And he brings to it, as Sir Geoffrey Howe reveals, that utter certainty that he is right, which may, in this uncertain world, be the politician's most arresting contribution to economic policy:

SIR GEORGE HOWE: In the end, the economic judgement is that for which the Chancellor's responsible, and one is very conscious of that at the time when it comes to be made, when the judgement about the apparently very tough budget in 1981 was my judgement, the fact that it is now seen by most people as having laid the foundations for the progress that we've made since then and an absolutely inescapably right judgement, gives me more encouragement now than it did in the anxious moments at the time when I was making it. But it's a very essentially, personal decision in the context of a welter of advice which one takes from <sup>whatever</sup> quarter it comes.

HUGO YOUNG: At the beginning, Geoffrey Howe made Budget Day sound like theatre. To Douglas Wass, it's more like a sporting contest. What neither of these metaphors conceals, however, is that the Budget really is the supreme moment of the Treasury's annual existence. There is lobbying, of course, vast quantities of advice are received. At times the Cabinet gets in on the act, although strictly at the Chancellor's convenience. The Prime Minister too, is obviously central. But when it comes to the final decisions, other ministers often know little more than we do until the day before. This is one moment for which the Treasury does not have a single alibi.



FROM: R I G ALLEN  
13 March 1983

PS/CHANCELLOR

c c PS/Chief Secretary  
PS/Financial Secretary  
PS/Economic Secretary  
PS/Minister of State(C)  
PS/Minister of State(R)  
Mr Kemp  
Mr Hall  
Mr Ridley  
Mr Harris

BUDGET BROADCAST

I have the following comments on the draft of the Budget Broadcast attached to your minute of 11 March.

- (i) Page 2, third complete paragraph - it is only in the last year or so that unemployment has been rising more rapidly in certain countries compared with the UK. So I would redraft this paragraph as follows:

"What's more, the rest of the world has been running into difficulties as well. Over the last year or so, unemployment in countries such as Germany and the United States has been going up even faster than here. It's a world-wide problem."

- (ii) As far as I can see, there is no mention at all in this text of money or monetary policy (apart from a short reference to interest rates). This is surely an important omission that should be rectified. The first port of call is the fifth complete paragraph on page two where you might say "... just be lashing out more Government spending, by borrowing more and by letting the money supply rip."
- (iii) Page 3 - I would omit the three paragraphs beginning "The figures....". In the first place, this is basically repeating points made towards the bottom of the previous



page. Secondly, not every reason why Government spending has risen would be regarded as "bad" - e.g. higher spending on defence, roads and other infrastructure - and some of it is <sup>just a</sup> reflection of rather than as a cause of higher unemployment. Thirdly, and most important, up to the mid-1960s unemployment was held pretty stable, at or about full employment level and, indeed, fiscal/monetary policies to not appear in hindsight to have been particularly imprudent. It was really the breakdown of Bretton Woods that led to the collapse of fiscal/monetary control and that, combined with rising inflationary expectations and an inefficient labour market, that led to rising unemployment. So, as drafted here, the story really is a bit over-simplistic.

- (iv) Page 3, fourth complete paragraph - there is a problem with the chart here, as I mentioned in my minute of 11 March to the Chancellor. The current 3m figure really needs to be got in at some point and (as noted above) the proposition in the second sentence is not true of "every Government" since the war". So I would redraft this paragraph along the following lines:

"You only had to look at the figures to see what was really happening. The average level of unemployment has gone on rising under successive Governments - 1/2m on average between 1951 and 1964, 1/2m between 1964 and 1970, 3/4m between 1970 and 1974, 1 1/2m between 1974 and 1979, 2m on average under the present Government, and of course 3m today."

- (v) Page 3, fifth complete paragraph - in the first sentence, as well as <sup>the mention of</sup> Government spending, a reference could also be made to borrowing and excessive monetary growth. Similarly in the penultimate sentence on this page, and the first sentence on page 4.

- (vi) Page 4, fourth complete paragraph - redraft as follows:

"But at the same time we have been getting the total of Government spending - and borrowing - under control. And this has helped to maintain firm monetary conditions. The result is.....".





- (vii) Page 4, final paragraph - in the first sentence, the words "since the War" should be replaced by "for a quarter of a century". The second sentence in this paragraph also covers a point that I have raised with the Chancellor in my minute of 11 March.

Depending on how the Chancellor responds to this, I would suggest a slightly revised form of words, as follows:

"Under the previous Labour Government, retail price inflation averaged some 15 per cent a year. The average increase under the present Government is likely to be of the order of 10-11 per cent. That's the average. The actual increase in prices over the last 12 months has been only 5 per cent. Downward pressure on inflation will be maintained though, because of the recent exchange rate fall, there may be some temporary, and small, rise towards the end of this year."

- (viii) Page 5, first sentence - this implies that the kind of profile for inflation shown in Chart C applies to interest/<sup>rates</sup> too. That is not the case: average interest rates under the present Government have been a point or two higher than under the last Labour Government. So I think we need a more cautious form of words here, perhaps:

✓ "Lower inflation and lower borrowing also help to bring interest rates down."

And then the first sentence in the third paragraph might be redrafted:

✓ "In the last 18 months, that's brought down the cost of what businesses and families borrow sharply."

- (ix) Page 5, final paragraph - to get across the qualitative aspects of competitiveness the word "better" might be inserted before "goods" in the first line, and some explicit reference might be made to improved delivery dates, and so on. In the third sentence would "to be achieved" be preferable to "always worked"? And - an important point - apart from



money, an obvious omission in this draft is any reference to wages. also the references in the second half of this paragraph to productivity are not quite right. So I would redraft from the fourth sentence as follows:

✓ "Better productivity, lower cost increases, most especially lower wage settlements. And in time, more jobs. For years in Britain our productivity performance was so bad it was almost an international joke. Now that's all beginning to change."

- (x) Page 6, first paragraph - you need some numbers here, as follows:

"From 1960 to 1980 when our competitors' productivity in manufacturing grew by 4 per cent a year, ours only grew by 2½ per cent. But between 1980 and 1982, theirs only rose by 1½ per cent a year but ours rose by no less than 4½ per cent."

Later on in this paragraph the first reference in square brackets should be deleted - the last time we increased our share of world trade (in volume terms) was in 1977.

- (xi) Page 6, second paragraph - again, you might extend this sentence to read:

".... more Government spending and borrowing. Keeping monetary growth under firm control."

- (xii) Page 7, second paragraph - the word "especially" suggests that this Budget is oriented towards business, which it is not. So I would open up this paragraph by saying:

"I've cut other taxes today to help business, particularly...

And in the following paragraph you might add "for example" after "year".



It might be worth clearing the final three pages of this draft with FP and ST. But it strikes me that there are a number of important measures not mentioned here that might be worth adding to the list:

- UB abatement;
- help for housing, home ownership and construction;
- changes in North Sea taxes of benefit to exploration and appraisal, and new investment;
- some mention of the smallness of scale of the increases in excise duties.

There are one or two figures in square brackets that I have asked Mr Thompson in my Division to check.

127

R I G ALLEN



FROM: M A HALL  
14 March 1983

CHANCELLOR

c c Mr MacKellar

JIMMY YOUNG PROGRAMME

I mentioned to you that Roy Jenkins was scheduled to appear on the same day as you. I have spoken to the Producer of the Jimmy Young programme, and can reassure you. It seems that well before the Budget date was fixed, Roy Jenkins was invited to appear to discuss Europe. This he will still be doing, and I am assured that the discussion with him will not be about the Budget, and that there is no question of a three cornered conversation.

2. You may also like to know that Jimmy Young is talking to Richard Wainwright on Wednesday, and Peter Shore on Thursday, so that you will in effect have the last word on the Budget.

  
M A HALL





CAPTION F

NIS

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that now no less than three times in the last 12 months. And that will help to bring back jobs.

I've cut taxes again today especially to help new businesses, particularly small businesses - which, as they grow, can create the new jobs we need.

This year, I've introduced the Business Expansion Scheme - with very generous tax reliefs for investment in ~~all~~ small and medium-sized firms - old as well as new.

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

Tax help <sup>for</sup> ~~for~~ firms ~~that~~ give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

But I've found room too, to help those whom we all want to help.

Pensioners, for example. Since we were elected, prices have gone up by [70] per cent. Pensions have gone up by more than that, by [75] per cent. [And pensioners won't be losing any of that increase.] [Next November,

/pensions will



pensions will go up again by the same amount as prices have risen between last summer and this.7

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up <sup>65p</sup> £~~1~~7 a week <sup>to £6.50</sup> It'll be worth more than ever before.

People who are out of work will have the full value of their benefits restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real cash help through the year <sup>after</sup> ~~when~~ their husband dies.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people - particularly the low-paid - and good for business too.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come

/first.



first. But this year I've been able to cut it quite a bit.

Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. ~~More than a million~~ <sup>About 1 1/4</sup> million low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.





Mr. Moore 90/1

Could someone please check these three pages for any factual errors? They are taken from the Chancellor's Budget broadcast & we shall need to start retyping the next version at 11.45 am.

Mary Hauls

MOM

14/3







M. Morgan 12/2

Could someone please check  
these three pages from the  
Chancellor's Budget broadcast  
for any factual errors?

We shall need to start retyping  
the next version at 11.45 am.

May Hards

MOM

14/3

No Scamman

I've inclined to



CAPTION F  
NIS

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that now no less than three times in the last 12 months. And that will help to bring back jobs.

I've cut taxes again today especially to help new businesses, particularly small businesses - which, as they grow, can create the new jobs we need.

This year, I've introduced the Business's Expansion Scheme - with very generous tax reliefs for investment in all small and medium-sized firms - old as well as new.

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

Tax help for firms that give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

But I've found room too, to help those whom we all want to help.

Pensioners, for example. ~~Since we were elected, prices have gone up by [ ] per cent. Pensions have gone up by more than that, by [ ] per cent. [And pensioners won't be losing any of that increase.]~~ ~~Next November,~~

~~/pensions will~~

Next November, pensions will go up again in line with inflation. Since we were elected, business costs have gone up by about 75%



pensions will go up again by the same amount as prices have risen between last summer and this.

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up ~~to £6.50 a~~ <sup>to £6.50 a</sup> ~~week.~~ <sup>(both will)</sup> ~~It will~~ be worth more than ever before.

People who are out of work will have the full value of <sup>unemployment</sup> their benefits restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real ~~cash~~ help <sup>in</sup> ~~through~~ the year <sup>after</sup> when their husband dies.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people - particularly the low-paid - and good for business too.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come

/first.

the additional  
and over-  
payment  
benefit to  
£4.05  
a week



first. But this year I've been able to cut it quite a bit.

Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. More than a million low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.





FROM: I R MACKELLAR  
14 March 1983

PS/CHANCELLOR ✓

cc: Mr Hall  
Mr Monaghan  
Mr Page  
Mr Chambers  
Mr Bobsin  
Enquiry Room (3 copies)

BBC TV 'PEOPLE AND POWER' PHOTOGRAPHS

?? Further to my earlier minute, for Mr Tulley please read Mr I U Chaudry.

*Ian Mackellar*

IAN MACKELLAR



(11)

FROM: M A HALL  
14 March 1983

CHANCELLOR



WEEK-END WORLD

The bid from Week-End World next Sunday remains tentative. They are waiting to see what the Budget contains, and what developments occur on the oil front.



M A HALL



FROM: I R MACKELLAR  
14 March 1983

PS/CHANCELLOR

cc: Mr Hall  
Mr Monaghan  
Mr Page  
Mr Chambers  
Mr Bobsin  
Enquiry Room (3 copies)

BBC TV 'PEOPLE AND POWER' PHOTOGRAPHS

We agreed that BBC TV's stills photographer would visit the Treasury at 11 am on 16 March to take pictures of the Chancellor's office.

The cameraman is likely to be a Mr Tulley. He should take only about 15 minutes over the pictures.



IAN MACKELLAR



BUDGET CONFIDENTIAL



FROM: ROBIN HARRIS

DATE: 14 March 1983

CHANCELLOR

cc Mr Kemp  
Mr R I G Allen  
Mr Hall  
Mr Ridley

CHARTS FOR THE BUDGET BROADCAST.

Mr Allen's minute of 11 March suggests that the unemployment chart should end at 3 million rather than the average figure of 2 million. Although I see the reasoning, I think that there are very strong political arguments against showing such a dramatic rise.

A handwritten signature in black ink, appearing to be the initials "RH" or "RA" with a stylized flourish.

ROBIN HARRIS







FROM: JILL RUTTER  
DATE: 14 March 1983

MR MACKELLAR

cc: Mr Monaghan  
Mr Page  
Mr Hall  
DF

BREAKFAST TELEVISION: 16 MARCH

The Chancellor has seen your minute of 11 March. The Chancellor is happy with the arrangements. He is also grateful to Mr Hall for his offer to be at No 11 at 5.30 am which he gratefully accepts.

JJR

JILL RUTTER



RESTRICTED



FROM: ROBIN HARRIS

DATE: 14 March 1983

A handwritten signature in black ink, enclosed in a circle.

CHANCELLOR

A handwritten mark consisting of a horizontal line followed by a large, stylized number '2'.

cc Mr Ridley

BUDGET BROADCAST: TIM RENTON'S CONTRIBUTION

... I attach a copy of Tim Renton's redraft of the first, opening section of the Budget Broadcast. I understand that a new version of the text is to be circulated later today. The copy which goes to Tony Jay (who is due to telephone later for me to explain your worries about the opening section) could have attached to it these thoughts from Mr Renton.

A handwritten signature in black ink, consisting of the letters 'RH' with a flourish.

ROBIN HARRIS



A Budget should not be like the latest episode in JR - full of drama and the unexpected that has to be reversed in the next thrilling instalment.

(Some of my Labour predecessors seemed to think they were living in Dallas - they built up great expectations - only to reverse them the following year).

I in contrast have been determined since 1979 to follow a clear consistent and resolute line. So that everyone - families, businesses, those abroad who buy our exports - could have a clear idea of where we were leading Britain.

The importance of having a plan is to stick to it. That what I have done. And that's why, in my Budget today, I was able to show some of the good results of consistency: inflation well down, increasing tax thresholds and so on.

More of that in a minute. But remember this. My Budget today shows that as a nation we can together start to gather some of the fruits of the hard work since 1979.





P.1

NOTE

T&D PS/EST

W&P

JR  
15/3

FROM: I. R. MACKELLAR  
14 March 1983

- 1. MR HALL
- 2. CHANCELLOR

EST is keen: are you content?

cc: Mr Monaghan  
Mr Page  
DF



GRANADA TV BID FOR ECONOMIC SECRETARY

Granada TV has approached the Economic Secretary asking that he do a short one-to-one interview outside the House of Commons tomorrow evening at either 6 pm or 6.30 pm. It is also proposed to record the views of Labour and Alliance spokesmen.

yes, a bit

- 2. It seems rather undignified to record a Minister in the street, but this is presumably because Granada cannot get a studio.
- 3. If accepted, the interview would be screened on Granada Reports, the magazine programme.
- 4. Are you content that I should approach the EST?

*Ian Mackellar*

IAN MACKELLAR





CONFIDENTIAL

FROM: G S JOHNSON  
14 March 1983

1. MR PAGE
2. MR ROWLEY

cc: Miss O'Mara  
Mr Brazier  
Mr Chambers  
Mr Batchelor  
  
Mr Hall  
Mr Monaghan  
Mrs McKinney  
DF

IN STUDIO BUDGET RELEASE

This minute confirms Budget day arrangements with the Financial Times. A car has been arranged to take you to Bracken House from the Treasury circle at 3.00 pm. The driver will be David Steel and the car is a Granada, registration W00783W. The car will have a FT sign on the windscreen.

You should collect your unstapled copy of the Budget Speech from Mr Brazier at about 2.00 pm on Budget day.

Your FT contact is David Walker, tel: 248-8000.

A handwritten signature in cursive script, reading "G. S. Johnson", written over a horizontal line.

G S JOHNSON



FROM: G S JOHNSON  
14 March 1983

1. MR DAGE
2. MR SPRINGTHORPE

cc: Miss O'Mara  
Mr Brazier  
Mr Chambers  
Mr Batchelor  
  
Mr Hall  
Mr Monaghan  
Mrs McKinney  
DF

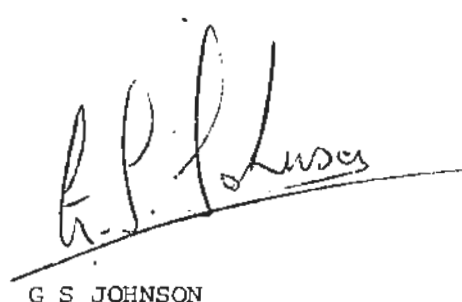
*MR Hayden*

IN STUDIO BUDGET RELEASE

I understand from David Keefe that the rehearsal went smoothly. This minute is to confirm Reuters Budget day arrangements. A car has been arranged to take you to Fleet Street from the Treasury circle at 2.45 pm. Precise details of the car, however, will not be available until later on today.

You should collect your unstapled copy of the Budget Speech from Mr Brazier at about 2.00 pm on Budget day.

Your contact at Reuters is David Keefe, tel: 250-112.

  
G S JOHNSON



FROM: G S JOHNSON  
14 March 1983

1. MR HAGE
2. MR SLAUGHTER

cc: Miss O'Mara  
Mr Brazier  
Mr Chambers  
Mr Batchelor  
  
Mr Hall  
Mr Monaghan  
Mrs McKinney  
DF

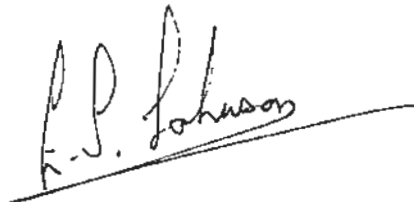
*cc. Mr Hayden.*

IN STUDIO BUDGET RELEASE

I trust the rehearsal with the Press Association was satisfactory.

You should collect your unstapled copy of the Budget Speech from Mr Brazier at about 2.00 pm on Budget day.

Your PA contact in the House of Commons is Mike Bramley,  
tel: 219-4282.



G S JOHNSON



FROM: G S JOHNSON  
14 March 1983

1. MR PAGE
2. MR ROWLEY


cc: Miss O'Mara  
Mr Brazier  
Mr Chambers  
Mr Batchelor  
  
Mr Hall  
Mr Monaghan  
Mrs McKinney  
DF

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A handwritten signature in cursive script, reading "G. S. Johnson", written over a horizontal line.

G S JOHNSON





**BUDGET SECRET until after Budget Speech,  
15 March 1983**

**BUDGET SNAPSHOT 15 MARCH 1983**

Budget proposes significant cuts in taxes on individuals and business consistent with the Medium Term Financial Strategy for effective control of the money supply, lower public borrowing and further progress on inflation. The Chancellor stressed that: "The requirement we saw, and the country accepted in 1979, was for resolve, for purpose and for continuity. My proposals in this Budget are rooted in that same resolve, and will maintain that purpose, and that continuity. They are designed to further the living standards and employment opportunities of all our people and to sustain and advance the recovery for which we have laid the foundations."

**A. Main Proposals (FSBR, Part 1; detailed proposals listed in Part 4)**

- (i) Relief for persons - personal income tax allowances and thresholds increased by 14 per cent - 8½ percentage points more than required for by statutory indexation.
- (ii) Child benefit increased to £6.50 a week - more than restoring its 1979 purchasing value - highest ever level in real terms.
- (iii) 5 per cent abatement of unemployment benefit to be restored.
- (iv) Measures to assist housebuilding and home ownership, including increase in mortgage interest relief limit to £30,000.
- (v) Additional employment measures include extensions of the Enterprise Allowance and Job Release Scheme.
- (vi) National Insurance Surcharge reduced to 1 per cent from 1 August.
- (vii) "Small companies" rate of Corporation Tax cut from 40 per cent to 38 per cent.
- (viii) Further assistance to small firms and to help enterprise and wider share ownership includes new Business Expansion Scheme, extending and improving the present Business Start-up Scheme, and help for technological innovation.
- (ix) Changes to North Sea oil taxation include the phasing-out of Advance Petroleum Revenue Tax and special relief for future fields.
- (x) Excise duties increased broadly in line with inflation.
- (xi) Measures aimed at fringe benefits and tax avoidance.

In addition proposed changes in the method of uprating social security benefits were announced.

**B. Autumn Measures**

The following measures were announced in November 1982 to take effect from April 1983:

- (i) National Insurance Surcharge cut by 1 per cent to 1½ per cent from 1 April 1983.



(ii) National Insurance Contribution rates (employers and employees) increased by  $\frac{1}{2}$  per cent. Increase was less than the 0.4 per cent needed to balance the National Insurance Fund.

Revenue costs in 1983-84 of NIS cut and hold-back on NIC - some £1 billion.

### C. Effects of Budget

Compared with conventional indexation, and taking account of expenditure measures, Budget measures will add £1.6 billion to public sector borrowing requirement (PSBR) in 1983-84.

Direct revenue effects of tax changes:

(£ million)

	<u>Effect in 1983-84</u>		<u>Effect in a full year</u>	
	Change from indexed base	Change from non-indexed base	Change from indexed base	Change from non-indexed base
Income tax allowances and thresholds	-1,170	-2,000	-1,490	-2,545
Other income and direct taxes	-295	-310	-365	-410
National Insurance Surcharge*	-215	-215	-390	-390
Excise duties	10	595	10	605
Other indirect taxes	-	-5	-	-5
	-1,670	-1,935	-2,235	-2,745

\* Estimates exclude public sector payments.

+/- indicates an increase/decrease in revenue.

Additional public expenditure on technology and innovation, housing improvements, social security and employment measures will cost £238 million in 1983-84 over and above what is already provided. This is all charged to the Contingency Reserve and thus will not add to the total of planned public expenditure.

The latter is now expected to be £112.5 billion in 1982-83, £0.5 billion less than the estimate in the Public Expenditure White Paper, Cmnd 8789. The planning total in 1983-84 is reduced from £119.6 billion in Cmnd 8789 to £119.3 billion, compared with the £120.7 billion planned at time of the 1982 Budget.

The full year revenue cost of the Budget is of the order of £2 $\frac{1}{2}$  billion. The bulk of this - around £2 billion - goes to individuals. But business benefits to the extent of about £ $\frac{1}{2}$  billion. Businesses have been helped by the measures announced in the autumn - worth around £ $\frac{1}{2}$  billion after taking account of the increase in the employers' National Insurance Contribution - as well as by the falls in the exchange rate and oil price. If revenues from taxes paid by business (NIS, NIC, corporation tax and rates) - apart from the North Sea industries - were the same share of total taxes in 1983-84 as they were in 1978-79, then these businesses would have to pay some £3 billion more than is forecast for the coming year.

The changes in excise duties will add 0.4 per cent directly to the RPI (but have a negligible effect compared with an indexed base). This has already been taken into the forecast.



**D. Medium Term Financial Strategy (FSBR Part 2)**

MTFS - updated and extended to 1985-86. Ranges for monetary growth will be the same as those planned this time last year, showing a continuing steady downward path. These ranges - which, as last year, are constructed on the assumption of "no major change in the exchange rate" apply both to broad measures of money (£M3 and PSL2) and the narrow measure (M1):

[per cent]	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
1983 FSBR	7-11	6-10	5-9
1982 FSBR	7-11	6-10	na

A PSBR of 2½ per cent of GDP - around £8 billion - is planned for 1983-84, consistent with the figure published in the Autumn Statement. The PSBR ratio will continue to show a downward path over the medium-term. The fiscal projections assume real GDP growth of 2½ per cent per annum, and money GDP growth of 8 per cent.

<u>PSBR*</u> [£bn]	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
1983 FSBR	7½ (2½)	8 (2½)	8 (2½)	7 (2)
1982 FSBR	9½ (3½)	8½ (2½)	6½ (2)	na

\* Figures in brackets show PSBR as a % of GDP.

**E. Economic Developments and Outlook (FSBR, Part 3)**

Budget is presented against a world background which, though still full of risks, is looking more hopeful. Lower interest rates and inflation, particularly in the US, and a number of recent indicators, are pointing towards some increase in world activity in 1983. The fall in oil prices in recent weeks improves the prospect for both recovery and lower inflation.

In the UK, a pause in the downward trend in RPI inflation is likely this year. Total output (GDP) should rise by about 2½ per cent in the year to first half of 1984, and manufacturing output by much the same percentage. The growth in output now foreseen, if sustained, is probably consistent with no major change in unemployment. The surplus on the balance of payments current account is forecast to remain sizeable (but smaller than in 1982). Exports are forecast to rise as world trade recovers, but imports are also likely to increase as the rundown in stocks comes to an end.

**Summary of Short-Term Forecast**

	GDP (% change on year earlier)	Current Account Balance of Payments (£bn)	PSBR <sup>(2)</sup> (£bn and % of GDP)	RPI (% change 4th quarter to) 4th quarter)
1982	½	4	7½ (2½)	6
1983	2	1½	8 (2½)	6 (3)
1984 (first half)	2½	2 (1)	-	6

(1) At annual rate

(2) Financial years 1982-83, 1983-84

(3) Second quarter 1983 to second quarter 1984



**BUDGET SECRET until after Budget Speech,  
15 March 1983**

**F. Personal Income Taxation**

Main rates - including basic rate of 30 per cent - remain unchanged. Allowances and thresholds increased by about 14 per cent as follows:

(£)	<u>1983-84</u> <u>(proposed)</u>	<u>1982-83</u>
Married	2,795	2,445
Single (and wife's earned income)	1,785	1,565
Additional personal (and widow's bereavement)	1,010	880
Aged - married	3,755	3,295
Aged - single	2,360	2,070
Basic rate limit (starting point for higher rates)	14,601	12,801
Aged income limit	7,600	6,700
Investment income surcharge threshold	7,100	6,250

**G. Social Security and Other Benefits**

Uprating of social security benefits will be based on the outturn figure of inflation to May 1983. Next November's uprating will therefore be announced in June. May's inflation figure expected to be in the region of 4 per cent. Linked public service pensions to be increased by same amount.

Child Benefit increased by 65p to £6.50 from November 1983; one parent benefit up 40p to £4.05. (Gross cost £122 million in 1983-84 as compared with no increase at all, £340 million in 1984-85.)

5 per cent abatement of unemployment benefit to be restored from November 1983 (cost £22 million in 1983-84, £60 million in a full year).

A number of measures to provide substantial help to the sick, disabled, war pensioners and the less well off. Main changes:

- a. Amount the severely disabled can earn before benefit is up from £20.00 to £22.50.
- b. "Invalidity trap" to be ended - people under 60 on incapacity benefit for a year will qualify for long term rate of Supplementary Benefit. Over 60s will qualify immediately.
- c. Capital disregard for entitlement to Supplementary Benefit increased from £2,500 to £3,000. Additional disregard of £1,500 for life assurance policies.

**H. Widows and Charities**

Entitlement to widow's bereavement allowance extended to cover year after husband's death. (Cost £30 million in a full year.)

£250,000 ceiling for CTT exemption on bequests to charities abolished: outright bequests to charities will not be taxed.

Annual ceiling for tax relief at higher income tax rates for payments under deeds of covenant to charities raised by £2,000 to £5,000.

Companies to be able to deduct for tax purposes costs of staff seconded to charities.





**BUDGET SECRET until after Budget Speech,  
15 March 1983**

**I. Indirect Taxes**

Changes reflect need to broadly maintain real value of excise duties.

Indirect Tax	Yields <sup>(+)</sup> and Costs <sup>(-)</sup>	(£ million)	<u>1983-84</u>	<u>Full year</u>
VAT			-5	-5
Tobacco			95	100
Drink			140	145
Petrol			190	190
Derv			40	40
VED - cars/light vans			93	93
- lorries			37	37
			<hr/>	<hr/>
<b>Total all duties</b>			<b>590</b>	<b>600</b>

VAT. Basic rate remains 15 per cent; registration limit increased from £17,000 to £18,000.

Tobacco. Duty (inclusive of VAT) up 3p a packet of 20 cigarettes (from 18 March 1983). No change in rate of duty on pipe tobacco.

Drink. Duty (inclusive of VAT) up 1p on a typical pint of beer, 5p on a bottle of table wine, 7p on a bottle of sherry, 25p on a bottle of spirits, 1p on a pint of cider (from 16 March 1983).

Petrol. Duty (inclusive of VAT) up 4p a gallon; derv up 3p a gallon.

Heavy fuel oil. No change.

Vehicle Excise Duty (on or after 16 March). Car duty up by £5 to £85. Approximate 10 per cent reduction in rate for 315,000 lighter, less damaging lorries; increase of between 5 per cent and 26 per cent for selected lorries; heaviest, most damaging lorries suffer largest increase. New 33 to 38 tonne lorries to cover their road costs from the outset.

**J. Housing, Home Ownership and Construction**

Ceiling for mortgage interest relief up from £25,000 to £30,000 (cost £50 million in 1983-84). Relief extended to self-employed in tied accomodation buying houses elsewhere.

Limit on expenditure eligible for home repair grants increased by 20 per cent. Additional resources to "enveloping" schemes - external repairs to whole streets or terraces in inner city areas. (Cost of these 2 measures - £60 million in 1983-84.)

Stock relief available on houses accepted by builders in part exchange.

Industrial buildings allowance - permitted proportion of office space up from 10 per cent to 25 per cent (full year cost £25 million).

Development Land Tax deferment scheme on developments for owners' own use extended from April 1984 to April 1986.

**K. Employment Measures**

Enterprise Allowances to help unemployed people set up their own business extended to whole country.



90,000 men between 60 and 65 no longer required to register solely in order to protect pension rights.

42,000 unemployed men on Supplementary Benefit will no longer need to wait a year (or to reach 65) to qualify for long term rate of SB.

New scheme for part-time job release.

L. National Insurance Surcharge

The NIS is to be cut by another  $\frac{1}{2}$  per cent to 1 per cent from 1 August. Benefit to be confined to private sector. (Cost £215 million in 1983-84, £390 in full year).

M. Small Firms, Enterprise and Wider Share Ownership.

Measures to foster growth of small and medium sized enterprises and improve their competitive environment. The new VAT registration limit and the changes in capital taxation will also help small firms.

Business Expansion Scheme extends and improves the Business Start-up Scheme. The life of the scheme is extended to April 1987, it will now be applied to new and established unquoted trading companies and the maximum yearly investment limit will be raised from £20,000 to £40,000.

Corporation Tax - small companies rate cut from 40 per cent to 38 per cent; profits limits raised - lower limit up £10,000 to £100,000 - upper limit up £275,000 to £500,000. (Cost £40 million 1983-84; £70 million in full year.)

Interest relief extended to share purchases in employee buy-outs.

Deep-discounted stock - borrowers to get relief for accrued discount; investors to pay tax only on redemption and sale.

Profit Sharing and share options:-

- a. profit share limit - £1,250 annual limit plus alternative of 10 per cent of salary to maximum of £5,000;
- b. save-as-you-earn monthly limits raised by £25 to £75;
- c. for other share options, 3 year instalment period over which income tax can be spread extended to 5 years.

Loan guarantee scheme - ceiling for total lending raised from £300 million to £600 million.

Small Industrial Workshop Scheme - averaging of size requirement for conversions of old buildings.

Freeports - legislation to be introduced; a few experimental locations to be authorised.

N. Technology and Innovation

Small Engineering Firms Investment Scheme re-opened.

First year allowances for rented teletext receivers extended to June 1984, and for British films until March 1987.



BUDGET SECRET until after Budget Speech,  
15 March 1983

Also includes help with information technology, innovation linked investment and extension of science parks. (Total cost of technology and innovation measures package - £240 million over three years).

O. North Sea Oil Regime

Total North Sea revenues expected to be about £8 billion in 1983-84 similar to 1982-83 estimated outturn. A package of reliefs totalling £800 million over four years for existing fields, together with a substantially more favourable regime for future fields. Total cost of Budget tax reductions estimated at £115 million in 1983-84.

Advance petroleum revenue tax (APRT), 20 per cent rate from 1 July 1983 cut to 15 per cent; to be phased out completely by the end of 1986.

PRT relief for expenditure incurred in searches or appraisal of discovered reserves, other than in existing oil fields or developments.

New fields (consent given after 1 April 1982) will get double existing oil allowance of 1 million tonnes each six months (total limit 10 million tonnes) and will not pay royalties. (Does not apply to onshore and Southern Basin oil fields).

Abolition of restriction on PRT relief for expenditure on shared assets (eg pipelines).

P. Capital Taxation (Capital Gains Tax, Capital Transfer Tax) and stamp duty.

CGT. Annual exempt slice raised £300 in line with inflation to £5,300.  
Retirement relief doubled from £50,000 to £100,000.

CTT. Thresholds and rate bands raised in line with inflation; threshold up £5,000 to £60,000.  
Certain business and agricultural reliefs extended.

No change in Stamp Duty rates and thresholds. Consultative document to be issued.

Q. Fringe Benefits, Tax Avoidance, International Taxation

1984-85 scale charges for company cars up by about 15 per cent from those applying in 1983-84.

Certain special tax advantages for directors and higher paid employees removed (eg on cost of children's education, expensive houses).

Measures to be brought in to prevent manipulation of group and consortium relief.

Legislation on "Tax Havens" to be introduced as per consultative document "Taxation of International Business". Between them, proposals on tax havens and on ACT and double taxation relief will not involve any increase in the total tax burden on international business. No measures on company residence or upstream loans.

H M Treasury  
15 March 1983



FROM: I R MACKELLAR  
15 March 1983



MR DAVEY - NO 11

c c

PPS —  
Mr Hall  
Mr Page  
DF

TV-AM CREW AT NO 11 : 16 MARCH

TV-AM has been rather dilatory in declaring its team, which is:

Peter Jay  
David Tune  
Olivia Liechtenstein  
Joe Petrowski  
Dave Langridge  
Roger Bonnebaight  
Glyn Thomas  
+ 3

*Ian Mackellar*

IAN MACKELLAR



FROM: MISS M O'MARA

DATE: 15 March 1983

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State (R)  
Minister of State (C)  
Mr Kemp  
Mf Monger  
Mr Moore  
Mr Ridley  
Mr Harris  
Mr Hall

MR R I G ALLEN

**BUDGET BROADCAST**

I attach a revised version of the Chancellor's Budget Broadcast. You will see that it contains two alternative opening sections and two alternative versions of paragraph / on page 10 . The Chancellor's preference is for the underlined version.

2. You will see that the Chancellor has not taken your advice on all points but he believes that the charts and text together will enable him to rebut any charges of misleading the public. Nevertheless, if you still remain very concerned, he would like you to speak up again.

3. The Chancellor thinks that the Broadcast is still too long. He has square bracketed some passages which might be deleted but thinks he will probably need to make further cuts.

4. Could you and others check the text for any errors of fact as soon as possible. We are sending Mr Jay a copy (without the summary of the Budget measures!)

MOM

MISS M O'MARA





## BUDGET BROADCAST

You know, there's a basic problem about a Budget broadcast. And even after five Budgets I'm not sure if I've solved it.

Let me tell you what it is.

The problem is that successful broadcasting, so they tell me, is all about coming up with something new, and different, and unexpected all the time.

But successful management of a nation's economy isn't like that. It's all about steadiness, and consistency, and sticking to the same plan.

So, there aren't many surprises in my Budget today. It follows the same lines as my four previous ones.

With just one difference, perhaps. It's becoming clearer and clearer every year that those lines are the right ones.

/Of course



Of course it's a slow business. It was bound to be. We've all known, for years now, that things have been going wrong in Britain for a long time.

A good many of you will remember the days when we scarcely thought of buying anything that wasn't made by British workers in British factories. But gradually that changed - motor bikes from Japan, shirts from Taiwan, shoes from Poland.

During all those years our economy was getting weaker.

If we're honest with ourselves, we've known for a good time now that we faced a long haul back to real prosperity.

What's more,



BUDGET BROADCAST  
ALTERNATIVE INTRODUCTION

If you've been watching a lot of the news and comment about my Budget during the last few hours, you must be feeling gorged on figures by now.

So I'd like to try and put it all in perspective.

Budget Day's a great traditional occasion. For weeks before, people guess about what the Chancellor is going to do. Then, the weekend before, you see him having a pint at the local or walking his dog; and finally waving that battered old brief-case containing all the Budget secrets for the benefit of the cameras on his way to Parliament.

/That's as it



That's as it should be; for it's still the one day in the year when we look at the nation's accounts as a whole, and try to see where we're going.

But there's a danger for people can come to look for dramatic new departures: and gimmicks that attract the headlines.

Well we've had a few of those in days gone by: and they've usually ended up in tears.

And so since Margaret Thatcher asked me to be her Chancellor nearly four years ago I've tried to map out a long-term course for Britain. And broadly speaking we've stuck to that. So all that I announced this afternoon was designed to build on the foundations laid in previous years.





What's more, the rest of the world has run into difficulties as well. In the last year or so, unemployment in countries like Germany and the United States, has been going up even faster than here. So it's a world-wide problem.

That's another reason why I was right to tell you, three years ago, that it'll "take more than one Budget, more even than two or three" to get things right: "because these things take time."

Of course, some people still argue that the Government could take the old short cut, and create lots of new jobs - just by lashing out more Government spending - by borrowing more, *by printing money*

RIGA

But they really should know by now that that's no answer.

/It doesn't work,



It doesn't work, because it doesn't last:  
 in a year or so inflation is galloping ahead;  
 the Government has to slam on the brakes;  
 and unemployment shoots up even higher than it  
 was before.

We've seen it all before, haven't we?

And the figures prove it beyond doubt.

The average level of Government spending has gone  
 up under every previous Government since the War,  
 as Governments tried to spend their way out of  
 rising unemployment.

And did it work? *up to 1960s quite well, but from then on,*  
~~For a few months, yes. — BUT~~ *RISA*  
~~in the long run it made things much worse.~~

CAPTION A  
Unemployment

You only have to look at the figures to see what was  
 really happening. Under <sup>*successive*</sup> ~~every~~ Governments since the  
 War the average level of unemployment has been higher

/than the one

*RISA*  
*(long time since 1905)*



than the one before. And we've not yet been able to stop that trend.

And the link between Government spending and borrowing and unemployment is inflation. In the short run perhaps, it can create a few jobs. But in the long run it ends up destroying many more.

CAPTION B  
Inflation

And you can see that inflation too has gone up step by step under <sup>Successive</sup> every Government. Government spending and borrowing, <sup>perhaps more,</sup> inflation, unemployment. They all go together.

/That's why we



That's why we knew we had to control Government spending, and borrowing, and beat inflation if we were really to get unemployment coming down.

But we inherited plans for a huge increase in spending over the years ahead, which the country couldn't begin to afford.

So we had to prune them drastically - and sometimes, in the short term, painfully.

But all the time we've done all we can to look after the people who can't look after themselves.

Even after allowing for rising prices, we've been able to spend more, not less, than previous Governments on the Health Service.

More, not less





More, not less, on pensions. More, not less, on the unemployed and training young people - helping them to find a job.

But at the same time we have been getting the total of Government spending and borrowing under control. And the result is we're getting inflation under control as well.

CAPTION C  
Inflation  
again

This Government will be the first for 25 years to achieve an average inflation rate lower than the one before. Under the last Labour Government prices went up on average by about 15 per cent a year. We've got that average down to about 10 per cent. And in the last year we've got inflation down to 5 per cent. And not just lower inflation, but lower interest rates <sup>as well</sup> *as well*. We knew when we came

/into office



into office that Britain couldn't go on for ever living on borrowed time and borrowed money.

CAPTION D

As I've said, Government borrowing had been rising dangerously for a long time. I've checked and reduced it.

*Effect to bring*  
That's brought down the cost of what business and families borrow quite dramatically. As a result the average couple, buying their first home, are paying about £40 less a month than a year ago. And it's costing companies hundreds of millions less to invest in tomorrow's jobs.

But still unemployment is much too high.

/And there's only



And there's only one long term way to deal with that.

British industry has to make goods that can compete, to win orders around the world and in Britain too. And then take people on to meet those orders. That's how a real recovery has always worked. Better productivity, lower costs, more sales. And in time, more jobs. For years in Britain we've been producing <sup>far</sup> less per man and woman than <sup>many</sup> almost any of our competitors. In fact we were doing so badly it was almost an international joke.

Now that's all changed.

*Recently our performance has begun to improve*

*R.I.G.A. - factories wrong*

/Between 1960



CAPTION E

Between 1960 and 1980 when our competitor's productivity grew by 4 per cent-a year, ours only grew by 2½ per cent. getting on for twice as fast as ours. But since 1980 our productivity's improved three times as fast as theirs theirs only rose by 1½ per cent a year but ours rose by no less than 4½ per cent. <sup>and because of more moderate wage increases,</sup> As a result, <sup>R16A</sup> we're beginning to win back a larger share of the world trade. That's something the British people have achieved - not this Government. People like those who work at Jaguar, for example, making almost three times as many cars per man this year as they did two years ago - and selling them. But we in the Government have been playing our part too.

Resisting calls to go back to the old inflationary binge of more Government spending and borrowing, <sup>and printing money</sup>

Cutting taxes when we can. And when we do, choosing the right priorities.

/So I've





CAPTION F

NIS

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that twice last year and once again today. And that will make it easier for firms to grow and provide the extra jobs we long to see.

I've cut other taxes today to help business, particularly small businesses - the firms that'll grow into tomorrow's household names.

I've introduced the Business Expansion Scheme - with very generous tax reliefs for investment in small and medium-sized firms - old as well as new.

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

/Tax help



Tax help when firms give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

[Because we've made such good headway against inflation, the increases in duty on <sup>cigarettes</sup> ~~tobacco~~, drinks and petrol are the lowest they've been for a long time.]

I've found room too, to help those whom we all want to help.

Pensioners, for example. Next November, pensions will go up again in line with inflation and pensioners won't be losing any of that increase. Since we were elected, pensions will have gone up <sup>nothing</sup> ~~a good deal~~ faster than prices.

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up to £6.50 a week. It'll be worth more than ever before.

/People who



People who are out of work will have the full value of their unemployment benefit restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real help not just in the year when their husband dies but in the next one too.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people and good for business too.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come first. But this year I've been able to cut it quite a bit.

/Not by cutting



Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. More than a million low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.

/Every measure





Every measure in this Budget is designed to help the recovery which is now getting under way. And it is, you know. Slowly, but surely.

There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain.

That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it, as we've always been before.

Of course we son't see unemployment come tumbling down overnight. That's a

/problem the



problem the whole industrial world is going to have to cope with for quite a time to come.

But there is a new mood of realism and determination in the country.

It shows up in fewer strikes, much lower price rises, rising productivity, good export figures - almost everywhere you look.

That's what we've been aiming for ever since we took over. It's the only policy for jobs which last. And it's the policy we're sticking to because we all know in our hearts it's the only one which works.



P. 1

SIR GEOFFREY HOWE (CHANCELLOR OF THE EXCHEQUER)

Transcript of Post-Budget Broadcast (As Appears On All Channels).

15 March 1983.

ANNOUNCER: The Budget. The Chancellor of the Exchequer, the Right Honourable Sir Geoffrey Howe MP, speaks for the Government.

CHANCELLOR: You know there's a basic problem about a Budget Broadcast and, even after 5 Budgets, I'm not sure if I've solved it. Successful broadcasting, so they tell me, is all about coming up with something new and different and unexpected all the time; but successful management of a Nation's economy isn't like that. It's all about steadiness and consistency and sticking to your objectives. So, there aren't many surprises in my Budget; it follows the same line as my 4 previous ones with just one difference, perhaps, it's becoming clearer and clearer every year that those lines are the right lines. We've all known for years, now, that things have been going wrong in Britain for a long time. A good many of you will remember the days when we scarcely thought of buying anything that wasn't made by British workers in British factories, but gradually, that's changed - motor bikes from Japan, shirts from Taiwan, shoes from Poland - it's been a long downhill slide and we've always known it would be a long haul to get back. Three years ago I told you it would take more than one Budget - more even than 2 or 3 - to get things right. Of course, there are some people who still argue that the Government could take the old short cut and create lots of new jobs just by lashing out more Government spending, by borrowing more; but they really should know, by now, that that's no answer. The average level of spending has gone up under every Government for the last 30 years as they tried to spend

their way out of rising unemployment and what happened? In the long-run it made things much worse. You've only to look at the figures to see what was really happening. Under every Government for a generation, the average level of unemployment has been higher than under the one before and we've not yet been able to stop that trend. The link between Government spending and borrowing and unemployment is inflation. In the short-run, perhaps, it can create a few jobs, but, in the long-run, it ends up destroying many more. And inflation, too, has gone up, step by step, under successive Governments. Government spending and borrowing, inflation and unemployment; they all go together. That's why we knew we had to control Government spending and borrowing and beat inflation if we were really to get unemployment coming down. But, all the time, we've done all we can to look after the people who really need help. Even after allowing for rising prices, we've been able to spend more, not less, than previous Governments on the Health Service; more, not less, on pensions; more, not less, on the unemployed and training young people, helping them to find a job: and, with all this, we're still getting inflation under control as well. This Government will be the first for 25 years to achieve an average inflation rate lower than the one before. Under the last Labour Government, prices went up, on average, by about 15% a year. We've got that average down to just over 10%; and if you just take the past year, it's even more dramatic. Inflation, now, is down to 5%. Then there's Government borrowing. That had been rising, dangerously for years when we took office and pushing interest rates higher and higher. I was determined to stop that rise. It's now down to manageable rates and that's brought down the cost of what business and families borrow quite dramatically. As a result, the average cost of borrowing, buying the first home, are

paying about £40 less a month than a year ago; and it's saving companies hundreds of millions and that makes it easier for them to invest in tomorrow's jobs. But still, unemployment is much too high and there's only one lasting way to deal with that. British industry has to make goods that can compete - to win orders round the world and in Britain, too - and then take people on to meet those orders. That's how a real recovery has always worked: better productivity; lower costs; more sales; and, in time, more jobs. For years, in Britain, we've been producing far less per man and woman than almost any of our competitors, now that's all changing. Between 1960 and 1980, our competitors' productivity grew getting on for twice as fast as ours. But, since 1980, theirs has only risen 1½%, ours has increased 3 times as fast; and people are being more sensible about pay. As a result, we're beginning to win back a larger share of world trade. That's something the British people have achieved, not this Government. People like those who work at Jaguars, for example, making almost 3 times as many cars per man this year as they did 2 years ago, and selling them. But we, in the Government, have a part to play too. That's why I've been cutting industry's costs by cutting the tax on jobs. Labour introduced the National Insurance Surcharge in 1977 and raised it in 1978. I cut it twice last year and this Budget cuts it again; down to 1% from next August and that will make it easier for firms to grow and provide the extra jobs we long to see. I've cut other taxes today to help business, particularly small businesses, - the firms that'll grow into tomorrow's household names - and because we've made such good headway against inflation, the increases in Duty on tobacco, drinks and petrol are the lowest they've been for a long time. I've found room, too, to



help those whom we all want to help: pensioners, for example. Next November, pensions will go up again. We've pledged ourselves to keep up the value of pensions, in fact, we've done better. Over this Government, pensions will have gone up a good deal faster than prices. We've been able to give real help to families too - particularly the low-paid - because, from next November, child benefit is going up to £6.50 a week; that will be worth more than ever before. People who are out of work will have the full value of their unemployment benefit restored. I've extended the special tax allowance for widows. I've introduced new measures to help the disabled; and I'm proposing further assistance for the Charities which do so much to care for those in need. One other big thing: lower income tax. That's good for people and good for business, too. Over the last few years I've not been able to cut income tax as much as I should have liked - industry had to come first - but, this year, I've been able to cut it quite a bit by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. More than a million low-paid workers who are paying tax now, won't pay income tax at all next year. Every measure in this Budget is designed to help the recovery that's now getting under way and it is, you know, slowly but surely. There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain. That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it as we've always been before. Of course, we won't see unemployment come tumbling down over night, that's a problem the whole industrial world is going to have to cope with for quite a time to come, but there is a new mood of realism

and determination in the country. It shows up in fewer strikes; much lower price rises; rising productivity; good export figures; almost everywhere you look. That's what we've been aiming for ever since we took over. It's the only policy for jobs which last and it's the policy we're sticking to because we all know, in our hearts, that it's the only one which works.

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FROM: MISS M O'MARA

DATE: 15 March 1983

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State (R)  
Minister of State (C)  
Mr Kemp  
Mf Monger  
Mr Moore  
Mr Ridley  
Mr Harris  
Mr Hall

MR RIG ALLEN

**BUDGET BROADCAST**

I attach a revised version of the Chancellor's Budget Broadcast. You will see that it contains two alternative opening sections and two alternative versions of paragraph / on page 10 . The Chancellor's preference is for the underlined version.

2. You will see that the Chancellor has not taken your advice on all points but he believes that the charts and text together will enable him to rebut any charges of misleading the public. Nevertheless, if you still remain very concerned, he would like you to speak up again.

3. The Chancellor thinks that the Broadcast is still too long. He has square bracketed some passages which might be deleted but thinks he will probably need to make further cuts.

4. Could you and others check the text for any errors of fact as soon as possible. We are sending Mr Jay a copy (without the summary of the Budget measures!)

MOM

MISS M O'MARA



## BUDGET BROADCAST

You know, there's a basic problem about a Budget broadcast. And even after five Budgets I'm not sure if I've solved it.

[Let me tell you what it is.

The problem is that] successful broadcasting, so they tell me, is all about coming up with something new, and different, and unexpected all the time.

But successful management of a nation's economy isn't like that. It's all about steadiness, and consistency, and sticking to <sup>a</sup> [the same] plan.

So, there aren't many surprises in my Budget today. It follows the same lines as my four previous ones.

With just one difference, perhaps. It's becoming clearer and clearer every year that those lines are the right ones.

/Of course



Of course it's a slow business. It was bound to be. We've all known, for years now, that things <sup>had</sup> have been going wrong in Britain for a long time.

A good many of you will remember the days when we scarcely thought of buying anything that wasn't made by British workers in British factories. But gradually that changed - motor bikes from Japan, shirts from Taiwan, shoes from Poland.

During all those years our economy was getting weaker.

If we're honest with ourselves, we've known for a good time now that we faced a long haul back to real prosperity.

What's more,





That's as it should be; for it's still the one day in the year when we look at the nation's accounts as a whole, and try to see where we're going.

But there's a danger for people can come to look for dramatic new departures: and gimmicks that attract the headlines.

Well we've had a few of those in days gone by: and they've usually ended up in tears.

And so since Margaret Thatcher asked me to be her Chancellor nearly four years ago I've tried to map out a long-term course for Britain. And broadly speaking we've stuck to that. So all that I announced this afternoon was designed to build on the foundations laid in previous years.



BUDGET BROADCAST  
ALTERNATIVE INTRODUCTION

If you've been watching a lot of the news and comment about my Budget during the last few hours, you must be feeling gorged on figures by now.

So I'd like to try and put it all in perspective.

Budget Day's a great traditional occasion. For weeks before, people guess about what the Chancellor is going to do. Then, the weekend before, you see him having a pint at the local or walking his dog; and finally waving that battered old brief-case containing all the Budget secrets for the benefit of the cameras on his way to Parliament.

/That's as it



What's more, the rest of the world has run into difficulties as well. In the last year or so, unemployment in countries like Germany and the United States, ~~has~~ has been going up even faster than here. So it's a world-wide problem.

That's another reason why I was right to tell you, three years ago, that it'll "take more than one Budget, more even than two or three" to get things right: "because these things take time."

Of course, some people still argue that the Government could take the old short cut, and create lots of new jobs - just by lashing out more Government spending - by borrowing more. by printing money

But they really should know by now that that's no answer.

/It doesn't work,



It doesn't work, because it doesn't last:  
 in a year or so inflation is galloping ahead;  
 the Government has to slam on the brakes;  
 and unemployment shoots up even higher than it  
 was before.

We've seen it all before, haven't we?

And the figures prove it beyond doubt.

The average level of Government spending has gone  
 up under every previous Government since the War,  
 as Governments tried to spend their way out of  
 rising unemployment.

*And what happened?*

~~[And did it work? For a few months, yes. But ]~~

*And* In the long run it made things much worse.

CAPTION A  
Unemployment

You only have to look at the figures to see what was  
 really happening. Under <sup>successive</sup> every Government since the  
 War the average level of unemployment has been higher

/than <sup>would</sup> the one





<sup>Under</sup> than the one before. ~~And~~ And we've not yet been able to stop that trend.

~~And~~ The link between Government spending and borrowing and unemployment is inflation.

<sup>8/11</sup> In the short run perhaps, it can create a few jobs. But in the long run it ends up destroying many more ~~of~~

CAPTION B  
Inflation

And you can see that inflation <sup>8/11</sup> ~~too~~ has gone up step by step under <sup>Successive</sup> every Government's Government spending and borrowing, inflation, unemployment. They all go together.

/That's why we



8 let. /That's why we knew we had to control  
Government spending, and borrowing, and  
beat inflation if we were really to get  
unemployment coming down.7

~~But~~ we inherited plans for a huge increase  
in spending over the years ahead, ~~which~~  
~~the country couldn't begin to afford~~.  
So we had to prune them drastically, ~~and~~  
~~sometimes, in the short term, painfully~~.7

But all the time we've done all we can to  
look after the people who can't look after  
themselves.

Even after allowing for rising prices, we've  
been able to spend more, not less, than  
previous Governments on the Health Service.

/More, not less



More, not less, on pensions. More, not less, on the unemployed and training young people - helping them to find a job.

But at the same time we have been getting the total of Government spending and borrowing under control. And the result is we're getting inflation under control as well.

CAPTION C  
Inflation  
again

This Government will be the first for 25 years to achieve an average inflation rate lower than the one before. Under the last Labour Government prices went up on average by about 15 per cent a year. We've got that average down to about 10 per cent. And in the last year we've got inflation down to 5 per cent. And ~~not just lower inflation, but lower~~ interest rates <sup>are down too</sup> ~~as well.~~ We knew when we came /into office



into office that Britain couldn't go on for ever living on borrowed time and borrowed money.

CAPTION D

~~As I've said~~ Government borrowing had been rising dangerously for a long time. I've checked and reduced it.

That's brought down the cost of what business and families borrow quite dramatically. As a result the average couple, buying their first home, are paying about £40 less a month than a year ago. And it's costing companies hundreds of millions less to invest in tomorrow's jobs.

But still unemployment is much too high.

/And there's only





And there's only one long term way to deal with that.

British industry has to make goods that can compete, to win orders around the world and in Britain too. And then take people on to meet those orders. That's how a real recovery has always worked. Better productivity, lower costs, more sales. And in time, more jobs. For years in Britain we've been producing <sup>far</sup> less per man and woman than ~~almost any~~ of our competitors. ~~[In fact we were doing so badly it was almost an international joke.]~~ Now that's all changed.

/Between 1960



CAPTION E

Between 1960 and 1980 ~~when~~ our competitor's productivity grew ~~by 4 per cent. a year, ours only grew by 2½ per cent.~~ <sup>heavily</sup> ~~getting on for~~ twice as fast as ours. But since 1980 our productivity's improved three times as fast as theirs ~~theirs only rose by 1½ per cent a year but ours rose by no less than 4½ per cent.~~ <sup>As</sup> ~~As~~ a result, we're beginning to win back a larger share of the world trade. That's something the British people have achieved - not this Government. People like those who work at Jaguar, for example, making almost three times as many cars per man this year as they did two years ago - and selling them. But we in the Government have been playing our part too.

Resisting calls to go back to the old inflationary binge of more Government spending and borrowing.

Cutting taxes when we can. And when we do, choosing the right priorities.

/So I've



CAPTION F

NIS

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that twice last year and once again today. And that will make it easier for firms to grow and provide the extra jobs we long to see.

I've cut other taxes today to help business, particularly small businesses - the firms that'll grow into tomorrow's household names.

I've introduced the Business Expansion Scheme - with very generous tax reliefs for investment in small and medium-sized firms - old as well as new.

Special cash grants for investment in small engineering firms. I've given another real boost to the new technologies which will create tomorrow's jobs.

/Tax help



Tax help when firms give their workers a share of the profits. And cash grants for people out of work who want to start a new business.

8704  
[ Because we've made such good headway against inflation, the increases in duty on tobacco, drinks and petrol are the lowest they've been for a long time.]

I've found room too, to help those whom we all want to help.

Pensioners, for example. Next November, pensions will go up again in line with inflation and pensioners won't be losing any of that increase. Since we were elected, pensions will have gone up a good deal faster than prices.

We've been able to give real help to families as well, particularly the low-paid. Because from next November child benefit is going up to £6.50 a week. It'll be worth more than ever before.

/People who





People who are out of work will have the full value of their unemployment benefit restored.

I've extended the special tax allowance for widows, which I introduced two years ago, so as to give them real help not just in the year when their husband dies but in the next one too.

I've introduced new measures to help the disabled.

And I'm proposing further assistance for the charities which do so much to care for those in need.

One other big thing: lower income tax. That's good for people and good for business too.

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry had to come first. But this year I've been able to cut it quite a bit.

/Not by cutting



Not by cutting the rates, but by raising the point at which people start paying income tax. That's the best way to give most help to the low-paid. More than a million low-paid workers who are paying tax now won't pay income tax at all next year.

We need to strengthen incentives in Britain at all levels. But particularly for those in the so-called poverty and unemployment traps who all too often find that it just doesn't pay to work. By raising the starting point of tax, I've been able to give them a new sense of hope. And I've started to put right a problem which has been growing in Britain for 30 years or more.

/Every measure



Every measure in this Budget is designed to help the recovery which is now getting under way. And it is, you know. Slowly, but surely.

There are more houses being built than a year ago; more goods being sold in the shops; more cars, more trucks being sold; and more of all these things being made in Britain.

That means that as the world recovery gets going, Britain will be really well placed to ride the crest of the wave instead of being swamped by it, as we've always been before.

Of course we ~~w~~on't see unemployment come tumbling down overnight. That's a

/problem the



problem the whole industrial world is going to have to cope with for quite a time to come.

But there is a new mood of realism and determination in the country.

It shows up in fewer strikes, much lower price rises, rising productivity, good export figures - almost everywhere you look.

That's what we've been aiming for ever since we took over. It's the only policy for jobs which last. And it's the policy we're sticking to because we all know in our hearts it's the only one which works.





LEON BRITTAN (CHIEF SECRETARY TO THE TREASURY)

GERALD KAUFMAN (LABOUR ENVIRONMENT SPOKESMAN)

WILLIAM ROGERS (SDP)

INTERVIEWER: JOHN TUSA

Transcript from BBC2, Newsnight, 15 March 1983.

TUSA: .. ... And I'm joined, now, by 3 people who will be at the centre of that excitement both now, in the next 9 days, and especially on by-election night: Leon Brittan, Chief Secretary to the Treasury; Gerald Kaufman for Labour; Bill Rogers for the SDP. Gerald Kaufman, you first. A Budget for Britain's continuing recovery, says the Chancellor. Why do you believe that's not the case?

KAUFMAN: Because we haven't got a recovery so how can it be continued. This is a Budget that's bad for the unemployed; there is nothing that will substantially tackle the problem of mass unemployment that this Government has created. It's a Budget that's bad for those in work who have to be earning a very great deal before they gain from this Budget, taking into account the increases in National Insurance contributions and the increases in rents and charges: and the whole Budget income tax reduction doesn't give back a quarter of the increase in income tax that this Government imposed since it came into office. It's a Budget that's bad for inflation; they admit that inflation is going to go up again. It's bad for the pensioners; they're only going to get a 4% increase though the Government says inflation is going to go up by 6%. It's bad for families; only 65P up on child benefits when it should have been up by £2 in our opinion. Bad for the construction industry, as you've heard this evening; the construction industry is suffering its worst crisis since before the first world war. Bad for home owners;



£50 million should have been used to help first time buyers not the people buying the most expensive houses on the highest incomes.

TUSA: Can you just hold it there because there'll be a chance to say other things later. Bill Rogers, just first of all, on this question of what relation it has to the overall state of the economy. How do you judge the Budget on that?

ROGERS: Well it won't make a great deal of difference and this, I think, is the great disappointment, because, although it's a Conservative Government and I think it's done a great deal of harm to the country, I would have preferred a Budget which would get the country moving again - we want to see people back in work - and the plain fact of the matter is that, by the end of this year, there will be more people out of work; prices will be rising faster than they're rising now and, certainly, those few people who may feel better off this evening will certainly not be feeling better off then. So I think very disappointing, simply from the point of view of the country, not from a political point of view - we don't want to get a political advantage - it could have been better. It was cautious, it was dull, 3 out of 10 I would say.

TUSA: But certainly no sign of recovery, whether continuing or not?

ROGERS: No, none at all. I mean, I think that is the great disappointment. Again we should ask people. We've had 4 years of Conservative Government and do they feel better off - is the country better off - and the answer is that the country is not better off. Inflation has fallen and I'm very glad about that - I think this is the one achievement that the Government has had - but it's going to be rising again and, although the Chancellor, today, talked about a 6% rate of inflation by the end of the year, many



people who are very wise in these matters think it could well be 7% or 8%. So what little benefit we've had will have been eroded by the end of 1983.

TBSA: Leon Brittan, could we start from this overall question of the recovery; why you think the Budget will have some effect on recovery?

CST: Yes. The overall position is that the economy is beginning to recover - the CBI's trends show this, the figures for industrial production last month show this and the Budget will help - it will help by reducing costs and making it, therefore, easier for businesses to expand and to employ people, if it comes to that. The cut in the National Insurance Surcharge is a very good example of exactly the way in which business costs are cut. The cut in the corporation tax of 2% for small businesses, is another example. It is also targeted to particular areas where help is being given; the construction industry is one. Now, as it happens, house-building, for example, is now rising there's no question about that. This will help house-building further, both through the increase in the mortgage interest relief ceiling but also through the money given for home improvements, for the enveloping scheme. There's assistance for the new technology; the small engineering firms investment scheme has been reopened. That is something of particular assistance in the areas such as the west Midlands. Assistance to the oil industry to explore further fields and, of course, the main change from the business start-up scheme to the business expansion scheme. All of those are going to help the recovery. But, where I've got to absolutely disagree with the other 2 speakers is that, if you are judging it in terms of how much money are you throwing at the country? then, of course, the money is quite limited but



that is entirely in conformity with our view that you cannot solve problems - you cannot cure unemployment, passionately though one wants to do it - simply by spending and printing money, that will only lead to inflation rising. I just want to make one point on inflation because that it is important, let's get a sense of perspective. Inflation has come down from 22% to 5% and the Government is expecting it to go up to 6%.

TUSA: And is that going to just be a temporary hitch and it will come down again?

CST: There's no doubt that 6% is something which then will be the precursor to further moves on inflation and that's the reality of the situation.

TUSA: Gerald Kaufman, what about this point, as Leon Brittan says, you can't, as he says, throw money at things; you just have to create the circumstances in which industry can flourish?

KAUFMAN: You don't throw the money at industry. What you do is provide the money for proper industrial investment. You put money into the construction industry - not in these penny packets that Mr Brittan has been talking about - but you increase the money for building by very large amounts. Every £1 billion you add to the building industry not only builds a lot of homes, for example, but it creates 120,000 jobs.

TUSA: What about other industries, though, besides construction; because, after all, Britain needs a new industrial base or an additional modern industrial base. Is there anything in the Budget - or anything in Conservative strategy - which indicates how those new industries - and new jobs in those industries - will be created. Can I hear why they think there isn't and then you





can say why there is. Gerald Kaufman.

KAUFMAN: There isn't a strategy. What there is is a few penny packets in which they are throwing small amounts of money at big problems. Instead of settling down and saying, we have mass unemployment - we have  $3\frac{1}{2}$  million unemployed when there were only just over 1 million when this Government came to office, and we feel passionately about mass unemployment and we're going to do something about it - instead they say no. They say we're going to put unemployment up by another 300,000 in this financial year. That's what they're going to do about unemployment.

TUSA: Bill Rogers, as SDP Industry Spokesman?

ROGERS: Well I think this is exactly the picture and it's a very depressing one indeed. I would like to have seen the National Insurance surcharge cut much more sharply - got rid of entirely - and the cut of  $\frac{1}{2}\%$  may be something which is worth seeing but it should have gone altogether.

TUSA: But would that, in itself, have created new jobs in new industries?

ROGERS: It would have created some new jobs and, equally, if you cut VAT by  $2\frac{1}{2}\%$ , say, to  $12\frac{1}{2}\%$ , that would also have created some new jobs. But I have to say that I don't think the Budget - we can't blame everything that isn't being done on the Budget because the Budget is merely the central framework for industrial policy as well. And what I regret is that if you put the industrial policy of the Government together with what Sir Geoffrey has said today, we're still in a situation of ~~more~~ people out of work and no prospect at all of prices falling; on the contrary, prices rising more sharply by the end of 1983.

TUSA: Leon Brittan. The lack of prospects, as they say, for new



jobs in new industries?

CST: Oh, the prospects are, in fact, not lacking, as has been suggested. Take, for example, the construction industry on which so much has been focussed. I met the construction industry spokesmen - and I met them earlier in the year - and they all agreed that the most important thing was a fall in interest rates and we've seen a further fall in interest rates today.

That's really what will help them more than Government spending schemes. Now the central difference between us is that we have heard from the Opposition spokesmen - both of them - wanting to spend more money and they say that it'll be beautifully targeted. Where is that money to come from? It can come in only 2 ways: either it is borrowed or it is tax. To increase taxes does not seem to be to be a recipe for industrial recovery. To increase borrowing is bound to lead either to higher inflation or to higher interest rates and probably to both.

TUSA: Well can I hear which of those 2 methods (or others) they would choose?

Bill Rogers.

ROGERS: This is not the choice at all. Additional borrowing which is essential in present circumstances - yes, indeed, it is essential - and the Government was so (or has been) so committed to keeping borrowing down, everything was bound to go wrong. Now if you allow borrowing to increase somewhat - a £3 billion reflation - and if you do something to keep prices under control - I would say by a Prices and Incomes Policy but that's not something which was in the Budget (but by cutting VAT) - it can be done. But the Government has become so rigid it is in a straight-jacket and that is really why it's done so much damage.



Good intentions, perhaps, but no understanding of how the economy really works.

TUSA: Terald Kaufman.

KAUFMAN: You can do it in 2 ways. The Government is throwing money at unemployment by spending £17 billion in keeping people on the dole queues at the moment. That money ought to be spent on putting them to work. That's one way we'd get the money. The other way is by making those on the highest incomes pay more. This Government reduced the upper level from 83% to to 60% in 1979. At that time they gave those 6% richest income tax earners £1½ billion (that would be more than £2 billion, probably £2½ billion now now). If that were put back those people, who can well afford to pay, could help to pay for creating new jobs.

TUSA: Leon Brittan can you deal with these 2 alternatives. £3 billion extra borrowing from Bill Rogers and some extra taxation from Gerald Kaufman?

CST: Yes. The idea that extra borrowing can be made painless by a prices and incomes policy is something which was absolutely the ruination .....

ROGERS: Not only by a prices and incomes policy but also VAT. ....

CST: of the Government of which Mr Rogers was a member. That's exactly what it tried to do and it failed and the IMF had to come and bail it out. As for Gerald Kaufman's suggestions that all this can come, painlessly, from soaking the rich; it really is a myth, a social myth which bears no economic sense at all. The idea that all you have to do is to soak the rich and the money is available to do all these marvelous and wonderful things is childish falacy. It is not the economics of reality, it is the economics of Cloud Cuckoo Land. And indeed, even if the figure that Gerald Kaufman mentions were available, the plans of his



Party - the extravagant plans which they put forward - are vastly greater than that and would involve huge increases in borrowing or taxation and there is no avoiding that.

TUSA: Bill Rogers and Gerald Kaufman. "Would you agree on one thing - may be on others but on this at least - that it's, by any stretch of the imagination, a raging, give-away, pre-election Budget, is it?"

KAUFMAN: It's a very foolish Budget both from the country's point of view and from the Government's point of view. It's a Budget that will not get mass unemployment down - and I repeat, we are spending £17 billion and Mr Brittan can't argue with that - .....

TUSA: But it's not buying votes, though, is it?

KAUFMAN: What it's trying to do is to have things every way and, as a result, it's having things no way. We are not helping those in work - they're not getting reasonable tax concessions in place of the huge tax increases they have had under this Government - and we're not helping the 3½ million unemployed.

TUSA: Bill Rogers, very briefly, is this a pre-election Budget ...?

ROGERS: A very disappointing Budget. I think totally consistent with what the Government has done so far - they can certainly make that claim - but what the Government has done so far has been disastrous for the country. So if they go into an election, I think they will get what they deserve for tremendous failure in economic policy which has not been redeemed today.

TUSA: Leon Brittan, are you happy to defend? Would you be happy to go on the Hustings and .....

CST: I'd be very happy to go on the Hustings at any time on the strength of this Budget; and I note, with interest, that Gerald





Kaufman and Bill Rogers at least have had the honesty not to pretend that this is a Budget to buy votes. As for the taxation increase; the fact is that, by increasing allowances  $2\frac{1}{2}$  times as much as was necessary to meet, simply, the inflation figure; this has been a substantial reduction in taxation and  $1\frac{1}{4}$  million people will not be paying taxes as a result of this Budget, who would have been paying taxes if nothing were done.

TUSA: The voters will cast their verdicts, in due course, in Darlington, first, and elsewhere later. Leon Brittan, Gerald Kaufman, Bill Rogers; thank you very much.

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*(Handwritten mark)*

FROM: G W MONGER  
DATE: 15 March 1983

MISS O'MARA  
PS/CHANCELLOR

cc R I G Allen

BUDGET BROADCAST

A small point on the reference to pensions.

2. It says that pensions will have gone up "a good deal" faster than prices. As you know, the figures since the Government came in are 75% and 70%. I doubt myself if the difference between these figures justifies the words "a good deal".

*(Handwritten initials)*

G W MONGER

