

COVERING CONFIDENTIAL

PS/Chancellor of the Exchequer

ZIMBABWE

1. I understand that the Chancellor of the Exchequer is appearing on the BBC television programme 'Question Time' this evening and has asked for briefing on Mr Nkomo and on Her Majesty's Government's general line on Zimbabwe at present. The line to take on Mr Nkomo will be supplied by the Home Office. I attach a line to take on Zimbabwe and a background note on Mr Nkomo.



R H Brown
Central African Department
K 229 233 8149

17 March 1983

cc. PS
Sir J Leahy
News Department

COVERING CONFIDENTIAL

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ZIMBABWE: LINE TO TAKE

WHAT IS HER MAJESTY'S GOVERNMENT DOING ABOUT EVENTS THERE?

1. We understand the difficulties faced by the Zimbabwe Government as a result of violence by dissidents in Matabeleland, but we are concerned about reports of civilians being killed and injured and have expressed the hope to the Zimbabwean authorities that a political solution can be found and that the process of national reconciliation can continue.

ARE WE GOING TO MEDIATE IN ZIMBABWE?

2. A hypothetical question. Neither side has asked us to.

THE WHITE COMMUNITY?

3. Our information is that the white community in Matabeleland is being treated correctly by the Zimbabwe armed forces.

HAS A BREACH OF THE LANCASTER HOUSE AGREEMENT OCCURRED?

4. Implementation of the Agreement is the sole responsibility of the Zimbabwe Government. It is not for us to comment on the constitutionality of events in Zimbabwe. If any breaches of the constitution occur, judicial redress is available to individuals through the Zimbabwe courts. ^{As one of the Co-signatories of the Lanc. House} ~~We have a general moral responsibility~~ ^{agreement we take a special interest in developments in Zimbabwe} ~~regarding the Agreement,~~ and this is reflected in our contacts with the Zimbabwe authorities, ~~eg over reports of Army excesses~~.

BRITISH MILITARY TRAINING IN ZIMBABWE

5. The training is aimed at the formation of an effective and responsible Zimbabwe national army. This is in the interests of all sectors of the population.

AIR FORCE

6. We are considering with the Zimbabwe authorities how we can help them overcome the effects of the sabotage attacks which destroyed several of their aircraft last July.

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TORTURE OF AIR FORCE OF ZIMBABWE OFFICERS

7. The Zimbabwe Government has given us repeated assurances that the detainees will be brought to trial soon and that the allegations of torture will be investigated. They are now being treated correctly.

KIDNAPPED BRITISH TOURISTS BEING HELD HOSTAGE BY DISSIDENTS

8. No news. Search continues.

MR SMITH'S PASSPORT [He has applied for and will be given one.]

9. Mr Smith is entitled to a British passport.

Central African Department
Foreign and Commonwealth Office
17 March 1983

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BACKGROUND NOTE: MR NKOMO

1. Mr Nkomo arrived in London on Sunday morning accompanied by two aides. He had given us only an indirect and general indication of his intentions beforehand. At the airport he was treated as a private citizen and was met only by immigration and special branch. Contrary to press reports he had a valid Zimbabwe passport and applied to stay for three weeks. He was given temporary admission for one week and is now to be allowed to stay until 12 April. There was no question of asylum. In response to a request from the immigration officer for an undertaking, Nkomo said that he did not intend to engage in politics. He went to a hotel. Press reports say that he has now moved to another one.

2. Mr Nkomo gave a press conference at the airport in fairly unprovocative terms. He said that he wanted to return to Zimbabwe as soon as it was safe to do so and hoped for a meeting in London with representatives of the Zimbabwe Government. He refused to comment on his plans while here. The Zimbabwean Minister of Information who was passing through London also gave a press conference in which he said that negotiations about Mr Nkomo's future could only take place in Harare.

Central African Department
Foreign and Commonwealth Office
17 March 1983

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MR. RIDLEY

CHANCELLOR'S BUDGET BROADCAST

Transcript from BBC 1, 9.25 pm, 26 March 1980

CHANCELLOR: As you've heard, it hasn't been an easy Budget. But then we ^{are} ~~we~~ not going through an easy time. ^Pprices are going up too fast, too many people are out of a job, interest rates are much too high. In other words the economy is still in pretty poor shape and it's going to take a long time to get things right.

It's less than a year since we won the election and it takes much longer than that, much, much longer, to change the whole course of a modern industrial economy. But there's quite a lot of evidence that when we've done it things could look a whole lot better than they've been for many, many, years. The real trouble with Britain is that things have been going the wrong way for a long time. It's true that for most of the last 30 years our standard of living has been going up, but more and more slowly. In other countries it's forging ahead. Look for a moment at how our standard of living compares with our neighbours. We've been falling steadily behind for a generation. Unless we really do get a hold of things, and soon, we shall go on falling further and further behind. There are other ways of reminding ourselves what's going wrong. Look, for instance, at mortgage rate over the last 20 years; a steady rise through the 60's and worse still in the 70's: or unemployment, again you see the same pattern but even more pronounced. And that's not just a line on a chart, it's people without jobs. When things have been going wrong for as long as that you can't expect to put them right with a few quick financial conjuring tricks. It'll take more than one Budget, ^{more} ~~less~~ even

than two or three, because it's bound to take time. Time and patience, and the right strategy.

So what is the plan? Enemy number one is inflation, inflation wrecks everything, it pushes interest rates sky high, everyone with a mortgage knows what that means, it destroys the value of savings, and as often it destroys the chances of a job as well. How can an employer be sure of a future if he has to pay 20% interest on every penny that he invests? And inflation plays havoc with pay as well as with prices. It's no wonder the number of strikes has gone up. But in the end strikes benefit nobody, except our competitors. We can't strike ourselves out of trouble. So inflation is the first big problem. It has taken years to get as bad as it is so it needs a long term solution, and a determined one. We have to set a course and stick to it.

So that's why in my Budget today I set out a clear strategy for beating inflation over a period of years. Let me tell you what that strategy involves. First, the Government must stop printing too much money, the money that fuels the inflation, or as the economists put it (all of them incidentally, even Karl Marx), we've got to reduce the growth of the money supply. And that means the Government must cut its own spending, and cut borrowing too. Over too many years Governments have been borrowing too much money. So what's the result? This year we're paying nearly as much in interest on what Governments have borrowed as we spend on the whole of the Health Service. So we must borrow less, much less. And that means spending less.

I know people don't want me to try to balance the books by putting up taxes. Last year I made big cuts in income tax, and just as

soon as I can I'm going to do more. Because lower income tax means more incentive, and more incentive means a better chance of prosperity. But we've got to tackle spending first. So today we published our plans for public spending over the next four years. And for the first time since anyone can remember Government spending will actually come down throughout the next four years, and come down quite a lot. You can see here the public spending plans we took over from the Labour Government last May. Up and up. And you can see from this lower line just how well we've done in cutting back those plans for higher spending. What ~~they~~^{that} would have meant in terms of inflation and taxes and debts ~~that~~ doesn't bear thinking about. So we're going to save a lot of money and that means we've got to take some very hard decisions. But the easy thing for politicians is to go on spending other people's money. These savings will, of course, take time to take effect. Again, you see, it's a matter of time. I don't pretend it's going to be anything but tough in the short run. It'll probably be at least a couple of years before things start coming right. But after ~~that~~ we really could be on the way up, and not just on another bubble of inflation but well set for steady improvement.

If you have to cut spending then you have to have the right priorities. So we've started by trying to save as much as we can by cutting the cost of administration rather than by cutting services. ~~And~~ we've made a start on that. ^{But} We've not yet done as well as we should like, so we'll keep at it. We're doing our best to look after the services that only Government can provide. We're spending more for instance on the war against crime, and on defence, because economies there are false economies. And ~~where~~ we've had to make cuts we've tried to

make the ones that'll hurt least. Take education as an example; the number of children in school is falling quite sharply so we were able to make some sensible savings there. We're fully protecting pensioners against rising prices. They pay tax of course on their pensions, unemployment and sickness benefit are untaxed. So we're not putting up those benefits by quite as much as pensions. But we're sticking exactly to Labour's plans for overall spending on the Health Service. And the rise in child benefit, that will cost over £400 million a year, that'll be a real help. Some of the measures I've announced will be unpopular in certain quarters, cutting down on benefits to strikers for example. Most unions give strike pay already, but not all. Their members expect to be able to count on the rest of us for support when they're on strike. And most people don't think that's fair. Of course I'd like to have been able to make bigger cuts in income tax. That's still too much of a drag on enterprise, on hard work and skill, and I do mean to do more on that front just as soon as I can. But this year most taxes are more or less marking time. Some extra taxes on all the usuals I'm afraid. As long as inflation goes on I'll have to do that otherwise they'd go on melting away in value. And some relief from income tax that protects people on lower incomes from the effects of inflation on pay increases they get.

But I have been able to announce a whole raft of positive measures which 'll help get business moving, particularly small businesses. I'm giving new incentives to people who can enrich the community in other ways. And all these changes should help to check the rise in unemployment. I've cut the tax on small businesses, given them special tax relief for the construction of new factory units, by

setting up new enterprise zones to bring life back to some of the run down parts of our towns and cities. And we're making other changes, connected to help people own shares in the company they work for. Changes to help charities and the voluntary organisations. And a reduction in stamp duty to make things a bit easier for home buyers.

As I said, of course this isn't a particularly easy Budget, but then we don't live in easy times. Inflation is a world wide problem. Even in America interest rates are just as high as they are here. The history of Britain in the last twenty years or so, as you see it on those charts, is the history of short term solutions that ended up by making things worse. And that's why we've got to have long term strategy, even if it does mean difficult decisions in the short term and that's what this Budget's all about. It's a long run Budget to beat inflation, to encourage enterprise, and to get us back where we belong.

People

Jobs

Living conditions

Families

Home o/shirt
large sites
house. big
incomes

Optimism

retail sales
work. sales
new car sales
then it would trade
compliments
rising share of world mkt

Living

- Planning ← No class. work.
- Widows
- Child benefit
- lowly

- Unemployment
- 5% added
- Early returns
- Jobs etc
- Ent. etc.

Productivity

New jobs

Work

Business / people

- Engineering
- B.E.S.
- N.I.S.
- Insurance.

Influ.

Commitment / long term

Nothing new. Broadcasting - yes. Rights & living - standard, study in
your future

In this light usually have this One man. by. father

Only on dates - clear & then the rest of his

New business. 1980 - > on left. Even slow: not it would
L. imports / other with it. At least in young firms. USA
Collected in his business

Unemployment. Put back. Jobs. Sales. Bus. Bus. Man.

You know what's behind him. Influ. > with. looks. looks. job.

All his hand man, down man. he is in this. Hand. of man.

Wages not work but then also look up. Not all when but study

Collecting. Paris. Looked after the world but study.

Now with us. Influ. But not to 25m.

Low St, sales. types. Look. S. Man.

Productivity. But to man John M. do. etc.

to make living in job man. Business. Look all with, etc.

Looking for jobs. Living with families. Extra jobs.

Even it is not fully in. Look up. in fact. Look. Paris

Business I don't see what else he has seen else to look

of. hand. Paris / up. This is not: miles. With. USA

Report. All
but people.

Other side
but not
that,
don't
know

Before I decided what I wanted to say to you tonight I looked through what I'd said in previous budget broadcasts. In each of them I stressed just how difficult it would be to turn round what's been going wrong in Britain for so long. And in each I said that if we kept to our strategy and held to the course we had chosen we would see results.

I don't apologise if it's the same message that I have today. Except now the results of our keeping our nerve and your keeping our patience are showing through more clearly. And the aim of ^{my} budget today is to continue that process.

Take the result on inflation. For years prices had been rising faster under government after government. Each recession, each round of rising unemployment, was met with a new burst of government spending, borrowing and printing. And inflation. And that created havoc with our ability to compete in the world. We lost our customers. We lost our jobs. But now we're winning the battle to keep down price rises. [Chart].

Inflation is down to 5%. It's lower than for 13 years. It's more than halved over the last year. In fact, it's fallen faster than in any other industrialised country. [Chart]. And we'll be the first British government in 25 years to pass on a lower average rate of inflation than we inherited.

But not just lower inflation; lower interest rates too. We knew on taking office that Britain couldn't go on living on borrowed time and borrowed money. That's why I've kept on holding down what government borrows. [Chart]? By doing that, I've allowed the cost of what businesses and families borrow to fall. As a result, it's costing

There's a basic problem about a budget broadcast, which I can't pretend I've solved. The problem is that successful broadcasting is all about coming up with something new and different and unexpected every time; but successful management of a nation's economy is all about steadiness and consistency and sticking to the same plan. So I haven't got masses of new, exciting things to say. Today's budget is following exactly the same lines as my four previous ones, and if there's a difference, it is that it's become clearer and clearer every year that those lines are the right ones. Of course it's a slow business putting right what's been going wrong for 35 years, but then I've said that for the past four years too. In my 1980 broadcast I said "It'll take more than one Budget, more even that two or three, because these things take time." I've never pretended there was a quick solution.

/You'll

You'll hear people say the government could lash out billions of pounds and create thousands of jobs. It's quite true. Governments have been doing it for 35 years. But we know now that it doesn't work, because it doesn't last: in a year or so inflation is galloping ahead, you have to slam on the brakes, and unemployment shoots up even higher than it was before. You've only got to look at the figures.

CAPTION 1

The average level of government spending has gone up under every government since the war, as every government tried to spend its way out of rising unemployment. And those are real figures, corrected for inflation.

And did it buy away unemployment? For a few months, yes. But again you only have to look at the figures to see what was really happening. Under every government the average cost of unemployment was higher than the one before.

CAPTION 2

/That's

That's why it stands at the appallingly high figure it has reached now.

And the line between the two is inflation, creating some jobs in the short term and destroying many more in the long term.

CAPTION 3

Again, it's gone up step by step under every government. The three go together.

CAPTION 4

That's why we knew we had to control government spending and beat inflation. We inherited plans for a huge increase in spending over the years ahead. We cut them drastically - and for many people, in the short term, painfully. You can see just how much lower they are now.

And the result is that inflation is now under control.

CAPTION 5

This government is now certain to be the first since the war to achieve an average inflation rate lower than the one before.

/And if

CAPTION 6

And if you look at the month-by-month trend, it's even more encouraging, especially when you look at the rising curve we inherited when we came in.

But of course unemployment is still far too high. There are two main reasons. In the first place, the long-term cure for unemployment - and the only real one - is for British industry to make goods at competitive prices, to win orders around the world, and then to take people on to fulfil the orders. That's how a real recovery has always worked. But it takes time - it's not a quick fix. The other reason is the world recession - as you've probably seen on the news, inflation is on the increase in most industrial nations. In fact if you look at our rate of increase alongside our competitors, you can see that their unemployment is now growing at a faster rate than ours.

CAPTION 7

/Faced

Faced with all that, it's no good looking for a rapid recovery. But you can look for the signs. Productivity is one of the key ones - output per man. That's what enables us to price our goods competitively.

CAPTION 8

Ever since 1979 that's been increasingly fast. As you can see, our rate is more than double our competitors.

Another important indicator is the share of the world's goods that Britain is producing.

CAPTION 9

That's been on a long downward slide - and a very steep one since 1975. Now, at last, it's on the way up again, which is highly significant.

Even more significant, though, is exports.

CAPTION 10

Ever since the early fifties Britain has been losing her share of the world's markets. That's

/been

been the heart of the problem. Now we're starting to win them back, for the first time in a generation.

That's one of the best signs that something real and important has started to change in Britain.

So that's the background of this budget: four years of sticking to a consistent policy of self-restraint. Four years of resisting calls to go back to the old inflationary binge.

Four years of slow but steady success in halting the downward slide and starting the long climb back. And the result is that Britain's long-term prospects now look brighter than they've looked for years. In fact we're already starting to see some of the rewards of our prudence and patience. That's why I've at last been able to start on what we've been aiming for ever since we took over: expansion and growth based on sound money and a lean and healthy economy.

/So the

So the aim of this budget (summary of principal measures grouped under 'consumer' 'lower paid' 'industry' etc., with explanation of how each fits into the long-term recovery programme).

And that, broadly, is what today's Budget is about. It's not dramatic, and I'm not pretending it will bring unemployment 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 when things do start to get moving again - and they will - then for the first time in 30 years Britain will be really well placed to ride the crest of the wave instead of being swamped by it. It would be nice to take the credit for this myself, but in truth the real achievement of this government has been to get out of the way and let everyone get on with the business of putting this country back where it belongs. There's a new mood of realism and

/determination

determination throughout Britain, and it shows up in the low strike figures, the high 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. It's slow, but it's steady, and it's the policy we're sticking to because we know it works.

Before I decided what I wanted to say to you tonight I looked through what I'd said in previous Budget broadcasts. In each of them I stressed just how difficult it would be to turn round what's been going wrong in Britain for so long. And in each I said that if we kept to our strategy and held to the course we had chosen we would see results.

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/And that

And that created havoc with our ability to compete in the world. We lost our customers. We lost our jobs. But now we're winning the battle to keep down price rises [Chart].

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But not just lower inflation; lower interest rates too. We knew on taking office that Britain couldn't go on living on borrowed time and borrowed money. That's why I've kept on holding down what government borrows. [Chart]? By doing that, I've allowed the cost of what businesses and families borrow to fall. As a result, it's costing the average first time buyer [] less a month to

/buy

buy a home. And it's costing companies less to invest and create tomorrow's jobs.

And then there's productivity. For years in Britain our people were producing less per man and woman than were our competitors [Chart].

In fact, our performance had become an international joke. Now, all that has changed. Our productivity has been growing faster than theirs [Chart].

Not only have we been putting right what had gone wrong in Britain over the years. We're actually showing the way for other countries. Britain's no longer the legendary sick man of the European economy. We're leading Europe out of recession.

Of course, unemployment is desperately high. If we could quickly and easily create more jobs for our people we certainly would. So would Germany - where unemployment is rising faster than here. So would all of the other countries who are facing the same problems that we are. But there just isn't a quick, painless option available.

/Instead,

Instead, together, as a nation, we're going about the search for more jobs in the only way we can if they're to last. We're beating the competition to win back markets. And that's the only way to win back real jobs. [Chart]?

The Opposition Parties want to throw all of that away. They want to spend, borrow and devalue your money in order to create more jobs. In fact, all that would do would be to create more inflation. And I don't think that many people will be fooled. We all remember what happened last time. The last Labour government managed to double unemployment. But they managed too to push inflation up to five times the level it is now.

Instead, we've chosen a different path. We've stuck to the principles we set out on taking office. In my first budget broadcast I said that we wanted to "strengthen the incentives that make it worth
/working.

working. Enlarge freedom of individual choice. Reduce the cost of government so that industry and jobs can grow and flourish. And break the habit of borrowing or printing money to pay ourselves more than we are earning." It's those same objectives which today's Budget is designed to carry forward.

We're determined to go on holding down spending and borrowing and to control inflation. So anyone who thought that was going to be a give away Budget, designed to win your votes with your money for our interests has been proved very wrong.

But because I took some tough decisions in previous Budgets, this time I've had room for sensible tax reductions to help companies and people alike. /measures: what they mean to people. Bring together previous NIS cuts: what that means for companies.7

/ /After

[After detailing effect on unemployment and poverty traps ...] but let me also deal with one misunderstanding. There's a cruel lie being put about that the Government is seeking to cut pensions and take back money which pensioners have received. [give figures] And let's not forget that falling inflation has helped thousands of elderly people living on fixed incomes who in the past saw their savings drained away.

We're still living in a tough, difficult and uncertain world. And it's far too tough to ease up in the battle to make Britain able to win her way through. And we are winning through. We're in better shape than ever before to take advantage of world recovery as it comes. Today's Budget is designed to help with that. It won't create growth and jobs galore. But it does take us one more step towards lasting recovery. And that's what we in Britain need.

You know there's a basic problem about making a budget broadcast. Broadcasting they tell me is all about doing and saying something new. Budget making is quite different because that is not about finding something new but about finding something right and sticking to it. And that's just what I've been trying to do. There are no surprises about this budget. The only surprising thing is that it is going on tackling the same problems in the same way as I've been doing over the last four years. Perhaps there is only one thing that's different - that it's clearer today than it was when we started. But those are the right lines. We've kept our nerve and you've kept your patience. Now we can begin to see that we really have been right all along. Of course it's been a slow business. It was bound to be. When we started four years ago, we all knew, didn't we, that things had been going wrong in Britain for a long time? There was a time when we never thought of buying anything that wasn't made by British workers in British factories. But gradually that changed - motor bikes from Japan, cars from Germany, shoes from Italy.

/But

But all the time British was disappearing.
So we knew that we faced a long haul. In my 1980
broadcast I said "It will take more than one budget
more even than two or three, because these things
take time".

It has been much slower than we even expected because
while Britain has been trying to pull itself up by its
own boot straps the rest of the world has been running
into difficulties almost as great as our own. And
that has made things even more difficult for us here.
Some countries, some economies, we've seen in virtual
collapse. Unemployment in strong, successful
countries like Germany or France or the United States
has been going up even faster than here. That's
the background against which we have to try and tackle
our own problems. And they really have been there for
a long time. I remember almost thirty years ago
covering my first election in my home town of Port
Talbot in South Wales. Unemployment was like a memory
of the past. A gallon of petrol was one and ninepence

/ a pint

a pint of beer two and sixpence; a pound of butter one and fourpence; a house for about £1500. It was a different world, wasn't it? We all know what's happened since then. Prices have been going up faster and faster every year. And yet somehow we haven't been getting all that much better off. Gradually unemployment began going up as well. And taxes too. All the time, government was spending more, borrowing more. And all the time inflation was going up. We were becoming less and less able to compete with other countries, losing more and more customers, more and more jobs. And so getting more and more unemployment. And gradually we've learnt the hard way, just like other countries. But we're never going to get unemployment coming down again as long as inflation keeps on going up. But you're never going to get inflation coming down again until you stop government spending going up. That's how we knew that we had to control government spending if we were to beat inflation. We inherited plans for a huge increase in spending over the years ahead but we've had to cut them back drastically and painfully, I know,

/for

for some people. All the time we've taken care to look after those who can't look after themselves. Each year we've spent more not less on the Health Service; more, not less, on pensions; more, not less, on training young people and helping them to find a job. But at the same time, we've been getting the total of government spending under control. Reducing government borrowing. And so we've been beating inflation too. This government is now certain to be the first since the war to achieve an average inflation rate lower than the one before. And if you look at the month-by-month trend, it's even more encouraging, especially when you look at the rising curve we inherited when we came in. But not just lower inflation, 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. That's why I've kept on holding down what government borrows. By doing that, I've helped the cost of what businesses and families borrow to come down. Less to pay - lower mortgages and less too for companies wanting to invest and create tomorrow's jobs.

/But

But still unemployment is much too high. And there is only one long term way to deal with that. And that's for British industry to make goods at prices that can compete to win orders around the world and in Britain too. And then to take people on to meet those orders. That's how a real recovery has always worked. Better productivity, lower prices. And in the end 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. Ever since 1979 our productivity has been going up fast. And as you can see our rate is now much better than our competitors. So now at last we're beginning to win back a larger share of world trade. Ever since the early 1950s Britain had been losing her share of the world markets, as well as losing out to foreign competitors here at home. That's really been the heart of the trouble. Now at least we're starting to win them back for the first time in a generation. That's what British people have achieved - not this government. People

/like

like those who work at Jaguar, for example, making three times as many cars this year as they did two years ago - and selling them. But we've been playing our part as well. Sticking to the policy of self-restraint that we advised when we came in. Resisting calls to go back to the old inflationary binge of more government spending. And when it comes to cutting taxes, choosing the right priorities. For example, I haven't always been able to cut income tax. Sometimes I have had to put it up. And that was tough - but it was right. Because it gave me room to do one thing that was most important - to help in cutting industry's costs to start cutting the tax on jobs that Labour introduced and then increased. I've cut that - three times in the last twelve months. And that's helping to bring back jobs. I found room too, to help those whom we all want to help - pensioners. For example, since we came into office prices have gone up by per cent. Pensions have gone up by more than that. And pensioners won't be losing any of that increase. Next November they'll go up again

/by

by as much as prices have gone up this year. We've found room to help the family as well. From next November child benefit will be worth more than ever before. People who are out of work will have the full value of their benefits restored. And widows will have a special tax cut to cover the year when their husband dies to give them help adjusting to the change. And just as I've done in every Budget I've introduced a lot of special measures to help new businesses, small businesses that are starting up and creating the jobs that we need. A business expansion scheme to encourage people to invest in new firms; special encouragement to businesses. There's profit sharing schemes and for the unemployed who are starting new businesses. And there's something else I've found room to do this year, and that's to make real cuts in income tax. Not by cutting the rates but by raising the point at which people start paying income tax. That's the best way to help everybody and particularly to help the low paid. Every measure in this Budget is designed to help the recovery which is now getting under way. More houses
/being

being built; more goods being sold in the shops; more cars, more trucks being sold and more of all these things being made in Britain. And at prices that are more competitive so that we're winning back markets abroad as well. And not just with traditional British products, but with new, modern products in the industries of tomorrow. Of course we've still got a long way to go. That's all the more reason for not turning back. This government is sticking to the policies with which we started. There are still people who think we'd get on more quickly by going back to the bad old ways. By spending more, and borrowing more. But that's the way back to disaster. To inflation going up, not down. To higher interest rates, falling profits and disappearing jobs. That's not the way that we intend to go and nor, I'm sure do you.

the average first time buyer [] less a month to buy a home. And it's costing companies less to invest and create tomorrow's jobs.

And then there's productivity. For years in Britain our people were producing less per man and woman than were our competitors [Chart]. In fact, our performance had become an international/^{joke.} Now, all that has changed. Our productivity has been growing faster than theirs [Chart].

Not only have we been putting right what had gone wrong in Britain over the years. We're actually showing the way for other countries. Britain's no longer the legendary sick man of the European economy. We're leading Europe out of recession.

Of course, unemployment is desperately high. If we could quickly and easily create more jobs for our people we certainly would. So would Germany - where unemployment is rising faster than here. So would all of the other countries who are facing the same problems that we are. But there just isn't a quick, painless option available.

Instead, together, as a nation, we're going about the search for more jobs in the only way we can if they're to last. We're beating the competition to win back markets. And that's the only way to win back real jobs. [Chart]?

The Opposition Parties want to throw all of that away. They want to spend, borrow and devalue your money in order to create more jobs. In fact, all that would do would be to create more inflation. And I don't think that many people will be fooled. We all remember what happened last time. The last Labour government managed to double unemployment. But they managed too to push inflation up to five times the level it is now.

Instead, we've chosen a different path. We've stuck to the principles we set out on taking office. In my first budget broadcast I said that we wanted to "strengthen the incentives that make/^{it}worth working. Enlarge freedom of individual choice. Reduce the cost of government so that industry and jobs can grow and flourish. And break the habit of borrowing or printing money to pay ourselves more than we are earning." It's those same objectives which today's budget is designed to carry forward.

We're determined to go on holding down spending and borrowing and to control inflation. So anyone who thought that was going to be a give away budget, designed to win your votes with your money for our interests has been proved very wrong.

But because I took some tough decisions in previous budgets, this time I've had room for sensible tax reductions to help companies and people alike. [measures: what they mean to people. Bring together previous NIS cuts: what that means for companies.]

[After detailing effect on unemployment and poverty traps...] but let me also deal with one misunderstanding. There's a cruel lie being put about that the Government/^{is}seeking to cut pensions and take back money which pensioners have received. [give figures]. And let's not forget that falling inflation has helped thousands of elderly people living on fixed incomes who in the past saw their savings drained away.

We're still living in a tough, difficult and uncertain world. And it's far too tough to ease up in the battle to make Britain able to win her way through. And we are winning through. We're in better shape than ever before to take advantage of world recovery as it comes. Today's budget is designed to help with that. It won't

create growth and jobs galore. But it does take us one more step towards lasting recovery. And that's what we in Britain need.

CAPTION 6

And if you look at the month-by-month trend, it's even more encouraging, especially when you look at the rising curve we inherited when we came in.

But of course unemployment is still far too high. There are two main reasons. In the first place, the long-term cure for unemployment - and the only real one - is for British industry to make goods at competitive prices, to win orders around the world, and then to take people on to fulfil the orders. That's how a real recovery has always worked. But it takes time - it's not a quick fix. The other reason is the world recession - as you've probably seen on the news, inflation is on the increase in most industrial

CAPTION 7

nations. In fact if you look at our rate of increase alongside our competitors, you can see that their unemployment is now growing at a faster rate than ours.

/Faced

Faced with all that, it's no good looking for a rapid recovery. But you can look for the signs. Productivity is one of the key ones - output per man. That's what enables us to price our goods competitively.

CAPTION 8

Ever since 1979 that's been increasingly fast. As you can see, our rate is more than double our competitors.

Another important indicator is the share of the world's goods that Britain is producing.

CAPTION 9

That's been on a long downward slide - and a very steep one since 1975. Now, at last, it's on the way up again, which is highly significant.

Even more significant, though, is exports.

CAPTION 10

Ever since the early fifties Britain has been losing her share of the world's markets. That's

/been

been the heart of the problem. Now we're starting to win them back, for the first time in a generation.

That's one of the best signs that something real and important has started to change in Britain.

So that's the background of this budget: four years of sticking to a consistent policy of self-restraint. Four years of resisting calls to go back to the old inflationary binge. Four years of slow but steady success in halting the downward slide and starting the long climb back. And the result is that Britain's long-term prospects now look brighter than they've looked for years. In fact we're already starting to see some of the rewards of our prudence and patience. That's why I've at last been able to start on what we've been aiming for ever since ~~1971~~: expansion and growth based on sound and healthy economy.

So the aim of this budget (summary of principal measures grouped under 'consumer' 'lower paid' 'industry' etc., with explanation of how each fits into the long-term recovery programme).

And that, broadly, is what today's Budget is about. It's not dramatic, and I'm not pretending it will bring unemployment 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 when things do start to get moving again - and they will - then for the first time in 30 years Britain will be really well placed to ride the crest of the wave instead of being swamped by it. It would be nice to take the credit for this myself, but in truth the real achievement of this government has been to get out of the way and let everyone get on with the business of putting this country back where it belongs. There's a new mood of realism and

/determination

determination throughout Britain, and it shows up in the low strike figures, the high 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. It's slow, but it's steady, and it's the policy we're sticking to because we know it works.

*1 - 2/3
0/1/10 - 4
Note gov. money Budget - 5
Pharmas 3-6
Person*

Before I decided what I wanted to say to you tonight I looked through what I'd said in previous Budget broadcasts. In each of them I stressed just how difficult it would be to turn round what's been going wrong in Britain for so long. And in each I said that if we kept to our strategy and held to the course we had chosen we would see results.

I don't apologise if it's the same message that I have today. Except now the results of our keeping our nerve and your keeping your patience are showing through more clearly. And the aim of my Budget today is to continue that process.

Take the result on inflation. For years prices had been rising faster under government after government. Each recession, each round of rising unemployment, was met with a new burst of government spending, borrowing and printing. And inflation.

/And that

And that created havoc with our ability to compete in the world. We lost our customers. We lost our jobs. But now we're winning the battle to keep down price rises [Chart].

Inflation is down to 5 per cent. It's lower than for 13 years. It's more than halved over the last year. In fact, it's fallen faster than in any other industrialised country. [Chart]. And we'll be the first British government in 25 years to pass on a lower average rate of inflation than we inherited.

But not just lower inflation; lower interest rates too. We knew on taking office that Britain couldn't go on living on borrowed time and borrowed money. That's why I've kept on holding down what government borrows. [Chart]? By doing that, I've allowed the cost of what businesses and families borrow to fall. As a result, it's costing the average first time buyer [] less a month to

/buy

buy a home. And it's costing companies less to invest and create tomorrow's jobs.

And then there's productivity. For years in Britain our people were producing less per man and woman than were our competitors [Chart].

In fact, our performance had become an international joke. Now, all that has changed. Our productivity has been growing faster than theirs [Chart].

Not only have we been putting right what had gone wrong in Britain over the years. We're actually showing the way for other countries. Britain's no longer the legendary sick man of the European economy. We're leading Europe out of recession.

Of course, unemployment is desperately high. If we could quickly and easily create more jobs for our people we certainly would. So would Germany - where unemployment is rising faster than here. So would all of the other countries who are facing the same problems that we are. But there just isn't a quick, painless option available.

/Instead,

Instead, together, as a nation, we're going about the search for more jobs in the only way we can if they're to last. We're beating the competition to win back markets. And that's the only way to win back real jobs. [Chart?]

The Opposition Parties want to throw all of that away. They want to spend, borrow and devalue your money in order to create more jobs. In fact, all that would do would be to create more inflation. And I don't think that many people will be fooled. We all remember what happened last time. The last Labour government managed to double unemployment. But they managed too to push inflation up to five times the level it is now.

Instead, we've chosen a different path. We've stuck to the principles we set out on 12th
In my first budget broad
to "strengthen the incen

working. Enlarge freedom of individual choice. Reduce the cost of government so that industry and jobs can grow and flourish. And break the habit of borrowing or printing money to pay ourselves more than we are earning." It's those same objectives which today's Budget is designed to carry forward.

We're determined to go on holding down spending and borrowing and to control inflation. So anyone who thought that was going to be a give away Budget, designed to win your votes with your money for our interests has been proved very wrong.

But because I took some tough decisions in previous Budgets, this time I've had room for sensible tax reductions to help companies and people alike.

measures: what they mean
together previous NIS cuts
companies.7

[After detailing effect on unemployment and poverty traps ...] but let me also deal with one misunderstanding. There's a cruel lie being put about that the Government is seeking to cut pensions and take back money which pensioners have received. [give figures] And let's not forget that falling inflation has helped thousands of elderly people living on fixed incomes who in the past saw their savings drained away.

We're still living in a tough, difficult and uncertain world. And it's far too tough to ease up in the battle to make Britain able to win her way through. And we are winning through. We're in better shape than ever before to take advantage of world recovery as it comes. Today's Budget is designed to help with that. It won't create growth and jobs galore. But it does take us one more step towards lasting recovery. And that's what we in Britain need.



D
Speed paper

Possible ALTERNATIVE intro (B)

Treasury Chambers, Parliament Street, SW1P 3AG

BUDGET BROADCAST
ALTERNATIVE INTRODUCTION

~~Those of you who've been watching all the comment and discussion about my Budget and what it means for each of us this afternoon may by now be feeling gorged on figures and predictions.~~ *a lot to the news and*
If you'
during the last few hours, you
must
by now
I'd like

So what I want to do is to try and put it *all* in perspective.

Budget Day's a great traditional occasion. For weeks ~~the~~ *for people* *given* *along* commentators speculate on 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 briefcase containing all the Budget secrets for the benefit of the cameras on his way to Parliament. *it's still*

That's as it should be: for ~~this is~~ *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 ~~the~~ *there's a* danger is that *for* people *can* come to look for dramatic new departures: ~~the~~ *and* gimmicks that attract the headlines.

Well we've had a few of those in days gone by: and they've usually ended up ~~disastrously~~ *in tears*. And so ~~since~~ *Margaret* Mrs 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 ~~have~~ stuck to that. So all that I announced this afternoon was designed to build on the foundations laid in previous years.

~~For example. Because ~~the~~ we've made such headway~~



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)

*I'm sure this will
 need some cutting?
 Can someone do the
 word count for?
 And what is necessary
 after 20 minutes in
 indirect costs?*

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.

*And let me see again with
 collection & other comments*

Mom

MISS M O'MARA

Speech paper #1.

BUDGET BROADCAST

You know,

There's a basic problem about a Budget broadcast.

And I ~~can't~~ pretend I've solved it.

Let me tell you what it is.

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

so they tell me,

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

isn't it that, it's

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.

*POSSIBLE
ALTERATING
INTRO(S) & DIS
MENG*

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

*And then
after five
Budgets I'm
not sure if*

*↓
Please slow*

motor bikes from Japan, ^{shirts} cars from ^{Taiwan} Germany, shoes from ~~Poland~~ Italy. ~~Poland~~
~~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, ~~in the last few years~~ ^{In the last year or so,} the rest of the world has run into difficulties as well. ^{In strong countries,} like Germany ^{and} ~~or~~ the United States, unemployment 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.

But they really should know by now that that's ^{no answer.} ~~a recipe for 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.

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 ~~every~~ Governments tried to spend ~~its~~ ^{their} 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 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 every Government. Government spending ~~and borrowing~~, inflation, unemployment. ~~The three~~ ^{They all} go together.

[That's why we knew we had to control Government spending, and borrowing, and beat inflation.] *unemployed coming down* *Before we could get if we were really to get*

[Which the country couldn't begin to afford]

But We inherited plans for a huge increase in spending over the years ahead, So we had to *bring* cut 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. *an estimated 1.6 million* Half a million more people received *in 1987* treatment in NHS hospitals *in 1987* 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 *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* 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 last *[Labour]* Government prices went up *by* on average about 15 percent a year. We've got that average down to about 10 percent a year. And in the last year *we've got inflation down to*

/And not just

See
 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 *checked and reduced it* ~~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 ~~[£ 100]~~ *about 140* 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. *costs, more sales.* ~~And~~ in time, more jobs. For years in Britain we ~~were~~ *-ve been* 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.

Have a word
with me about
this but please

~~almost~~ three
[getting on for three as
fast as ours]

Britain and

CAPTION E

From 1960 to 1980 when our competitors' productivity grew

by 4 per cent ^{a year} ours only grew by ^{2 1/2} per cent.] But since

1980 theirs has only ^{rate} risen by ^{1 1/2} per cent while ours has ^{a year} risen by

^{not less than 4 1/2} shot up to 5 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 ^{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.

Our productivity's
improved three
times as fast
as this.

M. P. ... new page for his

CAPTION F

NIS

twice last year and once again today.

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.~~ *make it easier for firms to grow and provide the extra jobs we long to see*

I've cut ^{other} taxes again today especially to help new businesses, particularly small businesses - which, as they grow, can create the new jobs we need. *the firms that'll grow into tomorrow's household names*

~~From 1st April~~
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 ^{when} 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 £7 per cent. And pensioners won't be losing any of that increase.~~ *By November 82 ...* *prices* *rise*

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

Next November, pensions will go up again - but with inflation. And pensioners won't be losing any of that increase.

/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 ^{£206.50} ~~£~~ a week. It'll be worth more than ever before.

unemployment 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~~ ^{not just in} help ~~through~~ ^{not in the} the year when their husband dies. ~~but in the~~ ^{next two}

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.



BRITISH BROADCASTING CORPORATION
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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,

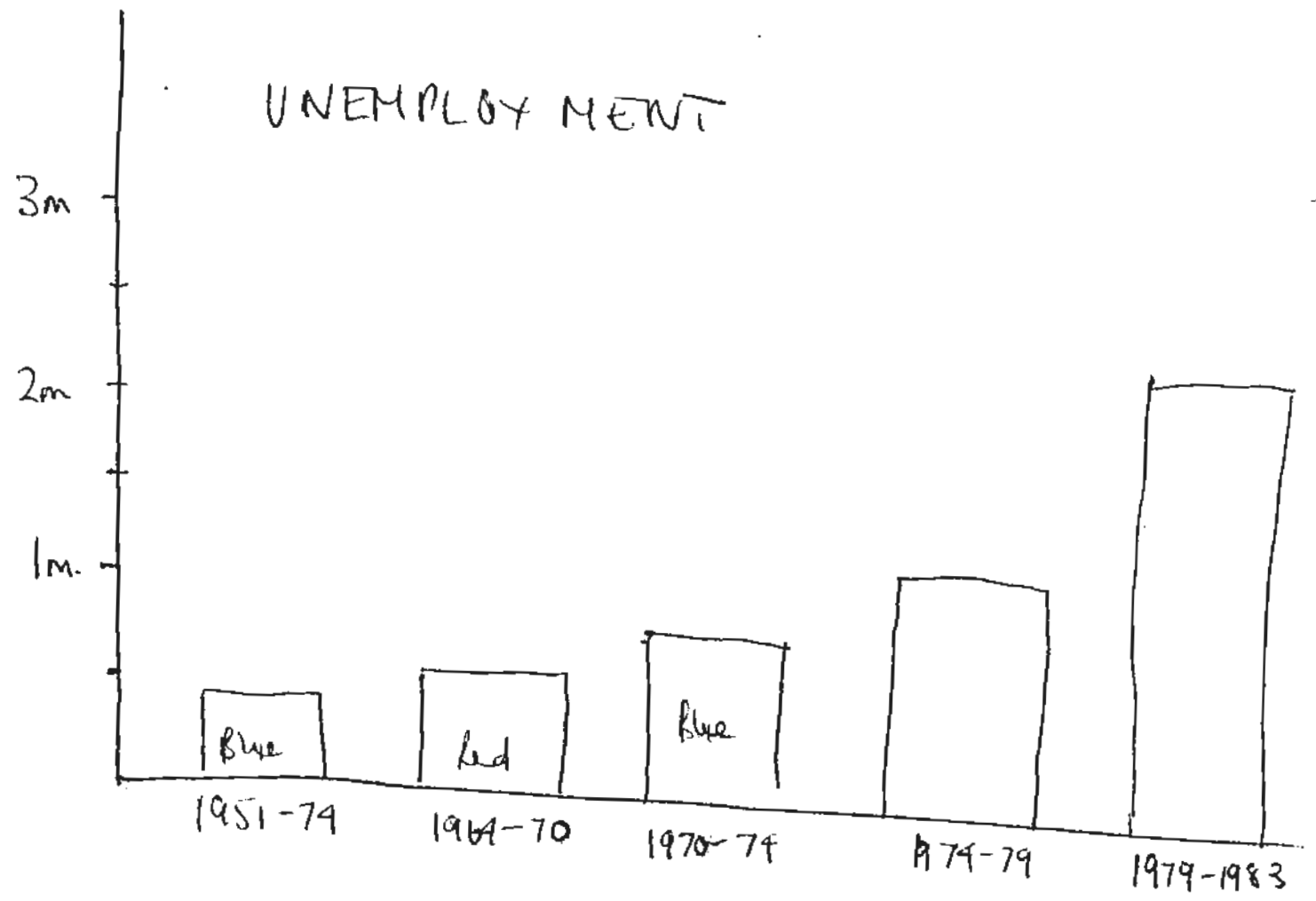
Margaret

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



Charts B + C - Inflation

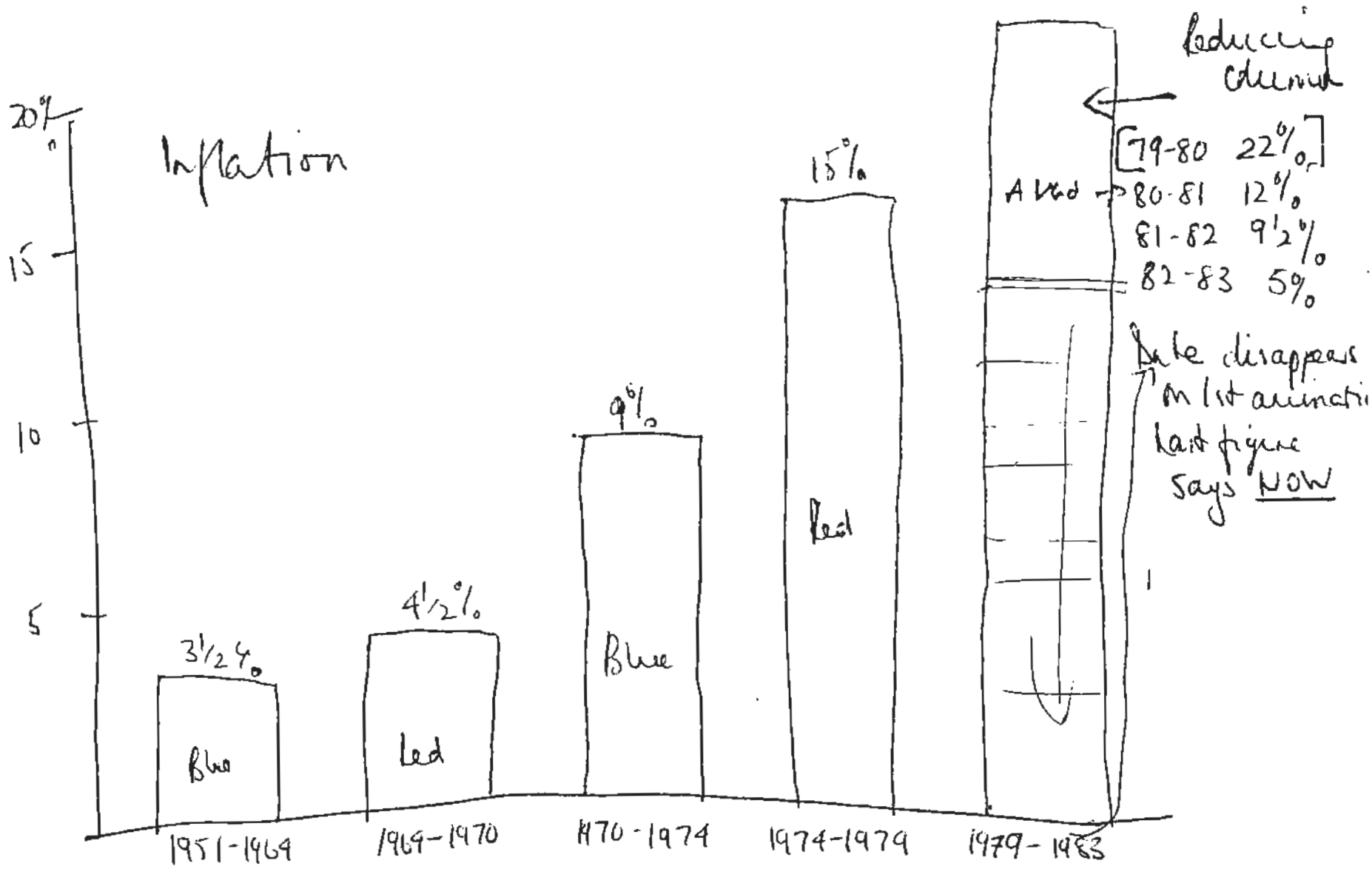
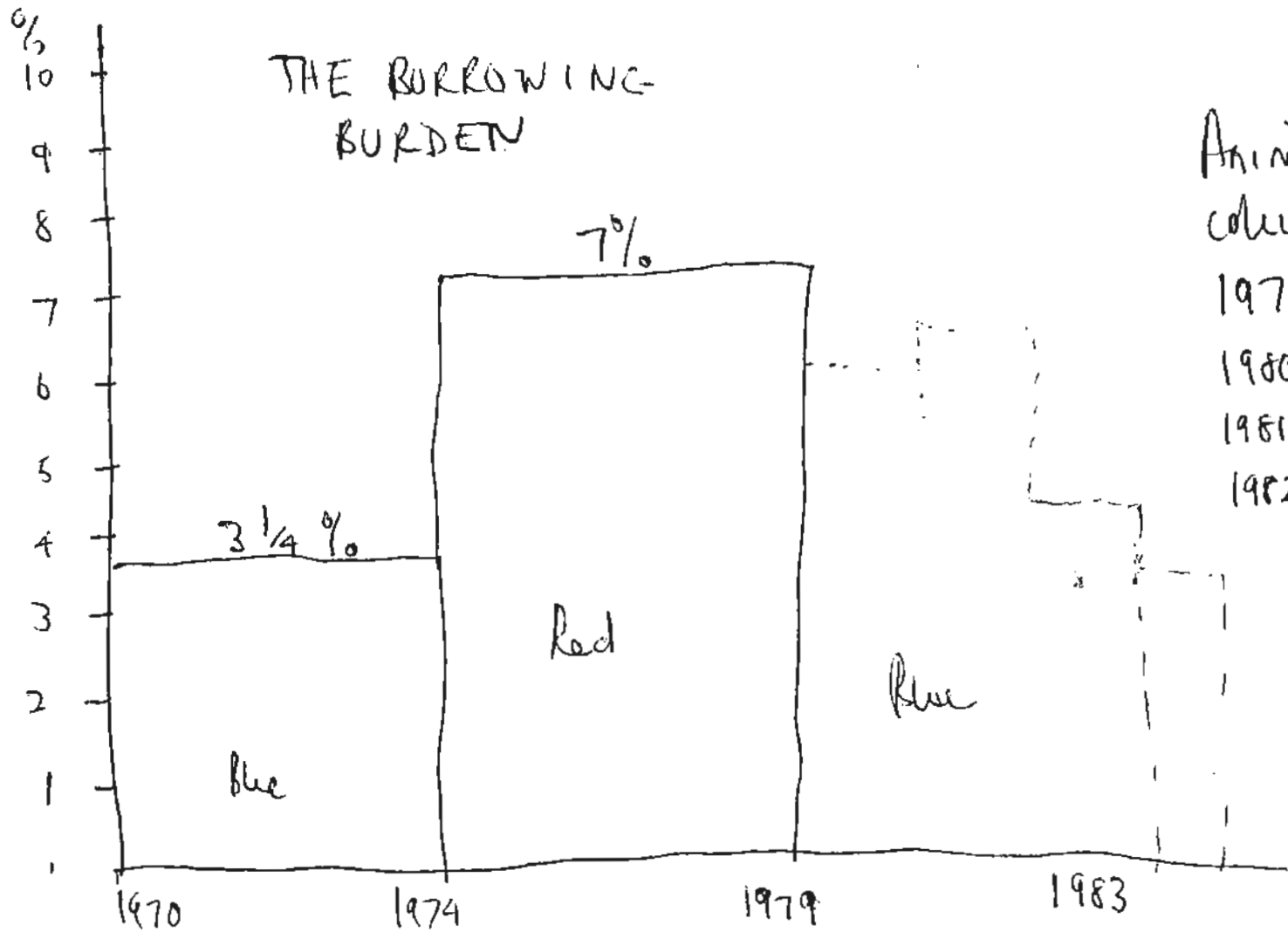


Chart D - The Borrowing Burden



Animals 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

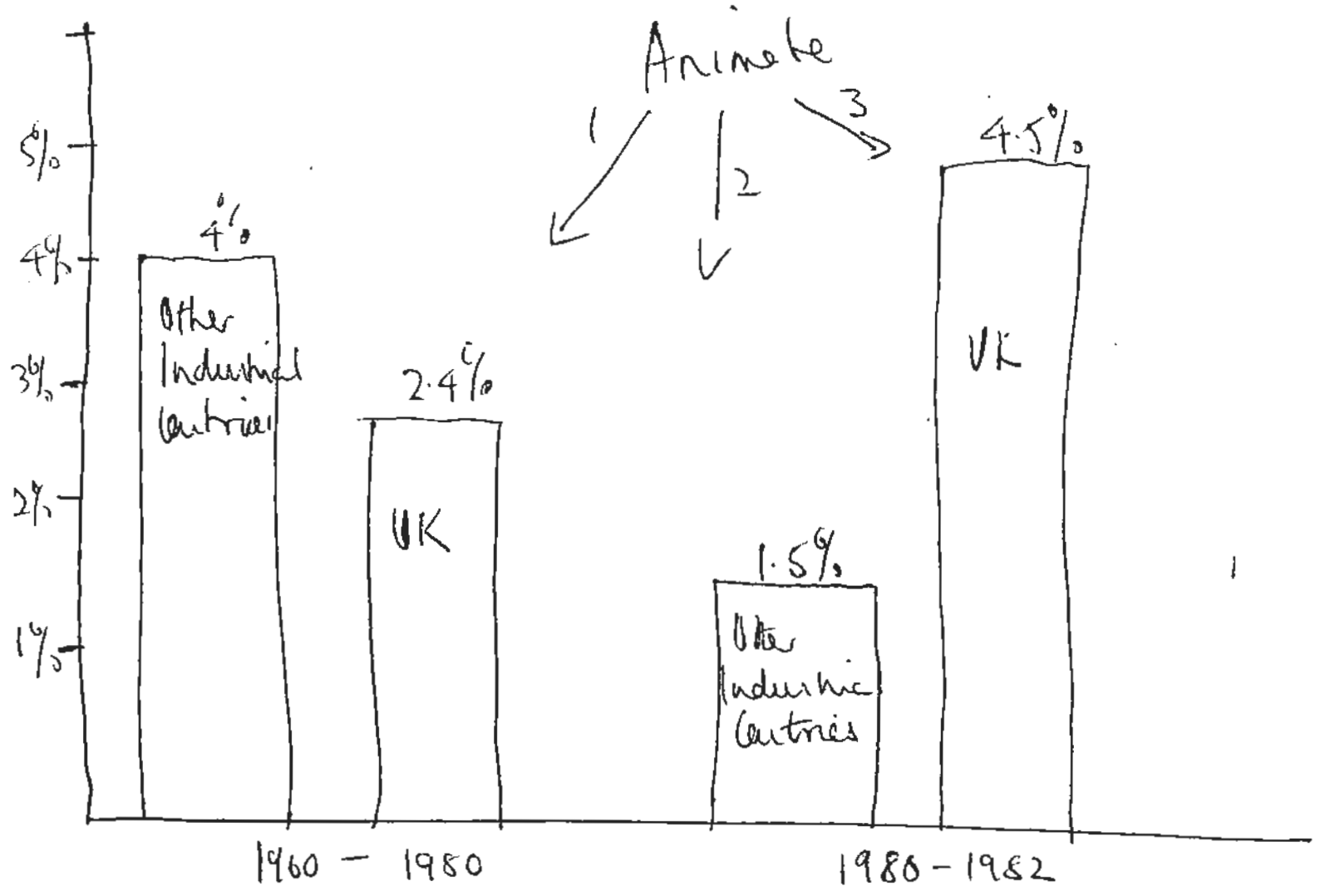
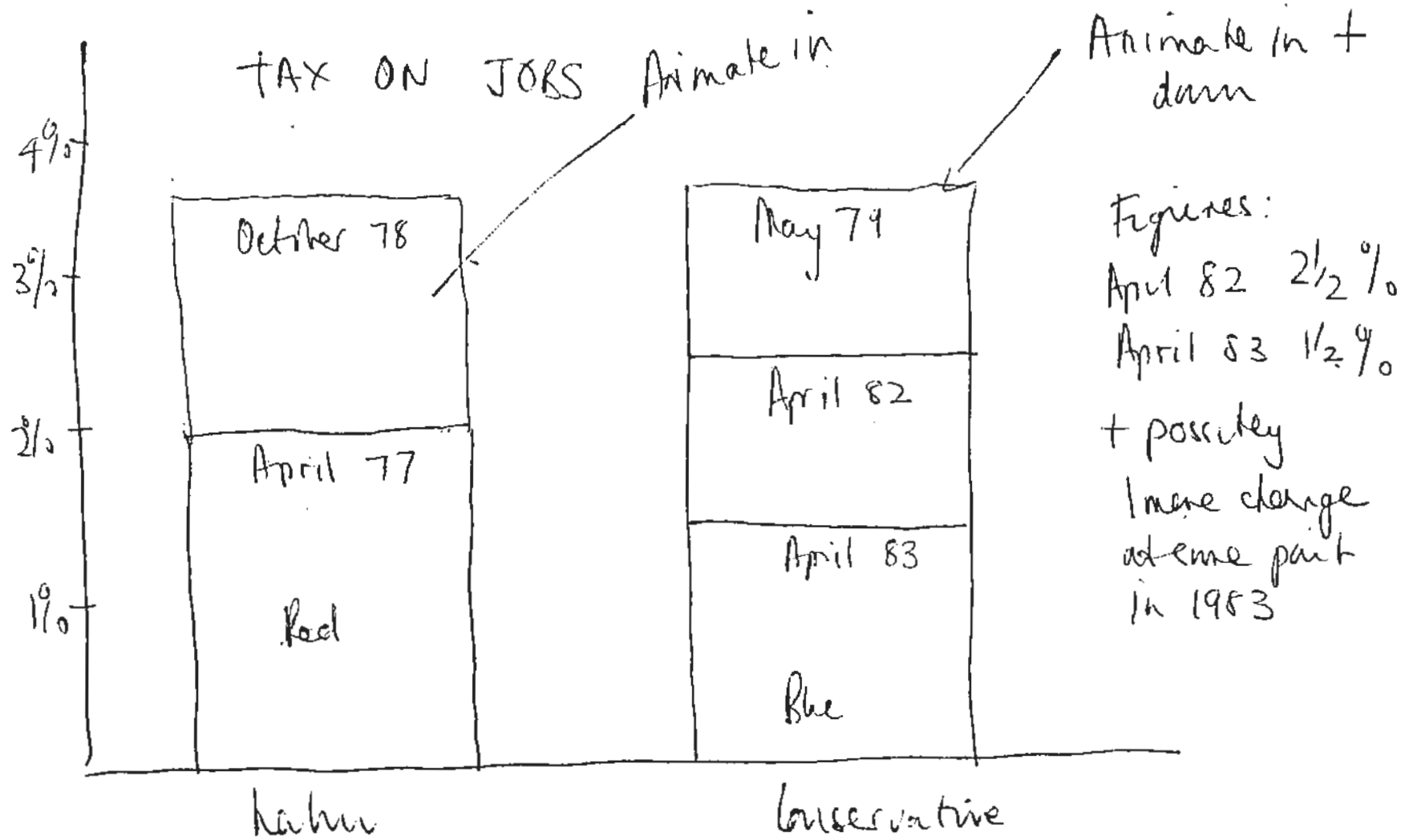


Chart F: Tax on Jobs



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~~ ^{fewer} strike figures, the ~~good~~ export figures, the ~~falling~~ ^{must lower price rises,} inflation figures, the rising productivity figures - almost everywhere you look.

Good when figures

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

It's the only thing for jobs which lasts.

only one thing works



[Handwritten signature]

MASTER COPY

- for RE-TYPE.



Also write p1

11
Draft of 10/3/1983

CAPS
Budget Broadcast

1

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

So, I ~~have~~ⁱⁿ ~~not~~^{in my Budgets} got any surprises today. ~~Today's~~^{Just} ~~it~~^{is} Budget is following exactly the same lines as my four previous ones. With just one difference, perhaps. It's become ~~clearer~~^{ing} and clearer every year that those lines are the right ones.

there
arrived

Of course it's a slow business. It was bound to be. We ~~all know~~^{we}, ~~didn't we~~^{for years now,} that things had ~~been~~^{we} going wrong in Britain for a long time. ~~Some~~^{A good man} of you will remember the days when we scarcely thought of buying anything that was'nt made by British workers in British factories. But gradually that changed - motor bikes from Japan, cars from Germany, shoes from Italy. ~~And~~^{And} during all those years our economy was getting weaker. ~~So we knew~~

we faced a long haul. That's why I told you, three years ago ~~"It will take more than one Budget, more even than two or three, because these things take time"~~.

If we're honest with ourselves, we've known for a good time now that

back to real
motherly //

/Since then the

What's more, in the last few years

2

Since then the rest of the world has run into difficulties as well. Unemployment in strong countries, like Germany or Australia or the United States, has been going up even faster than here. It's a world-wide problem.

[That's the background against which we had to tackle our own problems.]

Of course, some people still argue that Government could take a short cut, and create lots of new jobs - just by lashing out more money. But they really should know by now that that's a recipe for disaster. It doesn't work, because it doesn't last: in a year or so inflation is galloping ahead; you have to slam on 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 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. 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.

/That's why it

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

The Government has

Government spending - by borrowing more.

CAPTION A
Unemployment

OWN GOAL

That's why it stands at the appallingly high figure it has reached now. And the link between government spending and unemployment is inflation, ~~creating some jobs~~ in the short term ~~and~~ ~~destroying many more~~ in the long term.

perhaps, it helps in that short term create a few jobs. But in the long run it ends up

CAPTION B
Inflation

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

[and borrowing]

inflation is linked

BANKING

That's why we knew we had to control Government spending and beat inflation. We inherited plans for a huge increase in spending over the years ahead. ~~We~~ ~~cut~~ them drastically - and sometimes, in the short term, painfully.

[and borrowing]

But throughout, ~~all the time~~ We've done a great deal to look after people who can't look after themselves. We've been able to spend more than previous governments, not less, on the Health Service. More, not less, on the unemployed and pensions. More, not less, on training young people

all we can

1967

Even after allowing for rising prices,

~~Five times more, in fact~~ - 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

Half a million more people received NHS hospital care [last year] than in 1978

We're getting

⁴
under control as well.

And the result is ~~that the inflation crisis is over.~~

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 ~~the year by year figures~~ it's even more encouraging.

ow tremendous progress

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

As I've said,

CAPTION D

borrowing had been rising dangerously for a long time. I've cut it down very firmly. ~~By doing that,~~ *That's* I've brought down the cost of what businesses and families borrow quite dramatically. As a result it's ~~costing the average first-time buyer~~ [£] *than a year ago.* less a month to ~~buy a home.~~ And it's costing companies less to invest and ~~create~~ *in* tomorrow's jobs.

The average couple, buying their first home are paying

hundreds of millions

But still unemployment is much too high.

And there ~~is~~ *has* only one long term way to deal with that. ~~And that's for~~ British industry *has* to make goods at prices that can compete, to win orders around the world and in Britain too. And then ~~to~~ take people on to meet those orders. That's how a real recovery has always worked. Better productivity, lower prices. And in ~~the end~~ *time for* more jobs. For years

/in Britain

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.

CAPTION E

From 1960 to 1980 when our competitors' productivity grew by x%, ours only grew by y%. But since 1980% theirs has only risen by a% while ours has shot up to b%. As a result, we're beginning to win back a larger share of world trade. [for the first time in a generation.]

Something

That's what 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've been playing our part too.

but in the government have

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

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

And priority number one has been help for industry. Because help for industry mean help for jobs.

/Every measure in

~~REDRAFT OF PAGES 8 TO 10 OF BUDGET BROADCAST TEXT~~

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

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

FRS 4
PAGE

So I've been cutting industry's costs, by cutting the tax on jobs that Labour introduced, and then increased. I've cut that ~~three times~~ ^{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~~ ^{particularly} And help ~~too~~ for new businesses, especially small businesses - which, as they grow, ~~will~~ ^{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 ~~a~~ ^{another} 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 ~~anyone who's~~ ^{people} out of work ~~and~~ ^{who} wants to start a new business. // I've also encouraged the offshore oil industry to go exploring and developing the wealth of the North Sea and providing thousands of jobs for our people.]

CAPTION F
NIS

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 []%. Pensions have gone up by more than that, by []%. [And pensioners won't be losing any of that increase.] [Next November, 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. 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.

particularly the low-paid.

One other thing; lower income tax. That's good for people and good for business to.

big

particularly the low-paid

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 at last I have 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.

Next year [than was a million] of low paid, better workers who are paying income 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 find that it just does not 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 20 years or more.

*to show
them*

call no one

it

3 or more.

~~[Every measure.....]~~

FRESH PAGE —

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 when 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 today there's a new mood of realism and determination in the country. It shows up in the low strike figures, the high 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. It's low, but it's steady, and it's the policy we're sticking to because we know it works.

There's a basic problem about a budget broadcast, which I can't pretend I've solved. The problem is that successful broadcasting is all about coming up with something new and different and unexpected every time; but successful management of a nation's economy is all about steadiness and consistency and sticking to the same plan. So I haven't got masses of new, exciting things to say. Today's budget is following exactly the same lines as my four previous ones, and if there's a difference, it is that it's become clearer and clearer every year that those lines are the right ones. Of course it's a slow business putting right what's been going wrong for 35 years, but then I've said that for the past four years too. In my 1980 broadcast I said "It'll take more than one Budget, more even than two or three, because these things take time." I've never pretended there was a quick solution.

Dulu?

/You'll

You'll hear people say the government could lash out billions of pounds and create thousands of jobs. It's quite true. Governments have been doing it for 35 years. But we know now that it doesn't work, because it doesn't last: in a year or so inflation is galloping ahead, you have to slam on the brakes, and unemployment shoots up even higher than it was before. You've only got to look at the figures.

CAPTION 1

The average level of government spending has gone up under every government since the war, as every government tried to spend its way out of rising unemployment. And those are real figures, corrected for inflation.

CAPTION 2

And did it buy away unemployment? For a few months, yes. But again you only have to look at the figures to see what was really happening. Under every government the average cost of unemployment was higher than the one before.

/That's

That's why it stands at the appallingly high figure it has reached now.

And the line ~~k~~ between the two is inflation, creating some jobs in the short term and destroying many more in the long term.

CAPTION 3

✓ Again, it's gone up step by step under every government. The three go together.

CAPTION 4

✗ That's why we knew we had to control government spending and beat inflation. We inherited plans for a huge increase in spending over the years ahead. We cut them drastically - and for many people, in the short term, painfully. You can see just how much lower they are now.

And the result is that inflation is now under control.

CAPTION 5

✓ This government is now certain to be the first since the war to achieve an average inflation rate lower than the one before.

/And if

CAPTION 6

And if you look at the month-by-month trend, it's even more encouraging, especially when you look at the rising curve we inherited when we came in.

But of course unemployment is still far too high. There are two main reasons. In the first place, the long-term cure for unemployment - and the only real one - is for British industry to make goods at competitive prices, to win orders around the world, and then to take people on to fulfil the orders. That's how a real recovery has always worked. But it takes time - it's not a quick fix. The other reason is the world recession - as you've probably seen on the news, [inflation] is on the increase in most industrial nations. In fact if you look at our rate of

CAPTION 7

increase alongside our competitors, you can see that their unemployment is now growing at a faster rate than ours.

/Faced

Faced with all that, it's no good looking for a rapid recovery. But you can look for the signs. Productivity is one of the key ones - output per man. That's what enables us to price our goods competitively.

CAPTION 8

Ever since 1979 that's been increasingly fast. As you can see, our rate is more than double our competitors.

Another important indicator is the share of the world's goods that Britain is producing.

CAPTION 9

That's been on a long downward slide - and a very steep one since 1975. Now, at last, it's on the way up again, which is highly significant.

Even more significant, though, is exports.

CAPTION 10

Ever since the early fifties Britain has been losing her share of the world's markets. That's

/been

been the heart of the problem. Now we're starting to win them back, for the first time in a generation.

That's one of the best signs that something real and important has started to change in Britain.

So that's the background of this budget: four years of sticking to a consistent policy of self-restraint. Four years of resisting calls to go back to the old inflationary binge.

Four years of slow but steady success in halting the downward slide and starting the long climb back. And the result is that Britain's long-term prospects now look brighter than they've looked for years. In fact we're already starting to see some of the rewards of our prudence and patience. That's why I've at last been able to start on what we've been aiming for ever since we took over: expansion and growth based on sound money and a lean and healthy economy.

/So the

So the aim of this budget (summary of principal measures grouped under 'consumer' 'lower paid' 'industry' etc., with explanation of how each fits into the long-term recovery programme).

And that, broadly, is what today's Budget is about. It's not dramatic, and I'm not pretending it will bring unemployment 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 when things do start to get moving again - and they will - then for the first time in 30 years Britain will be really well placed to ride the crest of the wave instead of being swamped by it. It would be nice to take the credit for this myself, but in truth the real achievement of this government has been to get out of the way and let everyone get on with the business of putting this country back where it belongs. There's a new mood of realism and

/determination

determination throughout Britain, and it shows up in the low strike figures, the high 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. It's slow, but it's steady, and it's the policy we're sticking to because we know it works.

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 every time; but successful management of a nation's economy is all about steadiness and consistency and sticking to the same plan.

[So I haven't got any surprises ~~to say.~~] Today's Budget is following exactly the same lines as my four previous ones. With just one difference, perhaps. It's become clearer and clearer every year that those lines are the right ones.

SOUNDS
DUKE

Of course it's a slow business. It was bound to be. When we started four years ago, we all knew didn't we, that things had been going wrong in Britain for a long time? Some of you will remember the days when we never 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. And during all those
years our economy was getting weaker.

Sam H. 6
84

So we knew we faced a long haul. That's
why I told you, three years ago "It will take
more than one Budget more even than two or
three, because these things take time".

Since then the rest of the world has run into
difficulties as well. Unemployment in strong
countries like Germany or the United States has
been going up even faster than here.

That's the background against which we had to
tackle our own problems.

And they really have been growing for a long
time. I remember almost thirty years ago
fighting my first election in my home town in
South Wales. Unemployment was just a memory

/of the past.

of the past. You could get a gallon of petrol for one and ninepence, a pint of beer for one and sixpence, a pound of butter for one and fourpence and a brand new Mini for £400. It was a different world, wasn't it?

// We all know what's happened since. Prices have been going up faster and faster every year. Yet somehow we didn't feel all that much better off. Unemployment began going up as well. And taxes too. All the time, Government was spending more, borrowing more. And all the time inflation was going up. We were becoming less and less able to compete with other countries, losing more and more customers, more and more jobs. And so getting more and more unemployment. RP7

And yet some people still argue that Government could stop all that, create lots of new jobs - just by lashing out more money. But we all know now that doesn't work, because it doesn't last: in a year or so inflation is galloping ahead,

/you have to

you have to slam on the brakes, and unemployment shoots up even higher than it was before. You've only got to look at the figures.

CAPTION 1

The average level of government spending has gone up under every Government since the war, as every Government tried to spend its way out of rising unemployment. And those are real figures, corrected for inflation.

CAPTION 2

And did it buy away unemployment? For a few months, yes. But again you only have to look at the figures to see what was really happening. Under every Government the average level of unemployment was higher than the one before.

That's why it stands at the appallingly high figure it has reached now. And the link between the two is inflation, creating some jobs in the short term and destroying many more in the long term.

/Again,

CAPTION 3

Again, it's gone up step by step under every Government. The three go together.

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CAPTION 4

We've done our best to look after people who can't look after themselves. We've been able to spend more, not less, on the Health Service. More, not less, on pensions. More, not less, on 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 that inflation is now under control.

/This

CAPTION 5

This Government is now certain to be the first since the war to achieve an average inflation rate lower than the one before. And if you look at the month-by-month trend, it's even more encouraging, especially when you look at the rising curve we inherited when we came in.

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. That's why I've kept on holding down what Government borrows. By doing that, I've brought down the cost of what businesses and families borrow. As a result it's costing the average first-time buyer \pounds $\bar{\quad}$ less a month to buy a home. And it's costing companies less to invest and create tomorrow's jobs.

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

/with that.

CAPTION D
- B 0117 Juv. etc

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/Resisting

CHART E
- PRODUCTION

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

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

And priority number one has been help for
industry. Because help for industry means
help for jobs.

So I've been cutting industry's costs, by
cutting the tax on jobs that Labour introduced,
and then increased. I've cut that - three
times in the last twelve months. And that
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And help too for new businesses, especially
small businesses - which, as they grow, will
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/very generous

(F)
C HARRIS / NIS

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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 $\left[\quad \right]$ per cent. Pensions have gone up much more than that, by $\left[\quad \right]$ per cent. And pensioners won't be losing any of that increase. Next November, pensions will go up again by as much as prices have gone up this year. ~~We've~~ We've been able to give real help to families as well. Because from next November child benefit is going up to $\left[\bar{E} \quad \right]$ a week. It'll be worth more than ever before. People who are out of work will

/have

have the full value of their benefits restored. I've extended the special tax allowance for widows so as to give them real cash help through the year when their husband dies.

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

Over the last few years I've not been able to cut income tax as much as I should have liked. Industry came first. But this year at last 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.

Every measure in this Budget is designed to help the recovery which is now getting under way.

/And it is,

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. And at more competitive prices. So we're winning back markets abroad as well. And not just with traditional British goods, but with new, modern products from the industries of tomorrow.

Of course we've still got a long way to go. That's all the more reason for not turning back. This Government is sticking to the policies with which we started. There are still people who think we'd get on more quickly by going back to the bad old ways. By spending more, and borrowing more. But that's the way back to disaster. To inflation going up, not down. To higher interest rates, falling profits and disappearing jobs. That's not the way that we intend to go and nor, I'm sure, do you.

JAY
END

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/motor bikes

motor bikes from Japan, cars from Germany, shoes from Italy. And during all those years our economy was getting weaker.

So we knew we faced a long haul. That's why I told you, three years ago "It will take more than one Budget more even than two or three, because these things take time".

Since then the rest of the world has run into difficulties as well. Unemployment in strong countries like Germany or the United States has been going up even faster than here.

That's the background against which we had to tackle our own problems.

And they really have been growing for a long time. I remember almost thirty years ago fighting my first election in my home town in South Wales. Unemployment was just a memory

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And yet some people still argue that Government could stop all that, create lots of new jobs - just by lashing out more money. But we all know now that doesn't work, because it doesn't last: in a year or so inflation is galloping ahead,

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Of course we've still got a long way to go. That's all the more reason for not turning back. This Government is sticking to the policies with which we started. There are still people who think we'd get on more quickly by going back to the bad old ways. By spending more, and borrowing more. But that's the way back to disaster. To inflation going up, not down. To higher interest rates, falling profits and disappearing jobs. That's not the way that we intend to go and nor, I'm sure, do you.



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COPY NO 7 OF 8 COPIES

FROM: J O KERR
DATE: 15 March 1983

MR LAVELLE

cc: Mr Littler
Mr Burns
Mr Unwin
Mr Kemp

BUDGET MESSAGE TO FINANCE MINISTERS

The Chancellor was grateful for the draft message to his ... colleagues which you submitted yesterday. The attached text incorporates his amendments. He agrees with you that it would be advantageous to despatch it tonight, for delivery by diplomatic post early tomorrow.

A handwritten signature in cursive script, appearing to read 'J O Kerr'.

J O KERR

MESSAGE

I presented my fifth Budget on 15 March. You will have seen some of the details, but I wanted also to send you a brief message about my broad approach.

In our international discussions we have all accepted the importance of a consistent and prudent economic strategy. In Washington last month we reaffirmed that success in reducing and controlling inflation provides the basis for sustainable real growth of activity. That has been and remains an important part of the UK's domestic economic strategy.

In the UK last year, inflation and the public sector deficit declined sharply. Money supply targets for the past year were kept to the range of 8-12 per cent growth and it now seems that all the main aggregates have grown within that range. With inflation down to around 5 per cent, measured by the Retail Price Index, though probably a little higher than that in underlying terms, we have seen real domestic demand growing at some 2½-3 per cent per year, faster than in most other industrial countries.

In my Budget this year, I have decided to keep to the medium-term path of gradually diminishing growth of money

/supply and the

supply and ~~the~~ ^{planned reductions in} public borrowing which had previously been ~~planned~~ ^{set out}. The target ranges for monetary growth in 1983-84 have therefore been confirmed as 7-11 per cent, once again applied to both broad and narrow measures. I am planning for public sector borrowing of £8 billion, or 2½ per cent of GDP next year. Public expenditure is being held within the levels set in earlier plans, in cash terms, and is declining as a proportion of GDP.

A borrowing target of £8 billion for 1983-84 allows worthwhile tax reductions. In the autumn of last year I cut our National Insurance Surcharge, a pay-roll tax. I am making a further cut this year and introducing another range of measures to promote technology and innovation, to help small firms and new enterprises, and to encourage the construction industry. Indirect tax will be held broadly constant in real terms and the VAT rate will be unchanged. I am proposing substantial additional relief to individuals in the form of higher personal tax allowances, and I am adding to the measures already in operation to assist the unemployed.

I believe that our progress in the United Kingdom over the past three years in establishing control over public sector finances and reducing the rate of inflation has created the conditions in which recovery is already beginning. We shall maintain firm fiscal and monetary policies, and so downward
/pressure on

pressure on inflation. This should help to ensure that the recovery now underway is sustained.



CH/EX, REF, NO B8328

COPY NO 6 OF 8 COPIES

FROM: J O KERR
DATE: 15 March 1983

MR LAVELLE

cc: Mr Littler
Mr Burns
Mr Unwin
Mr Kemp

BUDGET MESSAGE TO FINANCE MINISTERS

The Chancellor was grateful for the draft message to his ... colleagues which you submitted yesterday. The attached text incorporates his amendments. He agrees with you that it would be advantageous to despatch it tonight, for delivery by diplomatic post early tomorrow.

A handwritten signature in cursive script, appearing to read 'J O Kerr'.

J O KERR

MESSAGE

I presented my fifth Budget on 15 March. You will have seen some of the details, but I wanted also to send you a brief message about my broad approach.

In our international discussions we have all accepted the importance of a consistent and prudent economic strategy. In Washington last month we reaffirmed that success in reducing and controlling inflation provides the basis for sustainable real growth of activity. That has been and remains an important part of the UK's domestic economic strategy.

In the UK last year, inflation and the public sector deficit declined sharply. Money supply targets for the past year were kept to the range of 8-12 per cent growth and it now seems that all the main aggregates have grown within that range. With inflation down to around 5 per cent, measured by the Retail Price Index, though probably a little higher than that in underlying terms, we have seen real domestic demand growing at some 2½-3 per cent per year, faster than in most other industrial countries.

In my Budget this year, I have decided to keep to the medium-term path of gradually diminishing growth of money
/supply and the

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A borrowing target of £8 billion for 1983-84 allows worthwhile tax reductions. In the autumn of last year I cut our National Insurance Surcharge, a pay-roll tax. I am making a further cut this year and introducing another range of measures to promote technology and innovation, to help small firms and new enterprises, and to encourage the construction industry. Indirect tax will be held broadly constant in real terms and the VAT rate will be unchanged. I am proposing substantial additional relief to individuals in the form of higher personal tax allowances, and I am adding to the measures already in operation to assist the unemployed.

I believe that our progress in the United Kingdom over the past three years in establishing control over public sector finances and reducing the rate of inflation has created the conditions in which recovery is already beginning. We shall maintain firm fiscal and monetary policies, and so downward
/pressure on

pressure on inflation. This should help to ensure that the recovery now underway is sustained.



CH/EX REF NO B (83) 27

COPY NO 9 OF 10 COPIES

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 March 1983

Michael Scholar Esq
10 Downing Street
Whitehall
SW1

Dear Michael,

BUDGET SPEECH: UPDATING OF PENSIONS AND
OTHER SOCIAL SECURITY BENEFITS

... I attach a copy of the Budget speech passage on pensions and other social security benefits on which the Chancellor and the Secretary of State for Social Services have now agreed. You will note that it is slightly different from the previous versions which you already have.

Yours ever,
J. O. Kerr
J O KERR

cc - PS/Secretary of State for
Social Services
PS/Sir Robert Armstrong

BUDGET SECRET

SOCIAL SECURITY AND CHARITIES

I now turn to social security. This is much the biggest single element in public expenditure - more than one quarter of the total.

About half of social security expenditure is on benefits for pensioners. The costs are borne mainly by contributors; and we had in November to announce further increases in National Insurance contribution payments, which take effect from next month.

The House will remember that, because prices have been falling faster than expected, last November's uprating of social security benefits, which was meant to be in line with the rate of inflation, in fact exceeded it by 2.7 per cent.

The forecast method of uprating, which gave rise to this situation, has never worked well. For a forecast made at Budget-time of what the rate of inflation will be at the time the uprating takes place in the following November is necessarily uncertain. Increases can therefore be larger or smaller than intended. There have been years when prices have been under-estimated, as in 1981 - when a 2 per cent under-provision was made good the following year - and others, such

/as 1980

as 1980 and 1982, when the error has gone the other way. In each case there has necessarily been a year's delay before the error of the previous year could be corrected.

The system of trying to forecast inflation, introduced in 1976 is a fragile basis for calculations of such importance to millions of our fellow citizens. Given the experience of the past seven years, the Government believes that it would now be right to restore the more certain system that prevailed before 1976. This is the system by which benefit upratings are calculated on what has actually happened to prices, rather than on what might happen in future - if we got our forecast right.

From this November, therefore, we shall return to the historic, or actual, method. The necessary legislation will be introduced immediately.

The uprating this November will be based on the rise in prices in the twelve months to May of this year. That figure will be announced by the Department of Employment in the usual way, and will be the basis for the uprating statement as soon as possible after that. We have chosen the May figure because it is the latest month we can use as the basis of the calculation and still make sure that all recipients get their increase in November.

/The

The uprating will be based on whatever the May figure turns out to be. At this stage, of course, I cannot say exactly what that figure will be.

It seems likely, however, to be in the region of 4 per cent. Of course, in November, as I have already told the House, the annual rate of inflation may temporarily be running at about 6 per cent. But if we had retained the old system, and taken full account of last year's 2.7 per cent overpayment, the increase in benefits would have been significantly smaller.

There will of course be no question of asking pensioners to return any of the pension money they have already received; no question of any so-called "clawback". Beneficiaries will retain the full benefit of the extra payment they are now receiving. And part of it is likely to continue into 1984.

Linked public service pensions will be raised in November by the same percentage as benefits. For unemployment benefit, the increase will be in addition to the restoration of the 5 per cent abatement which I have already mentioned.

On the basis I have described, the position for pensioners over the life-time of this Government is this. Between the November upratings of 1978 and 1983 prices are likely to have risen by some 70 per cent, and pensions by some 75 per cent.

/Our pledge to

Our pledge to maintain the value of the pension over the life-time of this Parliament will thus have been more than fulfilled.

There is of course one other social security benefit to which we attach no less significance. It plays a major part in easing the unemployment trap, and so in our strategy of improving incentives for everyone. It is important for families, and particularly for the low-paid. Indeed, it is the benefit which provides the greatest help to many of the poorest families in the country. I refer, of course, to child benefit.

I am glad to be able to tell the House that from November 1983 the rate of child benefit will be increased from £5.85 to £6.50. One-parent benefit will be correspondingly increased to £4.05. On the basis of our inflation forecast, both benefits will then be worth more than ever before. I know that the House, and the country, will welcome this news very warmly.

/This

FINANCIAL SECRETARY

cc Chancellor of the Exchequer ← 12 | 2
Chief Secretary
Minister of State (C)
Minister of State (L)
Sir Douglas Wass
Mr Ryrie
Mr Middleton
Mr Monck
Mr Unwin
Mrs Gilmore
Mr Chambers
Mr Godfrey



PROVISION OF DOCUMENTS OUTSIDE GOVERNMENT AND THE PRESS ON BUDGET DAY

1. One issue identified by officials as requiring action for the 1981 Budget is Treasury practice in issuing documents to outside organisations other than the press. This minute describes the position that has emerged over the years and seeks your endorsement of proposals that have been drawn up to save expenditure on the Treasury Vote from the 1981 Budget onwards.

Present Position

2. Present practice can be considered in two parts. First there has been a long-standing arrangement to hold in the Treasury, for collection once the Budget speech has been delivered, envelopes addressed to over 90 different organisations and containing sometimes several free copies of the Budget documents - the FSBR, associated Command Papers (including for the first time last year the PEWP) the Speech and Press Notices. The organisations concerned are listed at Annex A. A major reason for this practice has been the difficulty of distributing the documents through the usual channels - the HMSO bookshops - when they cannot be released until the Chancellor has finished his speech. You will see that the list is composed largely of accountants, banks, stockbrokers, consultancy firms and others who naturally like to have definitive Budget documents on the evening of Budget day so that they can prepare advice for clients overnight.

3. Quite separately the Chancellor's Office sends similar batches of documents, again free of charge, to a much smaller "courtesy" list of about 25 non-press outsiders ranging from the TUC and CBI,

through EC and other Embassies and various High Commissions, to the Shadow Chancellor and the Leader of the Opposition.

Need for Economy

4. Clearly the free provision of documents should be kept to a minimum, particularly now that we have to pay HMSO from Treasury Votes for all printed material with which they supply us and for the paper etc. used to produce photocopies of things like the Budget Speech. Although it is hard to put exact costings on existing practice, to supply even 90 organisations with just one copy of each of the speech, PEWP and FSBR would have cost us £1500 or so even pricing the relevant documents at last year's cover prices.

Proposals

5. We have gone carefully through the list at Annex A and are satisfied that, provided we make alternative arrangements to make available the relevant documents on Budget afternoon, we should no longer provide any of the organisations concerned with material free of charge.

6. Mr Chambers and the IDT Group have over the last few months been discussing the best way of placing on sale, on the afternoon of Budget Day, copies of the Budget documents. Briefly the system they have agreed to be feasible is that, providing orders have been placed in advance, organisations can continue to call at the Treasury to collect limited quantities of documents which will be accompanied by an invoice. (Charges will be HMSO cover prices for Cmnd papers and the FSBR and, depending on length, about £2 for the Speech and Snapshot/Summary taken together.)

7. We are satisfied that with the provision of alternative facilities for the purchase of documents, none of the organisations previously lucky enough to receive free copies will have real grounds to complain about the change of practice. However some are well-connected and may complain publicly - to which our response would be to stress the need for the Treasury itself to cut out unjustifiable spending.

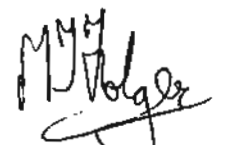
8. Subject to your approval of the new system, IDT propose to write to each of the organisations at Annex A (and to about 30 others previously treated as part of the Press, or hitherto refused supply of documents) to notify them of the arrangements to take effect with this Budget. A draft of the kind of letter we intend to send is at Annex B.

9. All the above has concerned the organisations who collect their documents from the Treasury. We have also considered the arrangements applying to those who, as explained in paragraph 3, are sent copies of Budget documents. Having regard to the practicability of invoicing and collecting small amounts of money from those concerned and to the fact that the list is a pretty irreducible minimum of those who can properly expect "courtesy copies" we have concluded that free provision should continue. However we propose to trim the range of documents and numbers of copies provided, particularly for the expensive PEWP. The proposed distribution is at Annex C.

Conclusions

10. We recommend that you:

- (i) endorse the proposal to end the provision of free documents for the organisations listed at Annex A
- (ii) note the proposal to introduce new arrangements for the sale of documents and to write to the organisation concerned in the terms of the letter at Annex B
- (iii) note the slightly reduced scale of provision of free documents to the "courtesy list" of recipients given at Annex C.


M T FOLGER

12 January 1981

DISTRIBUTION OF BUDGET DOCUMENTS - 26 MARCH 1980

NAME	COMPANY	Speech	PNs	PEWP/Gv. Pps.	FSPR
R. Jones	60 ARTHUR ANDERSEN & Co.	1	1	-	-
S. Anstey	61 ARTHUR YOUNG McCLELLAND MOORE & Co	1	1	-	-
A. Harvey	62 ASSOCIATION OF RETAIL DISTRIBUTORS	1	1	-	-
M. Okabe	63 THE BANK OF JAPAN	1	1	-	-
RCP Brookhouse	⁶⁴ BANKERS TRUST Co.	1	1	-	-
Barnes Roffe	65 BARNES ROFFE & Co	1	1	-	-
Miss A Barnett	66 BARCLAYS BANK INT	1	1	-	-
M. G. Beattie	67 BARTRUM, ROTH & Co	1	1	-	-
Lynne Friend	68 BASS LIMITED	1	1	-	-
Hayward	69 BAT. INDUSTRIES LIMITED	1	1	-	-
J. V. Wilson	70 BENN	1	1	-	-
Mrs Morris	71 BICC LTD	1	1	-	-
Mrs M. Newman	72 BINDER HAMLIN	1	1	-	-
A J Ring	73 BL LIMITED	1	1	-	-
K E Norman	74 BRITISH-AMERICAN TOBACCO Co LTD	1	1	-	-
M Muller	75 Assoc. of BRITISH CHAMBERS OF COMMERCE	2	2	-	1
Mac William Kain	⁷⁶ BRITISH MULTIPLE RETAILERS ASSOCIATION	1	1	-	1
Keith Mason	⁷⁷ BUTTERWORTHS	1	1	-	-
-	78 CAPEL, CUNE & MYERS	1	1	1	1
J. Turner	79 JAMES CAPEL & Co.	1	1	1	1
Chelms, Ingey & Co.	80 CHALMERS, IMPEY & Co	1	1	-	-
-	81 CHARTERED INSTITUTE OF Pub. Fin + Acc'ty	1	1	1	1
R Dewhurst	82 J F CHOWN & Co LTD	1	1	-	-
		24	24	3	5

DISTRIBUTION OF BUDGET DOCUMENTS - 26 MARCH 1980

NAME	COMPANY	Speech	PNS	PEN/P/D/Pps	FSBR
Mr J. Smith	83 COMPREHENSIVE FINANCIAL SERVICES LTD	1	1	-	-
Bray	84 CONSTRUCTION ACTIVITY RESEARCH	-	1	-	-
Matthews	85 COOPERS + LYBRAM	1	1	-	-
Bird	86 COURAGE	1	1	-	-
Cave	87 CROWN LIFE	1	1	-	-
Parrott.	88 DEARDEN FARROW	1	1	-	-
J Campbell	89 ELECTRICITY COUNCIL	1	1	-	-
Ernst-Whinney	90 ERNST + WHINNEY	1	1	-	-
Micklan	91 FEDERATION OF CIVIL ENGINEERING CONTRACTORS	1	1	-	-
Frost	92 FINLAY ROBERTSON	1	1	-	-
Shove	93 FIELDING NEWSON SMITH	1	1	1	1
Martin (242 1616)	94 GKN	1	1	-	-
Tapper/DFV Ashby	95 GRINDLAYS BANK LTD	1	1	-	-
Brown	96 THE GUTHRIE CORPORATION LTD	1	1	-	-
N Williams	97A GRIEYSON GRANT	1	1	1	1
	97 GREENWELLS	1	1	1	1
Hall	98 HAYS ALLAN	1	1	-	-
Cowle	99 HEDDEMCK STIRLING GRUMBAR	1	1	-	-
Baron	100 HOAKE GOVETT LTD	1	1	1	1
Livesey	101 HOAKE GOVETT LTD	1	1	1	1
Hodgson, Harris	102 HODGSON, HARRIS & CO.	1	1	-	-
Walter Hardman	103 INSURANCE AGE	1	1	1	1
RGW Cold	103A INSTITUTE OF CHARTERED ACCOUNTANTS	1	1	-	-
Wiff Cork & Co.	104 JOLLIFFE CORK & CO.	1	1	-	-
Greaves	105 KH PUBLICITY LTD	1	-	-	-
B. Lipkin	106 KIDSOWS	1	1	-	-
JB Litwin	107 KNIGHT FRANK & RUTLEY	1	1	-	-
		24	24	5	5

DISTRIBUTION OF BUDGET DOCUMENTS - 26 MARCH 1980

NAME		COMPANY	Speech	PNs	PEWP/GP Pps	FSBR
P. L. Fellower	108	LAURIE, MILBANK & CO	1	1	-	-
J. A. Mohan	109	The LIFE OFFICES' ASSOCIATION	1	1	-	-
Miss Pratt	110	LEGAL + GENERAL	1	1	-	-
G R Dicks	111	LONDON BUSINESS SCHOOL	1	1	1	1
	112	MARKS AND SPENCER LTD	1	1	1	1
MacIntyre Hudson	113	MACINTYRE HUDSON	1	1	-	-
J Congdon	114	MESSELS	1	1	1	1
J C Hardy	115	MITCHELL & CO	1	-	-	-
C W Tulloch	116	MORISON STONEHAM & CO	1	1	-	-
	117	MULLENS	1	1	1	1
J R Stansfield	118	The NATIONAL FARMERS' UNION	1	1	-	-
A J Linwood	119	NATIONAL WESTMINSTER BANK LTD	1	1	-	-
D W Batten	120	NEVILLE RUSSELL ASSOCIATES	1	1	-	-
Mrs L Keenan	121	GEOFFREY NEWMAN & Partners	1	1	-	-
M N Caldecott	122	NOBLE LOWNDES PENSIONERS LTD (Amalg. comp. 2/11, 22/7, 14 possib(6))	1	1(2)	-	-
Christine Moore	123	NIESR	1	1	1	1
Peat, Marwick, Mitchell	124	PEAT, MARWICK, MITCHELL & Co.	1	1	-	-
Panmure, Gordon	125	PANMURE GORDON & Co.	1	1	-	-
	126	PHILIPS + DREW	1	1	1	1
A D Ross	127	POWELL DUFFRYN LTD	1	1	-	-
?	128	PRICE WATERHOUSE & Co	1	1	-	-
M J Austin	129	PROPERTY GROWTH ASSURANCE CO LTD	1	1	-	-
JBR	130	ROBSON RHODES	1	1	-	-
Patricia S Nicholls	131	ROWE & PITMAN	1	1	-	-
			24	23	6	6

DISTRIBUTION OF BUDGET DOCUMENTS - 26 MARCH 1980

NAME	COMPANY	Speech	PNs	PNs - Pps	FSBR
Rowland, Nevill & Co	132 ROWLAND, NEVILL & CO	1	Snapshot only.	-	-
PBA Thomas	133 ROWE RUDD & CO	1	1	-	-
B Silver	134 ROWLEY PEMBERTON GROUP SERVICES	1	1	-	-
-	135 RUSSELL GREER	1	1	1	1
K Cival	136 SAVE AND PROSPER	1	1	-	-
R Thornton	137 SAYERS BUTTERWORTH	1	1	-	-
Rule	138 J. H. SCHRODER WASS + CO LTD	1	1	-	-
P Smith	139 SEARS HOLDINGS LTD	-	1	-	-
P. Scott 140	CARR SEBAGS	1	1	1	1
S KE Adams 141	SELECTION TRUST BUILDING	1	1	-	-
S Marson 142	SHELL UK LTD	1	1	-	-
S A DeLoford	143 SHELL UK ADMINISTRATIVE SERVICES	1	1	-	-
Sperrids + Chase	144 SHEPPARDS + CHASE	1	1	-	-
?	145 SHIPLEY BLACKBURN	1	1	-	-
E.L. Harvey 146	TOLLEY'S TAX GUIDE	1	1	1	1
B. Gale 147	UNWIGATE (Taxation Dept)	1	1	-	-
W P Lyon 148	VICKERS DA COSTA	1	1	1	1
M Chalmer 149	WEDD DURLACHER MORDAUNT + CO	1	1	-	-
S.W. Batt. 150	WILLIS, FABER + DUMAS LTD	1	1	-	-
J.S. Gibb 151	WILLIAMS & GILYS	1	1	1	1
Ammer 152	DE ZOETE + BEVAN	1	1	-	-
ONE COPY OF	SPEECH TO COLIN ROWLEY (See Item 34).	21	20	3	5
-	-	(102)	(111)	(11)	(11)

DRAFT OF A LETTER TO BE SENT TO ORGANISATIONS NO LONGER TO RECEIVE FREE DOCUMENTS

PROVISION OF DOCUMENTS AT BUDGET

1. Your organisation has been one of a number which in recent years has been accustomed to send a representative to the Treasury on the afternoon of Budget day to collect, free of charge, copies of various Budget documents.

2. These arrangements have recently been reviewed in the light of the continuing need for economy in expenditure by the Treasury as by other departments and with effect from the 1981 Budget the provision of all Budget documents free of charge on collection will be ended except for members of the Press. Recognising that some organisations find it convenient to call at the Treasury to pick up documents on the afternoon of Budget day, arrangements for this will continue, But a charge will be made for documents provided. The arrangements are described below.

3. For ease of distribution, documents will be available in packets as follows:-

- i. Speech, Summary/Snapshot and Press Notices.
- ii. As above, but including the Financial Statement and Budget Report (the "Red Book") and all Command Papers issued in connection with the Budget.

The packets will be available in limited numbers and not more than two of each kind can be made available to any one organisation. The HMSO cover price will be charged for the FSBR and Command Papers. There will be no charge for the Press Notices provided in the packets but charges will be made for copies of

the Speech and of the Summary/Snapshot to cover printing and handling costs. (Assuming documents of the same length as in 1980, the charge will be about £2.00 for the Speech and the Summary/Snapshot together.)

4. The packets of papers will be available for collection at the Treasury only against advance orders. Invoices will be enclosed with each package issued. If you wish to continue to receive Budget Day documents on collection, would you please complete and return the attached order form as soon as possible (and not later than 17 February 1981). Following receipt of your order we will notify you of the precise collection point from which your representative may collect the packets you have ordered.

5. If you have any queries about the new arrangements Mr. G Haydon on extension 7565 here will be pleased to discuss these with you.

S F J GODFREY

BUDGET DOCUMENTS: ORDER FORM

G Haydon Esq
90/2
HM Treasury

Please reserve for -----

the following sets of documents on Budget Day

✓ No of copies
(max. two sets)

packet type 1. Text of Speech, Summary/snapshot
and Press Notices

packet type 2. Text of Speech, Summary/snapshot,
Press Notices, FSBR and Command Papers

I understand that an invoice will be enclosed with the documents.
I agree to pay the amount stated on it.

Name -----

Position: -----

Organisation: -----

Telephone Number: -----

The package, addressed as above, will be available for collection from HM Treasury 15 minutes after completion of the Chancellor's Speech in the House of Commons. Directions to the precise collection point will be sent to you following receipt of your order.

Proposed practice on distribution to non-government, non-press recipients of courtesy copies of Budget documents (additional to that given in lists attached to Mr Hall's minute of 27 March 1980)

recipient	Number of copies PEWP	Other Cmnd Papers	FSBR	Speech	Checklist/Snapshot (single document from 1981)	PNs	Resolutions
NEDO	-	3	3	3	3	3	-
CBI	2*	3	3	3	3	3	-
TUC	2*	3	3	3	3	3	-
Conservative Research Department	2	3	3	3	3	3	-
Canadian, Australian, NZ, High Commissions; EC, Japanese & US Embassies	-	13	13	13	13	13	-
Chairman Conservative Finance Committee	1	1	1	1	1	-	-
Clerk TCSC	1	1	1	1	1	-	-
Chairman TCSC	1	1	1	1	1	-	-
Chairman PAC	-	-	1	1	1	-	-
Mr Speaker	-	-	1	1	1	-	-
Leader of Opposition	1	1	1	1	1	-	-
Shadow Chancellor	1	1	1	1	1	-	-
Chairman IRSF	-	1	1	1	1	1	-

BUDGET - SECRET

BUDGET DAY PRESS NOTICE

INCOME TAX AND INDIRECT TAX: THE MAIN PROPOSALSINCOME TAX: ILLUSTRATIVE TABLESThe Income Tax Proposals

1. In his statement today, the Chancellor announced increases in income tax allowances and higher rate bands which go [well] beyond those needed to compensate for inflation over the past year.
2. The Chancellor proposes an across-the-board increase of around 14 per cent in the main personal allowances and in the higher rate thresholds. This is some 8½ percentage points higher than the increase required by the indexation provisions in the Finance Act 1980. The indexed figures are set out in Table 13 attached [and also in an Order made today by the Treasury (Statutory Instrument []) as required by S.24(9) of the Finance Act 1980].
3. The Chancellor's proposals in detail are as follows:-

(i) main personal allowances

	1982-83 level	Proposed increase	1983-84 proposed level
	£	£	£
Single person's allowance (and wife's earned income relief)	1,565	220	1,785
Married man's allowance	2,445	350	2,795
Age allowance (single)	2,070	290	2,360
" " (married)	3,295	460	3,755
Additional personal allowance and widows bereavement allowance	880	130	1,010

BUDGET - SECRET

(ii) rates and rate bands

Rate of tax	1982-83 taxable income	Proposed increase in starting point	1983-84 taxable income
%	£	£	£
30	0-12,800	-	0-14,600
40	12,801-15,100	1,800	14,601-17,200
45	15,101-19,100	2,100	17,201-21,800
50	19,101-25,300	2,700	21,801-28,900
55	25,301-31,500	3,600	28,901-36,000
60	over 31,500	4,500	over 36,000

(iii) An increase from £6,250 to £7,100 in the threshold for the investment income surcharge.

(iv) An increase from £6,700 to £7,600 in the age allowance income limit.

4. The revenue cost of the main income tax proposals will be some £2 billion in 1983-84 and £2½ in a full year: that is some £1.2 billion in 1982-83 and £1½ billion in a full year over the cost of implementing the statutory indexation provisions.

5. Budget tax reductions (including any tax overpaid since 6 April) should be reflected in pay packets on the first pay day after [5 May]. The proposed changes in allowances will be worth £2.02 a week for a married man and £1.27 a week for a single taxpayer or working wife when liable at the basic rate only. The effects of the changes on individual taxpayers are more fully illustrated in the tables described in paragraphs [6-10] below.

[Section on The Indirect Tax Proposals]

Income Tax: Illustrative Tables

6. The attached tables 1 to 5 show the effects of the changes in income tax proposed in the Budget on single and married taxpayers at different levels of income. There are separate

tables for elderly people benefiting from the increases in the age allowance and in the age allowance income limit. Tables 4 and 5 give the information in the form of a weekly instead of annual incomes at levels up to £350 a week.

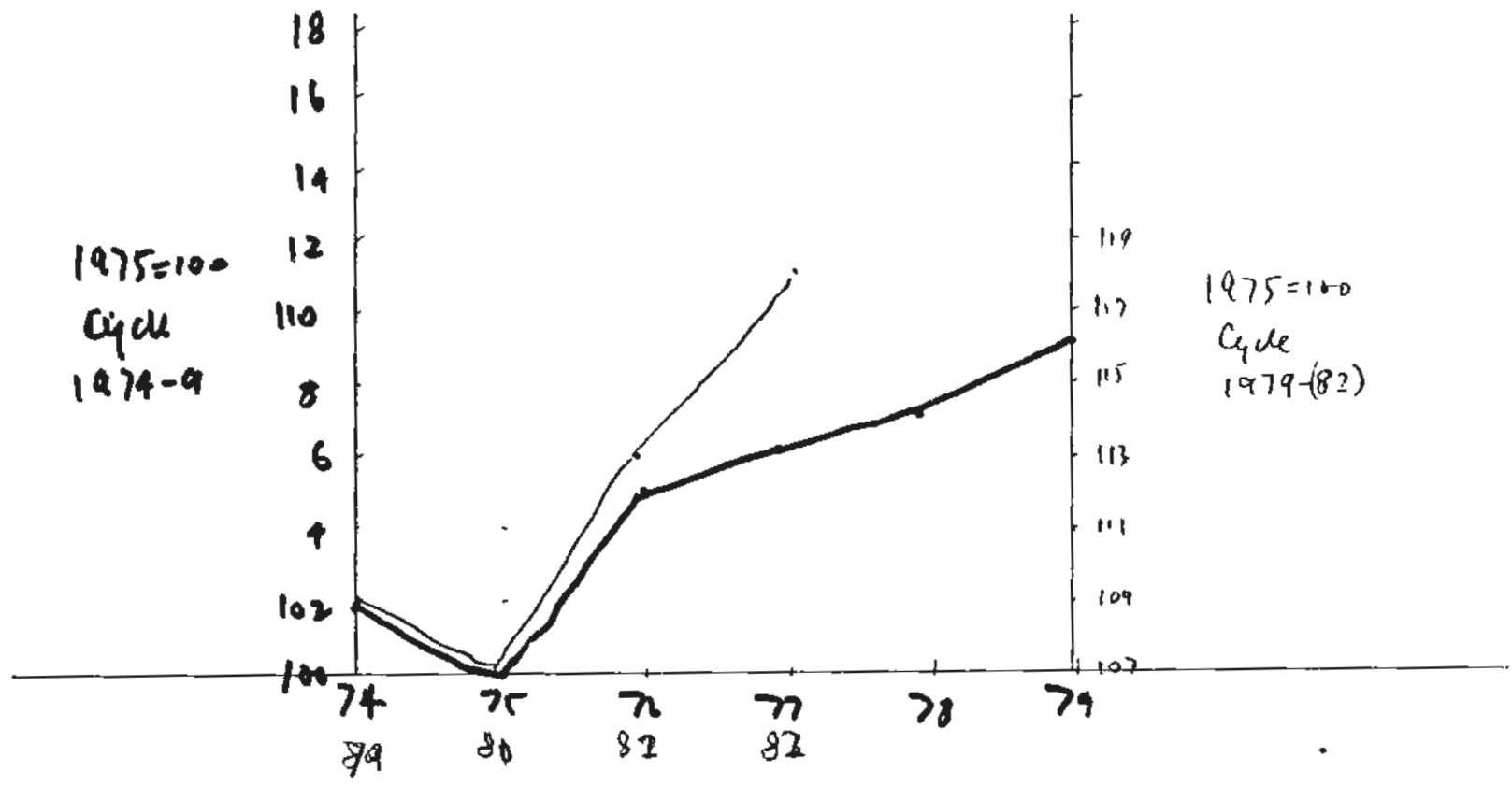
7. Tables 6 and 7 show the weekly net income of single and married taxpayers, and families with two children, after taking account of the increases in National Insurance contributions and Child Benefit.

8. Tables 8 and 9 illustrate the effect of the income tax changes after taking account of the effects of [illustrative increases in earnings] between 1982-83 and 1983-84: Table 8 shows incomes after tax for single people and married men on the strictly illustrative assumption that earnings for 1982-83 rise by 6½ per cent over earnings in 1982-83 (the assumption made by the Government Actuary in his report on the Social Security (Contributions) Bill). Table 9 gives figures on the same basis but taking account of changes in national insurance contributions (for contracted-in and contracted-out) as well as changes in income tax.

9. Table 10 includes the effect of child benefit for a married couple with two children, and Tables 11 and 12 show changes in the net weekly income of a married couple where both partners are earning.

10. The tables assume that income is all earned, but the figures are unchanged where the incomes shown (except for wife's income in Tables 11 and 12) are taken to include investment income not exceeding £6,250 (the investment income surcharge threshold for 1982-83). Except for Tables 11 and 12, the illustrative tables for married couples assume the wife has no earned income.

13. MANUFACTURING INDUSTRY: TRENDS IN OUTPUT PER MAN HOUR COMPARED WITH
PREVIOUS CYCLE.



14. OUTPUT PER MAN SINCE 1979: INTERNATIONAL COMPARISON, ACTUAL & OECD FORECAST.

