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PARTA

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PART A

BUDGET 1984 PUBLICITY

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PO -CH /NL/ ~~0026~~ 0824
PART A

CONFIDENTIAL

FROM: J PAGE
DATE: 26 January 1984

MISS BOGAN
MISS McCAMBRIDGE
MR MILNER
MR SLAUGHTER
MR STUBBINGTON
MR ROWLEY

cc PS/CST
PS/FST
PS/EST
PS/MST
Mr Battishill
Mr Folger
Miss O'Mara
Mr Baillie
Mr Chambers
Mr Uden
Mr Pilcher
Mr Bobsin

Mr Hall
Mr Monaghan
Mr Johnson

BUDGET 1984 - IN STUDIO RELEASE OF CHANCELLOR'S SPEECH

We are most grateful for your agreement to participate in IDT's release arrangements in TV/Radio Studios, and in certain news rooms on Budget day.

2. For those new to these arrangements there will be rehearsals next month.

3. One further participant is required and I hope that Miss Swift's replacement in the Chief Secretary's Office will be able to take this on.

4. In due course full details of the mechanics of this operation will be circulated to the action recipients of this minute.

J. Page

J PAGE

195/1

BBC tv

Direct line
576 1356/7

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

27th January, 1984

PWP cc M Portillo
A Ridley
PPS

31/1
mmg

Dear Martin,

Thank you for an excellent, and useful, lunch yesterday.

We will plan for the arrival of the Chancellor at about 6.45 on March 13th to prepare for his broadcast, and bear in mind the other points raised.

We'll expect a requirement for four or five graphics in the broadcast, and hope it will be possible - as you indicated - to have an initial meeting to discuss them towards the end of February. We will also arrange a meeting at No.11 about the same time to finalise the technical requirements and logistics. Do give me a call if there is anything else you need to know.

Yours sincerely,

Peter Kenyatta

Peter Kenyatta
Producer
Current Affairs Programmes, Television

Mr. Martin Hall,
Information Division,
Treasury,
Treasury Chambers,
Parliament Street,
London S.W.1

HALL 27/1

FROM: M A HALL

27 January 1984

CHANCELLOR

we have spoken on

c c Sir Peter Middleton
Mr Battishill
Mr Ridley
Mr Portillo
Mr Lord

BUDGET BROADCAST

I had a useful discussion with Tony Jay, Peter Kenyatta (the producer) and Adam Ridley yesterday. The outcome, on which we shall need your comments, was as follows.

(i) Timing

We need a meeting with you as soon as the shape of the speech has fallen broadly into place. This should be as soon as possible, preferably the week of 6 February. At that meeting we need to identify themes, and choose a selection of graphics from which you can choose if you want to use graphics later on (see para iii below). We shall then need at least one, probably two further meetings before finalising our choice of graphics at least a week before the Budget itself. The hope would be to look at the rough versions of the graphics at a meeting around two weeks ahead of the Budget.

On the night, you have to operate within quite tight time constraints. After the Budget speech, it is customary to see both the Lobby and the Finance Committee. This whole process takes some $1\frac{1}{2}$ hours, and we could certainly not guarantee being back at No 11 before about 6.30 pm. The broadcast has to be in the can and away by 8 pm, to be broadcast after the 9 o'clock news at, say, 9.25 pm. We would therefore aim at a recording session at No 11 from 7 pm.

(ii) Location

We discussed possibilities for variations in the traditional form of broadcast, but concluded that there was no reason to change the venue of No 11. We all agreed that the best format would be for you to sit behind a desk. Peter Kenyatta suggested, with warm approval from Tony Jay, that we arrange some books behind the desk. This reduces the light level, and improves lighting conditions. This would have to be rigged up, but presents no problem. Usually the filming has been in the downstairs sitting room, and there is no good reason to change this. It is convenient for cables etc, and does not disrupt life in the flat.

(iii) Graphics

We were all in favour of some breaking up of the programme with graphics, probably not more than about four. The more complicated these are, the more time is needed to produce them. We agreed that it was extremely important that the Treasury statisticians and economists preparing the charts should be in close contact with the graphic designers. This has not always been the case in the past.

(iv) Length

The maximum permitted length is ten minutes. Tony Jay thinks the ideal length to be aimed for is around eight minutes. We agreed that although something shorter might be punchier, it would look very odd to do a Budget broadcast of no more than say, five minutes, if the Opposition were to take their full time. Furthermore, much less than eight minutes does not permit much expansion on a theme. And finally, the tendency of scripts is always to get longer rather than shorter, so that it would be unwise to aim to hit the ten minute mark precisely.

(v) Themes

We could not get very far at this early stage. We did think however that there was a lot to be said for your starting off by saying that this was your first Budget, but that policies in it were a continuation of those of the previous Government. We thought it inevitable that one of the graphics would cover inflation. Other specifics which could tell, or certainly be telling by then a good story, are exports and corporate profits.

MH

M A HALL

PMT

FROM: M A HALL
30 January 1984

MR PAGE

c c PPS
Mr Segal

POST BUDGET BROADCASTS

The Chancellor, as usual, will do only the *Budget broadcast on the night of the Budget. He would like the other television bids to be taken on by the Chief Secretary and Financial Secretary, and radio bids to be dealt with by the Minister of State and the Economic Secretary. This gives us a lot of scope.

MAH

M A HALL

*Unless I can persuade him to do the short COI slot for the overseas service.

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233 3443

M A Hall MVO
Press Secretary and
Head of Information Division

pup

To P Middleton
cc PPS
Mr Page
H

Ms S Tinson
ITN
48 Wells Street
London W1

31 January 1984

Dear Sue,

I was very sorry to hear that you were about to be whisked into hospital, and trust that it is nothing serious.

As I think Pauline told you on the telephone, I can confirm that Mr and Mrs Lawson are content for you to spend an hour in No 11 as part of your pre-Budget briefing, including interviews with both of them. I have taken you at your word, and assured the Chancellor that you will need no more than one hour precisely. He intends to hold you to this.

Otherwise, we can go ahead with the usual non-disrupting filming, and I suggest that you keep in touch with John Page on this.

I hope we are still on course with our video. The Chancellor said that he was very happy to be more accommodating about access to meetings after the Budget, when pressures are less. You would be able to use this for your next year's Budget programme, as we agreed.

I look forward very much to having lunch with you at the earliest opportunity, to discuss all this. I think we could now start setting up some kind of schedule of filming.

Yours ever,

M A HALL

CONFIDENTIAL

FROM: J PAGE
DATE: 1 February 1984

MISS BOGAN
MISS McCAMBRIDGE
MR MILNER
MR SLAUGHTER
MR STUBBINGTON
MR ROWLEY
MISS POLLOCK

cc PS/CST
PS/FST
PS/EST
PS/MST
Mr Battishill
Mr Folger
Miss O'Mara
Mr Baillie
Mr Chambers
Mr Uden
Mr Pilcher
Mr Bobsin

Mr Hall
Mr Monaghan
Mr Johnson

BUDGET 1984 - INSTUDIO RELEASE OF CHANCELLOR'S SPEECH

Further to my minute of 26 January the TV/Radio/Newsroom allocations are as follows:

BBC Television - Miss Bogan

BBC Radio - Miss McCambridge

ITN - Mr Milner

Press Association Gallery Newsroom - Mr Slaughter

Reuters Newsroom (Fleet Street) - Mr Stubbington

Financial Times Newsroom - Mr Rowley

IRN, Gough Square - Miss Pollock

2. Rehearsal arrangements for Miss Bogan, Miss McCambridge and Mr Stubbington will be advised in due course.

3. Details of the mechanics of this operation will be set out in separate minutes to the individual action recipients of this minute.

J. Page

JOHN PAGE

FROM: J PAGE
DATE: 1 February 1984

MR HALL

cc Sir Peter Middleton
PPS
Mr Chambers
Mr Bobsin
Miss Young

ITN INTERVIEWS WITH THE CHANCELLOR AND MRS LAWSON

As proposed in your letter to Sue Tinson of 31 January an appointment of 1 hour for these interviews has now been fixed for Monday 20 February 11.30am-12.30pm.

2. Both interviews would be conducted by Martyn Lewis and directed by Sue Tinson. They suggest the following:

i) an interview with the Chancellor at his study desk in No 11.

ii) a short link interview with the Chancellor and Mrs Lawson in the sitting room.

iii) finally, an interview with Mrs Lawson in the kitchen of No.11.

3. ITN may have to settle for items i and ii only if as you say Mrs Lawson would prefer to keep the crew out of the kitchen. ITN very much hope however that Emily can participate in the second interview.

4. The crew will consist of camera, sound, two lights plus Martyn Lewis and Sue Tinson. If Sue is indisposed, and this is a possibility, she would be replaced by Nigel Dacre.

5. If you agree I will arrange a short walk round for Martyn Lewis at No.11 next week because as you know they are also seeking silent footage for their Budget programme and for the Treasury cassette.

J. Page

JOHN PAGE

Pwp

FROM: M A HALL
3 February 1984

MRS MCKINNEY

c c Chancellor
Mrs Lawson
Mr Page

PRE-BUDGET PICTURE FACILITIES

I discussed your minute of 30 January with the Chancellor and Mrs Lawson yesterday. The following was decided.

(i) Saturday morning photocall

This is to be in Leicestershire. Fine weather drill - two photocalls, one in the garden and one at the newsagents shop. The Chancellor and Mrs Lawson will walk from the house to the shop through the church yard.

Wet weather drill - the Chancellor will hang some pictures in the house. You and I are invited to stay the night on Friday.

Could you please produce a draft operational note with map, consulting Donna and the police as necessary.

(ii) Breakfast at No 11. Mrs Lawson will do this as proposed on a pre-recorded basis. The more you can do to discover the exact questions they propose to ask, the better.

(iii) BBC Breakfast TV. The Chancellor does not wish to do this. In any case, Sir Geoffrey Howe appeared the day after the Budget, not on Budget Day - the objective was to comment on the newspaper headlines about the Budget. The Chancellor would not object to the Financial Secretary taking this on.

(iv) Walk in the park. If the weather is fine, the Chancellor, Mrs Lawson and Emily will go for a walk in the park. The Chancellor does not wish to feed the ducks, but would be perfectly happy if the spirit moved Emily to do so.

(v) Financial Times. I shall deal with this in a separate submission on arrangements directly linked with the Budget itself.

MAH

M A HALL

FROM: J O KERR
DATE: 6 February 1984

MR HALL

cc PS/Sir P Middleton
Miss Young

"BUDGET: PRESS AND MEDIA ARRANGEMENTS"

The Chancellor was grateful for your minute of 3 February. His reactions to the proposals in your paras 5 et seq are as follows:-

a. Photocall - He is content for you to fix with Miss Young a suitable pre-Budget date (in an early morning and for not more than 30 minutes) for the traditional photocall in the Treasury with the Budget box. He agrees that the separate photocall proposal from "British Business" should be turned down, and that we should await details of the bid from "The Economist" before reacting to it. As for the Budget-day photocall, he is content with the idea of an early morning ordeal in the park. He also agrees with you that the Financial Times 3 pm arrangement should be dropped. He is content with the arrangements for photography as he leaves No 11 to go over to the House.

b. He is content to see the Lobby after the speech but before his session with the Backbench Finance Committee. And he agrees to do a short slot for the COI as soon as he gets back to No 11. (On the Finance Committee timing, it will be necessary to square Sir William Clark, so please do not make final arrangements with the Lobby yet.)

c. He agrees with your proposal - para 5 - re Weekend World and the Jimmy Young programme. But he does not wish to give any early morning Budget-day interviews, even for Moffit.

d. He would be grateful for further details of the possible bid from "Question Time".

e. On lunches, he is content with the idea of a lunch for the Economist on 14 March, and one for regional city editors later in the week. But he agrees with you that the Reuters lunch can be dropped.

f. He agrees in principle to the idea of seeing a group of economic correspondents on 14 March. But he would like to discuss with you in due course who precisely should be invited.

2. As for your para 14, he is content to see Sunday economic correspondents with the Sunday Lobby on 16 March.

3. On the issue of who should be given individual briefing at No 11 immediately after the Budget, his provisional list, for discussion with you, is Brittan, Douglas-Home, Rutherford, and Sergeant. Like you, he would include Goodman at the economic correspondents session on 14 March. He is not inclined to fit in the Editor of the Sun.

4. These were of course week-end reactions. You may be more up to date than I am following talks in Brussels today.

J O KERR

15/3

P – Jlts [?] JY
✓ show.
[?] 10/2

OK given [?] N..

FROM: M A HALL
8 February 1984

CHANCELLOR

JIMMY YOUNG PROGRAMME

The JY programme would greatly prefer to have you on the Thursday after the Budget, rather than the Friday. In exchange for this, they guarantee that you would have the last word.

2. The reason why it has not in the past proved possible to do the JY programme on Thursday is that it clashes with Cabinet. The editor assures me, however, that it would be perfectly possible to pre-record at 9 am, or to fit round Cabinet, and that the interview would go out unedited. The alternative, which you would no doubt prefer, would be a live broadcast at 10.30 am. But this would clash no matter what time Cabinet was.

3. Given that we are guaranteed the last word, that a Thursday appearance would force all the Opposition parties on to the Wednesday, and the interview would be guaranteed unedited, I recommend accepting on a pre-recorded basis. Provided we have the last word, earlier in the week suits us better too.

OK

MAH.

M A HALL

OK. Lunches downstairs. HMG to organise. Five or six a side OK. But we must discuss names. NL.

FROM: M A HALL

10 February 1984

1. M. copy to: Mrs Lawson, Miss Young } with my minute below.

2. Mr Hall

CHANCELLOR

P.S. Pse send Thérèse a copy of this + the JOK minute below. N.

PRESS LUNCHES AFTER THE BUDGET

Following John Kerr's minute of February, I agreed this morning with Thérèse that you would have the Economist to lunch on Wednesday 14 March, and the Regional City Editors on Thursday 15 March respectively. The Thursday is preferable to Friday because more people read Friday's newspapers than Saturday's.

2. In the past, we have extended the invitation to the Editor of the Economist, and suggested to him that he bring a few colleagues. I have no record of exactly whom came last year, but my recollection is that there were about five of them and five of us. This could perfectly well be four on each side. To the best of my recollection, Andrew Knight brought along Macrae, Jenkins, Pennant-Rea and Iain Carson last year.

3. There are usually about six of the regional city editors, of whom I attach a list. The home team is necessarily smaller, on account of the size of the table (assuming that you give them lunch upstairs, as has been the practice in previous years). ND

4. Lady Howe used to sometimes to attend these lunches. If Thérèse likes the idea, she would leaven the lump of the city editors no end. The Economist tends to be a bit heavy.

MAH

M A HALL

REGIONAL CITY EDITORS

Birmingham Post & Mail	Ian Richardson	City Editor
The Scotsman	Trevor Webster	City Editor
Sheffield Morning Telegraph	John Heffernan	City Editor
Thomson Newspapers	Bill Jamieson	Financial/London Editor
Yorkshire Post	Charles Pritchard	City Editor
Glasgow Herald	Robert Martin	

FROM: J O KERR
DATE: 6 February 1984

MR HALL

cc PS/Sir P Middleton
Miss Young

"BUDGET: PRESS AND MEDIA ARRANGEMENTS"

The Chancellor was grateful for your minute of 3 February. His reactions to the proposals in your paras 5 et seq are as follows:-

a. Photocall - He is content for you to fix with Miss Young a suitable pre-Budget date (in an early morning and for not more than 30 minutes) for the traditional photocall in the Treasury with the Budget box. He agrees that the separate photocall proposal from "British Business" should be turned down, and that we should await details of the bid from "The Economist" before reacting to it. As for the Budget-day photocall, he is content with the idea of an early morning ordeal in the park. He also agrees with you that the Financial Times 3 pm arrangement should be dropped. He is content with the arrangements for photography as he leaves No 11 to go over to the House.

b. He is content to see the Lobby after the speech but before his session with the Backbench Finance Committee. And he agrees to do a short slot for the COI as soon as he gets back to No 11. (On the Finance Committee timing, it will be necessary to square Sir William Clark, so please do not make final arrangements with the Lobby yet.)

c. He agrees with your proposal - para 5 - re Weekend World and the Jimmy Young programme. But he does not wish to give any early morning Budget-day interviews, even for Moffit.

d. He would be grateful for further details of the possible bid from "Question Time".

e. On lunches, he is content with the idea of a lunch for the Economist on 14 March, and one for regional city editors later in the week. But he agrees with you that the Reuters lunch can be dropped.

f. He agrees in principle to the idea of seeing a group of economic correspondents on 14 March. But he would like to discuss with you in due course who precisely should be invited.

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4. These were of course week-end reactions. You may be more up to date than I am following talks in Brussels today.

J O KERR

116/2

FROM: J PAGE
DATE: 10 February 1984

1. MR HALL
2. CHANCELLOR

[I wd like to discuss - briefly - with JOK? N.

cc Sir P Middleton
Sir T Burns
PPS
Mr Battishill
Mr Folger
Mr Monaghan

DAVID LIPSEY

Last year David Lipsey wrote a good article entitled "The Making of the Budget" which appeared in the Sunday Times on 13 March.

2. He wishes to write a similar article this year for publication on 4 March. He has asked to see the Permanent Secretary, Sir Terry Burns, Mr Battishill and Mr Kerr. I think all would agree that it is for the Chancellor to decide whether these interviews be granted.

What Lipsey clearly wants to do is to contrast my approach to Budget-making with that of my predecessor; & to ask officials to comment on the difference. Can anyone see any conceivable advantage to be gained from this? N.

JOHN PAGE

Chancellor

Lipsey accepts as a ground rule that he will not ask about the Budget measures. He observed this last year. I think this kind of article does add to the sum of human knowledge and is worth doing.

MHA
10/2

This is not the purpose of the Chancellor's press secretary! XR.

SUNDAY TIMES. 13-3-83

THE MAKING OF THE BUDGET

by David Lipsey, Economics Editor

Yesterday, as Sir Geoffrey Howe relaxed over his beer at the Duck & Drake in Outwood, Surrey, his loyal servant, Peter Kemp, (right), contemplated the prospect of another weekend ruined, preparing for his master's big day.

On Tuesday at 3.30, the Chancellor will rise to present his fifth Budget; and Kemp, high-flying under-secretary in the Treasury's central unit, is the man responsible for seeing that, when the curtain rises, the scenery is in place and the leading man knows his script.

The days are gone when a Chancellor emerged on Budget day from strict purdah. Sir Geoffrey in particular has shown a commendable openness in his preparation, ever available to party colleagues and outside interests who wished to urge on him their favourite nostrums.

So, for the first time, it is possible to reconstruct the actual process by which Tuesday's big decisions were reached.

BUDGET-MAKING, like painting the Forth Bridge, is a continuous process. Howe had barely sat down after last year's budget before the Treasury began compiling lists of measures which could be runners for this year. But at the turn of the year the pace picked up sharply.

In January, Howe returned from a short Christmas break with a bulging case of papers setting out the main choices to be made, carefully annotated in his own hand. Already, Howe knew the expected total for public spending. He also had the Treasury's first guess as to what he could give away without breaching his provisional limit of public borrowing of £8bn for 1983/4, and a ready-reckoner of what the main measures might cost.

Still, to get from that stage to Budget day has required a three-way combined operation. First, the politics have to be right. This will be the last Budget to take full effect before the next election. The blend of measures which Howe will introduce depends partly on whether Mrs Thatcher has plumped for June – or leans to October or next spring.

Secondly, Howe has to set his economic course to fuel recovery without risking higher inflation or collapse of financial confidence.

Thirdly – and in terms of workload most onerously – the technical job of selecting the detailed tax measures for the Finance Bill has to be completed.

JANUARY is the favoured month for Budget representations on what the Chancellor should do. "Bring them in any earlier, and they are liable to be forgotten: any later and you've missed the boat," the Treasury says. It says something about the current balance of influence that the CBI arrived promptly in mid-January: the TUC didn't see Howe until February 28.

Some submissions are basically designed for outside consumption – "all those trade associations trying to show their members that they are actually doing something", one official remarks wearily. Others are stictly secret – example, the long personal letter sent to Howe in January by Gordon Richardson, governor of the Bank of England, setting out the Bank's view.

Howe also privately met the powerful backbench Finance Committee of Tory MPs, chaired by Sir William Clark, as well as taking more informal soundings among backbenchers. On the floor of the House, too, he received a shower of advice – good, bad and ridiculous – all acknowledged with the time-honoured reply: "I cannot anticipate my Budget statement."

The pile of suggestions is brought together, in January, into a massive Schedule of Representation. To this is added the list of measures put forward by the Inland Revenue and the Customs to tackle anomalies and close loopholes.

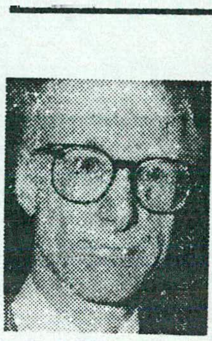
So, by the end of January, there are some 400 main proposals needing ministerial decision (by last Wednesday the number still to be decided on was down to four). They vary from major changes in the Investment Income Surcharge to the treatment of bonds issued by the African Development Bank.

The initial sorting was done by an internal committee, chaired by Leon Brittan, Howe's number two, with the bulk of the detailed work falling to Nicholas Ridley, the financial secretary. Revenue officials – chairman Sir Laurence Airey, John Green, John Issac and Tony Battishill – take up almost permanent residence in the Treasury. But ministers wax indignant at any suggestion that this is "Yes, minister."

"If ministers went to sleep for nine months, there would be a totally different Finance Bill," says Ridley. "The Revenue would tend to see all these matters resolved in an impartial and non-political way – but there's no such thing as an impartial judgement about tax law. We are having to balance political judgements all the time."

Four weeks ago, Howe had

Key men

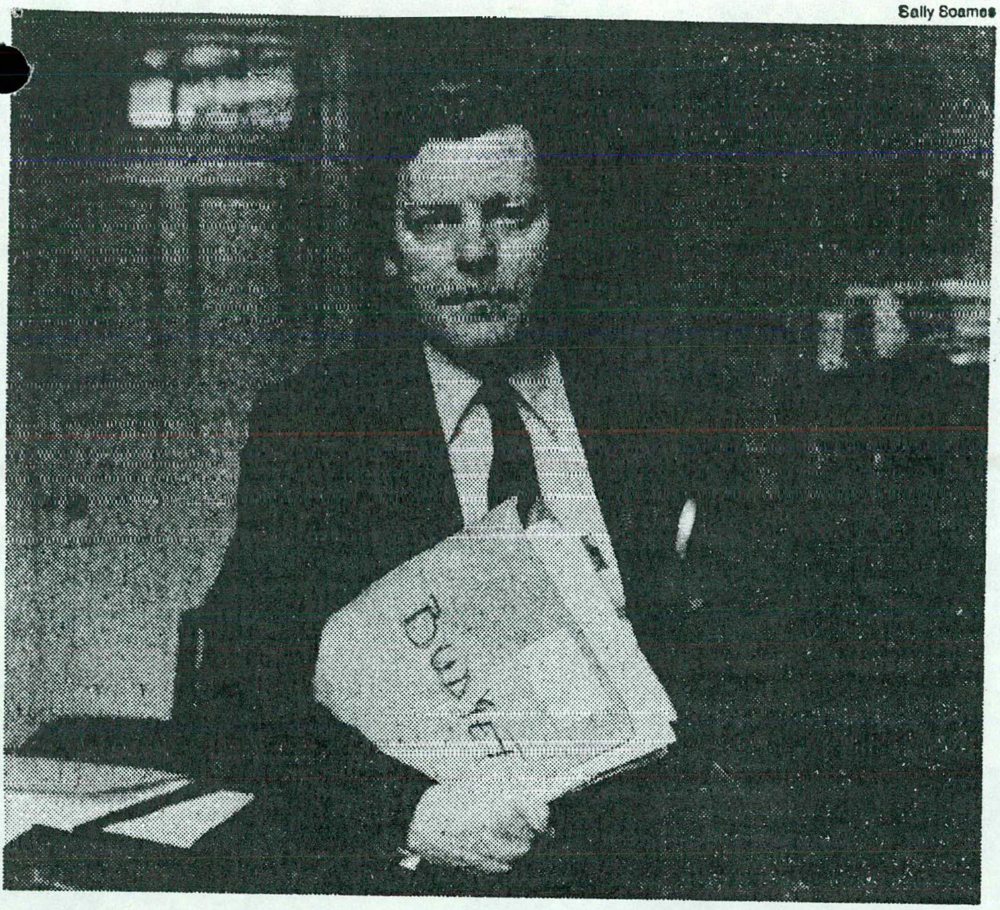


Middleton

Airey

SUNDAY TIMES - 13 - 3 - 83.

Sally Soames



his ministers' submission and recommendations before him – "a trunkload of paper", it is said. Howe confirmed most of them; some he questioned, a few he rejected. The results were carefully recorded – and the final work of drafting the Budget speech could get ahead in earnest.

AS TECHNICAL decisions flowed quietly through, more dramatic discussions were deciding the political and economic content of the Budget. Towards the end of January, against the background of a plunging pound, the Treasury economists had their first shot at the pre-Budget economic forecast.

To outsiders, that may seem merely a matter of feeding numbers to the Treasury's omnivorous 950-variable model of the economy. Insiders know better. "There's an awkwardness," one says. "Ministers can't make the forecast team produce something absolutely ridiculous, but they can tip it one way or the other. It goes out in ministers' names, after all."

The key go-between for ministers and forecasters is Terry Burns, the former London Business School chief brought in by Howe at 36 to head the government's economic service. Burns combines brilliant professional skills with a lively appreciation of political realities. Together with Peter Middleton, Howe's permanent-secretary elect, Burns is the largest official influence on the Budget's final shape.

Howe's style, however, embraces his fellow Treasury minister, gathered each morning round Howe's table for "morning prayer"–a collective political discussion of the business ahead. "Howe's Treasury is a collegium," says one official close to the Chancellor.

Similarly, Howe likes to implicate his non-treasury colleagues. A near-revolt in 1981, when "wet" ministers exploded in impotent rage after Howe sprung his deflationary proposals on them late in the day has taught its lesson. A special cabinet session at Chequers – "Ecocab", in the jargon – was held early in February to discuss the priorities. In view of the approaching election it is hardly surprising that all but the most soaking cabinet ministers found ingenious economic arguments as to why cutting taxes should take priority over help to industry.

On a few matters of key political import, the consultation process is more formal. For example, debate has raged within Whitehall, between the Treasury and the DHSS, on whether pensioners increase next year should be less to compensate for the fact that pensions last year went up more than inflation. In the end, it was left to formal cabinet committee – Misc 87 – to decide that the full amount should not be docked.

In these consultations the prime minister herself is of course first among equals. Howe often slips in person down the corridor linking No 11 with No 10; his private secretary, John Kerr, writes almost daily to his No 10 counterpart, Mike Scholar. Alan Walters, the prime minister's personal economic adviser also takes an iterest in the monetary side of the Budget, but Walters' more general influence is, by common consent, not as great as it was.

The provisional shape of the budget was thus decided by mid-February. Even then, the forecasting continues. New information arrives daily. Big uncertainties, like the precise base level of public spending, and the total of government revenue, only clarify late in the day as end-year financial information comes to hand.

ON TUESDAY, the wrapping comes off. "It's a bit like Boat-Race night when one's an undergraduate", according to Sir Douglas Wass, Howe's outgoing permanent secretary. "One has been working very hard for perhaps two months, in conditions of secrecy which add to the feeling of being a member of a corps.

"The Budget is the Boat Race; things can go wrong; you're in a state of some nervousness and tension and the feeling of relief that it's all gone without a hitch is tremendous."

In their exhilarated but exhausted state, it would be too much to ask the participants if the whole thing was worth the candle. Yet honest doubts persist. Partly they concern the present procedure. Wouldn't it be better, as the Armstrong Committee recommended, if the Chancellor presented in the autumn a full-scale draft Budget for debate and analysis?

Would it not produce better tax law if, instead of the detail being discused only in formal debate in the Commons, it was subject to proper scrutiny by a well-briefed select committee.

One of the sharpest of critics of the existing system, in 1977, lashed "confused and confusing" tax laws produced by the "nocturnalisation" of Commons committees, fumbling through a Bill far into the night. The author, in a renowned speech to the Addington Society, was the then shadow Chancellor, Sir Geoffrey Howe.

More fudamentally, isn't there something basically phoney about the whole, long-drawn-out forecasting process? The average Budget forecast of public borrowing since Howe took office has been out by £2bn. That is more than the *deliberate* tax changes Howe has made. In both 1981 and 1982, forecast upturns in the economy never came.

At the end of the day, too, the decisions are as much political as economic. Practically no serious economist believes that personal tax cuts on Tuesday should take priority over aid to industry. Practically no political commentator doubts that in fact they will.

Beneath the veneer of spurious quantification, the Budget is as much show as substance. "One feels", says Howe, "like an actor-manager on the first night of the play he's written himself." Tragedy or comedy? Howe's ushering in of his "The Homecoming" or his "Krapp's Last Tape"? For that, we shall have to await the notices.

● *The inside story of Budget-making is the subject of Radio 4's "But Chancellor . . ." programme at 6.15pm tonight, presented by Sunday Times political editor Hugo Young.*

behind the Budget

Brittan Ridley Burns

CONFIDENTIAL

FROM: J PAGE

13 February 1984

1. MR SEGAL
2. MR JOHNSON

c c Miss Bogan
Miss McCambridge
Mr Milner
Miss Pollock
Mr Rowley
Mr Slaughter
Mr Stubbington
Mr Baillie
Mr Chambers
Mr Uden
Mr Pilcher
Mr Bobsin
Mr Hall
Mr Monaghan

BUDGET 1984 - IN STUDIO RELEASE OF CHANCELLOR'S SPEECH

Further to my minute of 1 February on this subject I should be grateful if Mr Segal, in conjunction with Graham Johnson, could arrange rehearsals for the following:-

BBC TV	-	Miss Bogan
BBC Radio	-	Miss McCambridge
Reuters News Room (Fleet Street)	-	Mr Stubbington

I have provisionally fixed Wednesday 7 March for 12.30 pm for a short conversation and review of arrangements with the PA News Room staff in the House. I should be grateful if Mr Slaughter could confirm that he is able to attend. I propose to accompany him, but if for some reason I am unable to do so I would like Mr Segal to take this on.

Although Mr Milner is well acquainted with the ITN arrangements Sue Tinson has specifically asked him to attend rehearsal this year because they propose to make some changes in studio arrangements. Could he therefore please contact Sue Tinson direct to arrange this. Will Mr Johnson please ensure that ITN provide transport for him. There will be no need for Mr Milner to be accompanied on this occasion.

Richard Tait in his letter to us of 4 January (para 3) proposed Monday 12 March for the in studio rehearsal at Lime Grove. He can be contacted on 743 8000 (Money Programme) to finalise their arrangements for that day.

J Page

J PAGE

FROM: J O KERR
DATE: 13 February 1984

MWP

MR HALL

cc Mr Page

DAVID LIPSEY: "THE MAKING OF THE BUDGET"

The Chancellor has seen Mr Page's minute of 10 February about Lipsey's proposal to prepare, for 4 March, an article along the lines of the one he did on 13 March 1983.

2. The Chancellor doubts whether we stand to gain very much from articles of this kind; and suspects that granting the interviews which Lipsey has sought would be an unnecessary extra burden on those concerned at a difficult time.

J O KERR

PWT

FROM: J O KERR
DATE: 15 February 1984

Done.
1. cc also to Sir P. Middleton
Sir T. Burns
Mr Bailey
Mr Littler
Mr Monger
Mr Scholar
Mr Lavelle
— to be aware
2. PWP.

Mr Folger

cc Mr Battishill
Mr Ridley
Mr Hall
Mr Portillo

BUDGET BROADCAST: CHARTS

16/2

I may have missed something, having been called out of the room several times, but my impression was that it was agreed, at this afternoon's meeting with the Chancellor and Mr Jay, that 8 charts would be prepared, viz:-

a. two on inflation, one setting out average rates under each successive Government since 1951, and another setting out annual average rates in calendar years since 1980;

b. two on the labour market, one of employment, another of unemployment;

c. two on comparisons of UK GDP growth rates with the EC rates, the first comparing ours and the EC average in the last couple of decades, the second comparing ours and that of all our main Community partners in 1983 and - on Commission forecasts - 1984;

d. two on tax and expenditure, the first showing the past rise and forecast future flat path of Government spending, the second showing the past rise in the tax burden, and how it could be reduced if spending is indeed kept down.

2. It was also, I think, agreed that the format of the broadcast would be along the lines of recent Howe/Jay editions, ie with a good

J. Kerr Budget Broad-cast charts

deal of material on the economy, and explanation of key individual measures kept pretty brief, and to the end. And the Chancellor was clear that the two central messages of the broadcast should be that the economy was coming right, but that we must not let up (charts A-C), and that the tax burden should be brought down, and can be, provided spending is kept on a tight rein (chart D).

3. It would I think be very helpful if you could, with assistance from Mr Portillo, take charge of the chart-preparation exercise.

J O KERR

PM Ch/Ex.

Sectional speech release in external studios

Treasury representatives outside the office: (with full sectional texts of speech for simultaneous release in Studios and Newsrooms)

		1984 Team
1.	BBC TV Lime Grove Studios	Miss F Bogan, FST, Rm 43A/2, x3429
2.	BBC Radio Studio	Miss D McCambridge, MST, Rm 49/, x5076
3.	ITN Studio 48 Wells Street W1	left Mr Jim Milner, HE1, Rm 11A/1, x8775
4.	IRN Studio	left? Miss T Pollock, DM2, Rm 35A/1, x4168
5.	Press Association Newsroom Gallery	Mr D Slaughter, AP3, Rm 102/3, x 8105
6.	Financial Times Newsroom	Mr C Rowley, SCS, Rm 81A/3, x8877
7.	Reuters Newsroom	Mr T Stubbington, EST, Rm 52/2 x8703

Final vetting of document distribution lists	Mr Johnson
Collation/Distribution of Documents in CRU	Mr Johnson Mr Feen Mr Mansell Mrs Stirton
Supervision of callers at front door	Mr Johnson Mr Feen Mrs Mills + Security Officers
Distribution of documents to press and others	Mr Johnson Mr Feen Mr Mansell
Arrangement of COI facilities (teleprinter, car park permit, passes, etc).	Mr Johnson Mr Feen Mr Uden
Duty Press Officer (Budget evening)	Mrs McKinney
Press Office: Telephones	Miss Pleasance/ Mrs Hatter
Press Office: Typing	Miss Pleasance

HYPOTHETICAL BROADCAST OUTLINE

1. Recovery on the way. Even opponents denying it less.

   Inflation to go on falling.

   Capital spending to rise.

   More hopes for jobs, if not for dramatic cuts in numbers of jobless.

   Leading Europe on way out of recession.

2. Recipe for that was lower PE, tax burden on persons and business, and borrowing; and money control.

   We're sticking to that recipe for the years ahead.

   '79-'83 saw us "stop the rot" and turn some corners.

   '83 -(end of Parliament) should see us really making very good progress indeed, outside world permitting.

   Though continued restraint, realism, discipline etc. just as essential.

   Position not one in which ripe fruit will fall into our laps if we sit patiently.

   But it is one which Government has made it possible for us to earn ourselves better times.

3. Strategy, looking ahead, not just a matter of the totals - spending, taxes, or whatever.

   Just as important the pattern of those burdens.

   - who saves, who uses savings and how;
   - who invests, in what; and whether incentives, profits or returns are right and fair;
   - who takes risks, and with what penalties and rewards;
   - where tomorrow's innovation, energy, capital, and growth and jobs will come from.

4. [MEASURES]

5. Always easy at Budget time to get obsessed with the tiny details

   Cigarettes and beer, ½p on here, £5 on there, interest group by interest group.

Those who fear they will lose complain, while those who gain keep quiet.

In midst of all this, all too easy to forget that these changes all (should) amount to a LR strategy.

So vital to think of Budget as a whole.

6. This Budget both builds on foundations laid by GH in '79/'83; and charts course for next four or five years.

Domine exaudi perorationem meam !

Reconvene.

CHARTS

1. Background thought: probably better not to follow previous ones too closely.

2. Most obvious themes

(a) Recovery

✓ - Output GDP

- Capital spending

✓ - Employment

- Lower interest rates.

(b) Inflation set to go on falling to very low levels

(a) - Compare average rates of RPI growth 51-64, 64-70, 70-74 '74-'79, '79-'84, ['84-'89] or

bm (b) - Actual/projected increases 80-81-82-83 '82, '83, ['84, '85-9 (Ave)]

(a) Unemployment chart + (b) Employment chart. [- Consider conveying quality (high) of Treasury's track record in forecasting prices (? chart and contrast forecast and outturn, to demonstrate confoundation of experts)]

(c) UK doing better than competitors

As in (b) one could

(a) - Compare our GDP growth rates over past periods and [the present recovery] with EC averages, e.g. 1960-80 vs ~~1981-4~~.

+ (b) 83' + 84'

Output per head. [Simply compare UK and EC GDP growth year by year from 1981 or 1982, which may be all one might want to get over.]

3. [Measures].

Overall Govt spending rise.

Tax Message.

Keys

1. Econ coming right, mustn't let up

3 pairs of Charts

ii Tax message.

FROM: J O KERR
DATE: 27 February 1984

Mr Folger

cc Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Ridley
Mr Hall
Mr Riley
Mr Lord
Mr Portillo

BUDGET BROADCAST

The Chancellor has seen your minute of 24 February. His reactions to the proposed seven charts are as follows:-

a. Charts 1 and 5: Fine

b. Chart 2: Retain for the present

c. Chart 3: Revise, excluding the 1978 columns, and including two forecast columns for 1984.

d. "Chart" 4: Construct, excluding Greece, Ireland, and Luxembourg, but including the forecast 1984 figures.

e. Chart 6: If this one is used at all, it should be very schematic.

f. Chart 7: Reconstruct, as a bar chart, eliminating 1979, and using annual averages.

Subject to these points, the Chancellor is content with your proposal - para 8 - for the issue of material to the BBC.

J O K.

J O KERR

Pwp

FROM: M A HALL
22 February 1984

MR PAGE

c c PPS
Miss Young
Mr Monaghan

POST BUDGET PRESS BRIEFING

I should be grateful if you would now arrange, in concert with Miss Young, the following appointments:-

<u>Wednesday 14 March</u>

(a) Economic correspondents - The Chancellor would like to see the following in a group:-

Max Wilkinson
Kenneth Fleet
Andreas Whittam-Smith
Hamish MacRae
Geoffrey Goodman
Patrick Lay
Trevor Kavanagh

?? If Kenneth Fleet wants to bring Sarah Hogg, fine. But we don't want two from The Times.

The invitation to Hamish MacRae is a personal one.

(b) Individual appointments of 30 minutes each for the following:-

Charles Douglas-Home
Malcolm Rutherford
Peter Riddell
Andrew Alexander
James Wightman

<u>Friday 16 March</u>

The Chancellor would like to see the following in a group:-

Keith Renshaw
Michael Jones
Adam Raphael
George Jones
Paul Potts
Victor Knight
Chris Buckland
Peter Simmonds
Ivan Fallon
David Lipsey
Bill Keegan

MAH

M A HALL

FROM: J PAGE
DATE: 23 February 1984

IDT BUDGET ARRANGEMENTS 1984

Would you please amend your copy of IDT's Budget arrangements 1984, dated 21 February 1984, as follows:-

Page 3, Number 2
Should read: BBC Radio Studio   Miss D McCambridge, MST, Rm 49/2, x5076

pp

J PAGE

Chancellor see X below. I must speak soon to the Lobby.
MAH 6/3

PWP

FROM: M A HALL
28 February 1984

CHANCELLOR

We have spoken.

You asked me to remind you about two small outstanding items:-

X (i) You need to square Sir William Clarke before I approach the Lobby about the post-Budget briefing. This is not desperately urgent, provided I speak to the Lobby early next week.

(ii) You are thinking about the home team for the Economist and Regional City Editors lunches.
... I attach a copy of my note. I do not think you ought to feel obliged to invite other Ministers at all if this makes life simpler. There is no unbreakable tradition.

You should reckon on five aside, though strict parity is obviously not critically important.

MAH

M A HALL

FROM: M A HALL

21 February 1984

CHANCELLOR

PRESS LUNCHES AFTER THE BUDGET

You have agreed to lunches downstairs at No 11 for the Economist and the Regional City Editors on Wednesday 14 and Thursday 15 March respectively.

2. I have told the Editor of the Economist, and John Heffernan, Chairman of the Regional City Editors Group.

3. For the Economist lunch, I suggest that we invite Andrew Knight to bring not more than four of his colleagues. He is keen to keep down numbers, and may very well suggest only three names in addition to his own. Are you content that I do this?

4. The City Editors are self-selecting. The list is as attached to my minute (another copy is attached for your convenience) subject to the possible deletion of Charles Pritchard, who is in the process of retiring from the Yorkshire Post. It would be a nice gesture to include him; no offence would be caused if we didn't, leaving a total of five.

5. As for the home team, it is entirely up to you. The following lists are purely illustrative - the Economist (assuming five side); yourself, Financial Secretary, Sir Peter Middleton, Sir Terence Burns, MAH. Regional City Editors, yourself, Minister of State, one of the advisers, Sir Lawrence Airey? Tony Battishill?.

MMH

M A HALL

MJ

FROM: J PAGE
DATE: 29 February 1984

MR HALL

cc PPS ✓
Miss Young
-
Mr D Davy - No. 11
-
Mr Bobsin
Mr Monaghan
Mrs McKinney

POST BUDGET PRESS BRIEFING

As requested in your minute of 22 February the following timings have been fixed for these appointments:

Wednesday 14 March

(a) 10-11.30am individual press interviews

(b) 11.30-12.30am group briefing of economic correspondents

(c) 3-4pm individual press interviews.

Friday 16 March Sunday Lobby plus others 11am-12 noon

Since your minute was written the Chancellor has decided to see Andrew Neil. By copy of this minute Miss Young is asked to suggest a single half hour slot for him on Friday 16 March. Preferably this should precede the Sunday Lobby group who are coming in at 11am on that day.

J Page

J PAGE

BUDGET - SECRET

B (84) 755

FROM : M D X PORTILLO
DATE : 29 FEBRUARY 1984

CHANCELLOR

cc Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Ridley
Mr Lord
Mr Hall
Mr ~~Folger~~

BUDGET BROADCAST

Having seen Mr Hall's minute of yesterday covering Mr Jay's first draft script, I thought it might be helpful to take it a stage further: using "inside" knowledge to produce a more developed and plausible script. It may help you to see this before tomorrow's meeting, although obviously Mr Jay will not have seen it.

Mr Portillo

copies as before + Mr Kerr + Mr Scholar + A/25 + self.

MP

M D X PORTILLO

Some comments below. We will need to look again at the LTPE material in particular.

MJ
1.3.84

BUDGET SECRET

THE CHANCELLOR'S 1984 BUDGET BROADCAST

FIRST DRAFT SCRIPT 29 February 1984

CHANCELLOR

You'll all know by now what was in the Budget. You will have seen on the news how much cigarettes went up and how much income tax came down. Those are the kind of things that always catch the headlines. But that's not really what the Budget is about. Tonight I want to tell you why we made those decisions.

2. We now have an economy that is growing fast. And at the same time inflation is low. It's the first time ~~for twenty years~~ since the 1960s that we have had growth and low inflation - both at the same time.

e 60s were
guably quite
d - cf 1968

3. That winning combination can give us [better living standards and] the new jobs that Britain needs so much. Today's Budget is designed to keep the strong recovery going and to keep inflation low. After all, it was high inflation which caused so many of our problems and inflation more than anything else that destroyed jobs and led to unemployment.

would omit
real wages
eed to come
down

4. Inflation was with us far too long, getting worse all the time, and under every government.

CAPTION 1:

INFLATION	3.2% from 1961 to 1964. 4.6% from 1964 to 1970.
Animate Block 1 Animate Block 2	9.4% from 1970 to 1974. And 15.5% from 1974 to 1979.

(clarity)

5. ~~It~~ To bring inflation down meant taking control of what the Government spent and what it borrowed. It meant living within our means for a change. Beating inflation wasn't easy, but as you know we have brought it right down.

Cut back to Chancellor

CAPTION 1	When we took over, inflation was still on a rising
Animate 16.3 bar Animate 11.9 bar	path - 16.3% in our first year. But we brought it
Animate 8.6 bar Animate 4.6 bar	down to 11.9% in 1981, to 8.6% in 1982, and to 4.6%
Cut back to Chancellor	last year. That is what has made the recovery possible.

---

not efficient by international standards
"goods" too much of a bias towards manufacturing.

6. Today Britain is growing again because Britain is more efficient and our people are producing more [goods] in a shorter time. We are winning back our reputation for good service and for reliability and quality. The result is that we are producing more of what people want and so selling more too. Just look at how our output has grown.

chart now starts at 1979

CAPTION 2.: GDP	~~A rise for the first four half-years~~ National production rose to the end of 1979.
Animate to H2 1979 Animate rest of caption	A fall during the world slump until the middle of 1981. Then a steady rise ever since, so that today Britain is producing more than at the peak in 1979.
Cut back to Chancellor	Today Britain is doing well not just compared with the past. We are doing well compared with other countries too. It's a long time since we could say that.

CAPTION EUROPEAN TABLE with 1972-1983 league already up Animate 1983 and 1984 tables (need to inject caution)	7. For the 10 years from 1973 to 1982 our economic growth was slower than ~~nearly any of~~ our European neighbours. We were bottom of the league. But today, we are coming out of slump ahead of the rest of Europe. We are right at the top. Quite a turnaround. And we need policies that give us the chance to stay in the top half of the table.
Cut back to Chancellor in shortish run growth may not mean higher living standards: would even be undesirable	8. A growing economy ~~means~~ is the only way to higher living standards. It means that we are better able to afford care for the old and the sick and for those who depend on benefits. And it can mean new jobs too.
CAPTION Graph of jobs losses and gains	9. Throughout this long recession the number of jobs has been falling - until last year that is. But now new jobs are coming through and there are now more jobs available each month, not fewer and fewer as before.
Cut back to Chancellor	10. The Budget today was about inflation and jobs. I still have to keep government borrowing under firm control so that price rises can come down further. That meant I couldn't give much away. 11. But it worried me that people on very low incomes have to pay income tax. That's disgraceful. So I put well over a billion pounds into raising the basic personal allowances so that people can earn more without being caught by tax. Thousands of people won't pay income tax any more and for most married couples it means £2 less in income tax a week.

I would be doubtful about ~~this~~ this including pensioners & others below the income tax threshold may not agree!

12. In order to find some of the money for that I have put VAT on things like newspapers and takeaway food. [For the poorest people, taxes on spending on that sort of thing are much fairer than income tax, ~~and~~] But even today, on nearly half of what you buy, there is no VAT at all.

"investment" means "stocks and shares" to many viewers

13. We have also made big changes in company taxes. That's important because Britain wants [~~good quality investment. We want~~] money invested where it produces genuine profits and real jobs, not just where it saves the company's tax bill. We havetaken off Labour's tax on jobs - the National Insurance Surcharge - and we have taken away the special treatment given to VAT on imports.

14. There wasn't much to give away today. But in the years ahead, the chances of cutting taxes are very good: so long as we keep a grip on what the government spends. In the past we have been very bad at controlling that spending, and that was another cause of our problems.

CAPTION 5: OUTPUT AND GOVERNMENT EXPENDITURE Animate growth to 1983 Animate tax to 1983	This shows how our economy has grown over the last 20 years. But public expenditure has grown much faster, so we've had to pay more and more in taxes and national insurance. Higher taxes have meant lower growth. A vicious spiral.
Cut back to Chancellor CAPTION 5.	Now we have a chance to stop it because we have steady growth. If we can hold public expenditure steady while output rises, look what happens.

OU[illegible]T TO GOVT ESP. Cont'd Animate 'wedge'	We can open up a wedge - extra money that goes into our pockets and not in taxes and national insurance. Extra money that we are free to spend or save: money that can create new jobs and new industries.

Cut back to Chancellor	15. Today's Budget was unusual because it showed not only what could be done this year, but some of what we could already look forward to in 1985. More unusual still, we've looked ten years ahead and shown that we could ~~make really big tax cuts~~ have the opportunity to get the burden of taxes back towards a more sensible level if we can just stop spending more and more on government programmes of one sort or another.
"tax cuts" is probably the wrong flavour!	
	16. Britain's growing, new jobs are springing up, inflation is low and taxes are coming down. Let's hope we don't spoil it all this time. With your support, we won't.

CONFIDENTIAL

FROM: J O KERR
DATE: 27 February 1984

Mr Folger

Mr MacKinnon c Mr Scholar
Please prepare revisions as suggested at c, d, and f. NB please clear chart 3 GDP(A) values - forward and back - with EA1.
MJF
28.2.84

cc Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Ridley
Mr Hall
Mr Riley
Mr Lord
Mr Portillo

P.P.S. 27/2

BUDGET BROADCAST

The Chancellor has seen your minute of 24 February. His reactions to the proposed seven charts are as follows:-

a. Charts 1 and 5: Fine

b. Chart 2: Retain for the present

c. Chart 3: Revise, excluding the 1978 columns, and including two forecast columns for 1984.

d. "Chart" 4: Construct, excluding Greece, Ireland, and Luxembourg, but including the forecast 1984 figures.

e. Chart 6: If this one is used at all, it should be very schematic.

ie whole year

f. Chart 7: Reconstruct, as a bar chart, eliminating 1979, and using annual averages.

Subject to these points, the Chancellor is content with your proposal - para 8 - for the issue of material to the BBC.

J.O.K.

J O KERR

CONFIDENTIAL

BUDGET - SECRET

B (84) 754

For folder for Friday's ~~[illegible]~~ meeting.

FROM : M D X PORTILLO
DATE : 29 FEBRUARY 1984

CHANCELLOR

cc Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Ridley
Mr Lord
Mr Hall
Mr Folger

BUDGET BROADCAST

Having seen Mr Hall's minute of yesterday covering Mr Jay's first draft script, I thought it might be helpful to take it a stage further: using "inside" knowledge to produce a more developed and plausible script. It may help you to see this before tomorrow's meeting, although obviously Mr Jay will not have seen it.

MP

M D X PORTILLO

BUDGET - SECRET

THE CHANCELLOR'S 1984 BUDGET BROADCAST

FIRST DRAFT SCRIPT 29 February 1984

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2. We now have an economy that is growing fast. And at the same time inflation is low. It's the first time for twenty years that we have had growth and low inflation - both at the same time.

3. That winning combination can give us better living standards and the new jobs that Britain needs so much. Today's Budget is designed to keep the strong recovery going and to keep inflation low. After all, it was high inflation which caused so many of our problems and inflation more than anything else that destroyed jobs and led to unemployment.

4. Inflation was with us far too long, getting worse all the time, and under every government.

BUDGET - SECRET

CAPTION 1:	
INFLATION Animate Block 1 Animate Block 2	3.2% from 1961 to 1964. 4.6% from 1964 to 1970. 9.4% from 1970 to 1974. And 15.5% from 1974 to 1979.

---

	5. It meant taking control of what the Government spent and what it borrowed. It meant living within our means for a change. Beating inflation wasn't easy, but as you know we have brought it right down.
Cut back to Chancellor	
CAPTION 1 Animate 16.3 bar Animate 11.9 bar Animate 8.6 bar Animate 4.6 bar Cut back to Chancellor	When we took over, inflation was still on a rising path - 16.3% in our first year. But we brought it down to 11.9% in 1981, to 8.6% in 1982, and to 4.6% last year. That is what has made the recovery possible.

---

	6. Today Britain is growing again because Britain is efficient and our people are producing more goods in a shorter time. We are winning back our reputation for good service and for reliability and quality. The result is that we are producing more of what people want and so selling more too. Just look at how our output has grown.
CAPTION 2.: GDP	A rise for the first four half-years to the end of 1979.
Animate to H2 1979 Animate rest of caption	A fall during the world slump until the middle of 1981. Then a steady rise ever since, so that today Britain is producing more than at the peak in 1979.
Cut back to Chancellor	Today Britain is doing well not just compared with the past. We are doing well compared with other countries too. It's a long time since we could say that.

BUDGET - SECRET

CAPTION
EUROPEAN TABLE
with 1972-1983
league already up
Animate 1983 table

7. For the 10 years from 1973 to 1982 our economic growth was slower than nearly any of our European neighbours. We were bottom of the league. But today, we are right at the top. Quite a turnaround.

Cut back to
Chancellor

8. A growing economy means higher living standards. It means that we are better able to afford care for the old and the sick and for those who depend on benefits. And it can mean new jobs too.

CAPTION
Graph of jobs
losses and gains

9. Throughout this long recession the number of jobs has been falling - until last year that is. But now new jobs are coming through and there are now more jobs available each month, not fewer and fewer as before.

Cut back to
Chancellor

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11. But it worried me that people on very low incomes have to pay income tax. That's disgraceful. So I put well over a billion pounds into raising the basic personal allowances so that people can earn more without being caught by tax. Thousands of people won't pay income tax any more and for most married couples it means £2 less in tax a week.

BUDGET - SECRET

12. In order to find some of the money for that I have put VAT on things like newspapers and takeaway food. For the poorest people, taxes on spending on that sort of thing are much fairer than income tax, and even today, on nearly half of what you buy, there is no VAT at all.

13. We have also made big changes in company taxes. That's important because Britain wants good quality investment. We want money invested where it produces profits and jobs, not just where it saves the company's tax bill. We havetaken off Labour's tax on jobs - the National Insurance Surcharge - and we have taken away the special treatment given to VAT on imports.

14. There wasn't much to give away today. But in the years ahead, the chances of cutting taxes are very good: so long as we keep a grip on what the government spends. In the past we have been very bad at controlling that spending, and that was another cause of our problems.

CAPTION 5: OUTPUT AND GOVERNMENT EXPENDITURE Animate growth to 1983 Animate tax to 1983	This shows how our economy has grown over the last 20 years. But public expenditure has grown much faster, so we've had to pay more and more in taxes and national insurance. Higher taxes have meant lower growth. A vicious spiral.
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BUDGET - SECRET

OUTPUT TO GOVT ESP. Cont'd Animate 'wedge'	We can open up a wedge - extra money that goes into our pockets and not in taxes and national insurance. Extra money that we are free to spend or save: money that can create new jobs and new industries.
Cut back to Chancellor	15. Today's Budget was unusual because it showed not only what could be done this year, but some of what we could already look forward to in 1985. More unusual still, we've looked <u>ten</u> years ahead and shown that we could make really big tax cuts if we can just stop spending more and more on government programmes of one sort or another. 16. Britain's growing, new jobs are springing up, inflation is low and taxes are coming down. Let's hope we don't spoil it all this time. With your support, we won't.

BUDGET - SECRET

B(84) 753

Folder for tomorrow's meeting

FROM : M D X PORTILLO
DATE : 29 FEBRUARY 1984

CHANCELLOR

cc Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Ridley
Mr Lord
Mr Hall
Mr Folger

Mr Folger comments

BUDGET BROADCAST

Having seen Mr Hall's minute of yesterday covering Mr Jay's first draft script, I thought it might be helpful to take it a stage further: using "inside" knowledge to produce a more developed and plausible script. It may help you to see this before tomorrow's meeting, although obviously Mr Jay will not have seen it.

Mr Portillo copies as before + Mr Kerr + Mr Scholar + A/25 + self.

Some comments below.
We will need to look again at the LTPE material in particular.

MJJ
1.3.84

MP

M D X PORTILLO

BUDGET - SECRET

THE CHANCELLOR'S 1984 BUDGET BROADCAST

FIRST DRAFT SCRIPT 29 February 1984

<u>CHANCELLOR</u>

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[illegible]

2. We now have an economy that is growing fast. And at the same time inflation is low. It's the first time [~~for twenty years~~] since the 1960s that we have had growth <u>and</u> low inflation - both at the same time.

<u>late</u> 60s were arguably quite good - cf 1968

3. That winning combination can give us [better living standards and] the new jobs that Britain needs so much. Today's Budget is designed to keep the strong recovery going and to keep inflation low. After all, it was high inflation which caused so many of our problems and inflation more than anything else that destroyed jobs and led to unemployment.

I would omit - real wages need to come down

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CAPTION 1:	
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(clarity)	5. ~~It~~ To bring inflation down meant taking control of what the Government spent and what it borrowed. It meant living within our means for a change. Beating inflation wasn't easy, but as you know we have brought it right down.
Cut back to Chancellor	
CAPTION 1 Animate 16.3 bar Animate 11.9 bar Animate 8.6 bar Animate 4.6 bar Cut back to Chancellor	When we took over, inflation was still on a rising path - 16.3% in our first year. But we brought it down to 11.9% in 1981, to 8.6% in 1982, and to 4.6% last year. That is what has made the recovery possible.

not efficient by international standards "goods" too much of a bias towards manufacturing.	6. Today Britain is growing again because Britain is more efficient and our people are producing more [goods] in a shorter time. We are winning back our reputation for good service and for reliability and quality. The result is that we are producing more of what people want and so selling more too. Just look at how our output has grown.
chart now starts at 1979 CAPTION 2.: GDP	~~A rise for the first four half-years~~ National production rose to the end of 1979.
Animate to H2 1979 Animate rest of caption	A fall during the world slump until the middle of 1981. Then a steady rise ever since, so that today Britain is producing more than at the peak in 1979.
Cut back to Chancellor	Today Britain is doing well not just compared with the past. We are doing well compared with other countries too. It's a long time since we could say that.

CAPTION EUROPEAN TABLE with 1972-1983 League already up Animate 1983 and 1984 tables (need to inject caution)	7. For the 10 years from 1973 to 1982 our economic growth was slower than ~~[nearly any of]~~ our European neighbours. We were bottom of the league. But today, we are coming out of slump ahead of the rest of Europe. We are right at the top. Quite a turnaround. And we need policies that give us the chance to stay in the top half of the table.
Cut back to Chancellor in shortish run growth may not mean higher living standards: could even be undesirable	8. A growing economy ~~means~~ is the only way to higher living standards. It means that we are better able to afford care for the old and the sick and for those who depend on benefits. And it can mean new jobs too.
CAPTION Graph of jobs losses and gains	9. Throughout this long recession the number of jobs has been falling - until last year that is. But now new jobs are coming through and there are now more jobs available each month, not fewer and fewer as before.
Cut back to Chancellor	10. The Budget today was about inflation and jobs. I still have to keep government borrowing under firm control so that price rises can come down further. That meant I couldn't give much away. 11. But it worried me that people on very low incomes have to pay income tax. That's disgraceful. So I put well over a billion pounds into raising the basic personal allowances so that people can earn more without being caught by tax. Thousands of people won't pay income tax any more and for most married couples it means £2 less in income tax a week.

12. In order to find some of the money for that I have put VAT on things like newspapers and takeaway food. [For the poorest people, taxes on spending on that sort of thing are much fairer than income tax, and] But even today, on nearly half of what you buy, there is no VAT at all.

I would be doubtful about this including pensioners & others below the income tax threshold may not agree!

13. We have also made big changes in company taxes. That's important because Britain wants [~~good quality investment. We want~~] money invested where it produces genuine profits and real jobs, not just where it saves the company's tax bill. We havetaken off Labour's tax on jobs - the National Insurance Surcharge - and we have taken away the special treatment given to VAT on imports.

"investment" means "stocks and shares" to many viewers

14. There wasn't much to give away today. But in the years ahead, the chances of cutting taxes are very good: so long as we keep a grip on what the government spends. In the past we have been very bad at controlling that spending, and that was another cause of our problems.

CAPTION 5: OUTPUT AND GOVERNMENT EXPENDITURE Animate growth to 1983 Animate tax to 1983	This shows how our economy has grown over the last 20 years. But public expenditure has grown much faster, so we've had to pay more and more in taxes and national insurance. Higher taxes have meant lower growth. A vicious spiral.
Cut back to Chancellor CAPTION 5.	Now we have a chance to stop it because we have steady growth. If we can hold public expenditure steady while output rises, look what happens.

OUTPUT TO GOVT [illegible]. Cont'd Animate 'wedge'	We can open up a wedge - extra money that goes into our pockets and not in taxes and national insurance. Extra money that we are free to spend or save: money that can create new jobs and new industries.

Cut back to Chancellor "tax cuts" is probably the wrong flavour!	15. Today's Budget was unusual because it showed not only what could be done this year, but some of what we could already look forward to in 1985. More unusual still, we've looked <u>ten</u> years ahead and shown that we have the opportunity to get the burden of taxes back ~~towards~~ a more sensible level could ~~make really big tax cuts~~ if we can just stop spending more and more on government programmes of one sort or another.
	16. Britain's growing, new jobs are springing up, inflation is low and taxes are coming down. Let's hope we don't spoil it all this time. With your support, we won't.

35a:1

CONFIDENTIAL

for tomorrow's meeting

FROM: M T FOLGER
DATE: 1 March 1984

CHANCELLOR OF THE EXCHEQUER

cc Sir Peter Middleton
Sir Terence Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Evans
Mr Scholar
Mr Bottrill
Mr Hall
Mr Riley
Mr Shields
Mr Stibbard
Mr MacKinnon
Mr Lord
Mr Portillo
Mr Ridley
A/25

C

You have the Jay version of the script. That is the one which should be on the table at the meeting. The Portillo / Folger variants below can't - yet - be shown to AJ.

BUDGET BROADCAST: CHARTS

The charts for the broadcast have been revised to take account of your suggestions as recorded in Mr Kerr's minute of 27 February.

2. Revised versions - together with an explanatory note for the BBC graphics department - are attached. Chart 6 - on the "wedge of opportunity" on tax that can open up in the medium/long term - is the only one missing at this stage. It needs further work in the light of the latest redraft of the LTPE Green Paper and we will put a version to you for approval as early as possible next week.

3. Mr Hall is arranging for the charts to be passed to the BBC so that, in consultation as necessary with Mr Jay, they can draw them up and prepare animations.

Security

4. I should point out that extension of Chart 3 to show forecast GDP for the first and second halves of 1984 - as you asked - will mean giving the BBC the 1984 values before the Industry Act Forecast is published. I have discussed this with Mr Shields and we are agreed that this need not be of concern given that:

(a) the GDP figures will not be saying anything very different from the November IAF

(b) we shall not be supplying the figures until 8 March

(c) the note for the BBC contains an explicit warning about respecting the confidentiality of the 1984 numbers.

MTF

M T FOLGER

35:1

IN CONFIDENCE

BUDGET BROADCAST: CHARTS

The Chancellor will choose from amongst 7 charts.

2. Six of these (nos 1 to 5 and 7) are attached, annotated with the data values. It is hoped that these can serve as a guide to the BBC graphics department.

3. Some points to note:

(i) charts 3 and 7 do not start at zero. To avoid misleading viewers it would be helpful to show the vertical scale as "broken" and to shade the bottom end of each bar more lightly than the top - eg by less dense use of colour. This should help to emphasise that the viewer is not seeing the whole graph.

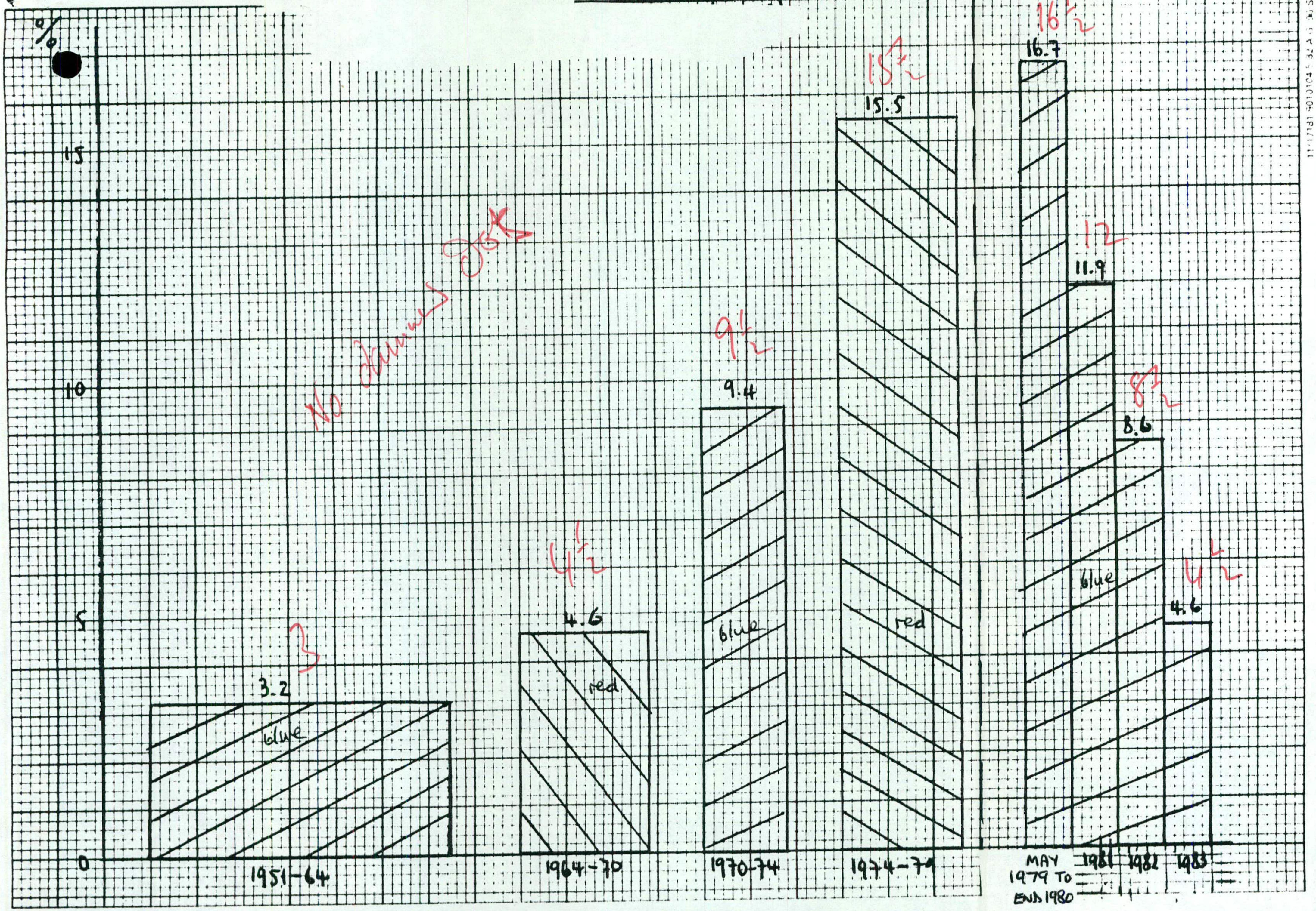
(ii) the data for chart 3 is not yet quite complete. The three missing figures for 1983 and 1984 will be supplied on 8 March. Those for 1984 will still be confidential at that date and should be respected as such until the Chancellor sits down after the Budget Speech on 13 March.

4. The missing chart (no.6) will be supplied as early as possible in the week beginning 5 March.

5. Advice on how charts should be animated, coloured etc can be obtained from Mr Tony Jay. Advice on the data, labelling scales, headings etc can be got from Mr Neil MacKinnon (233 4489).

EB Division
H M Treasury
1 March 1984

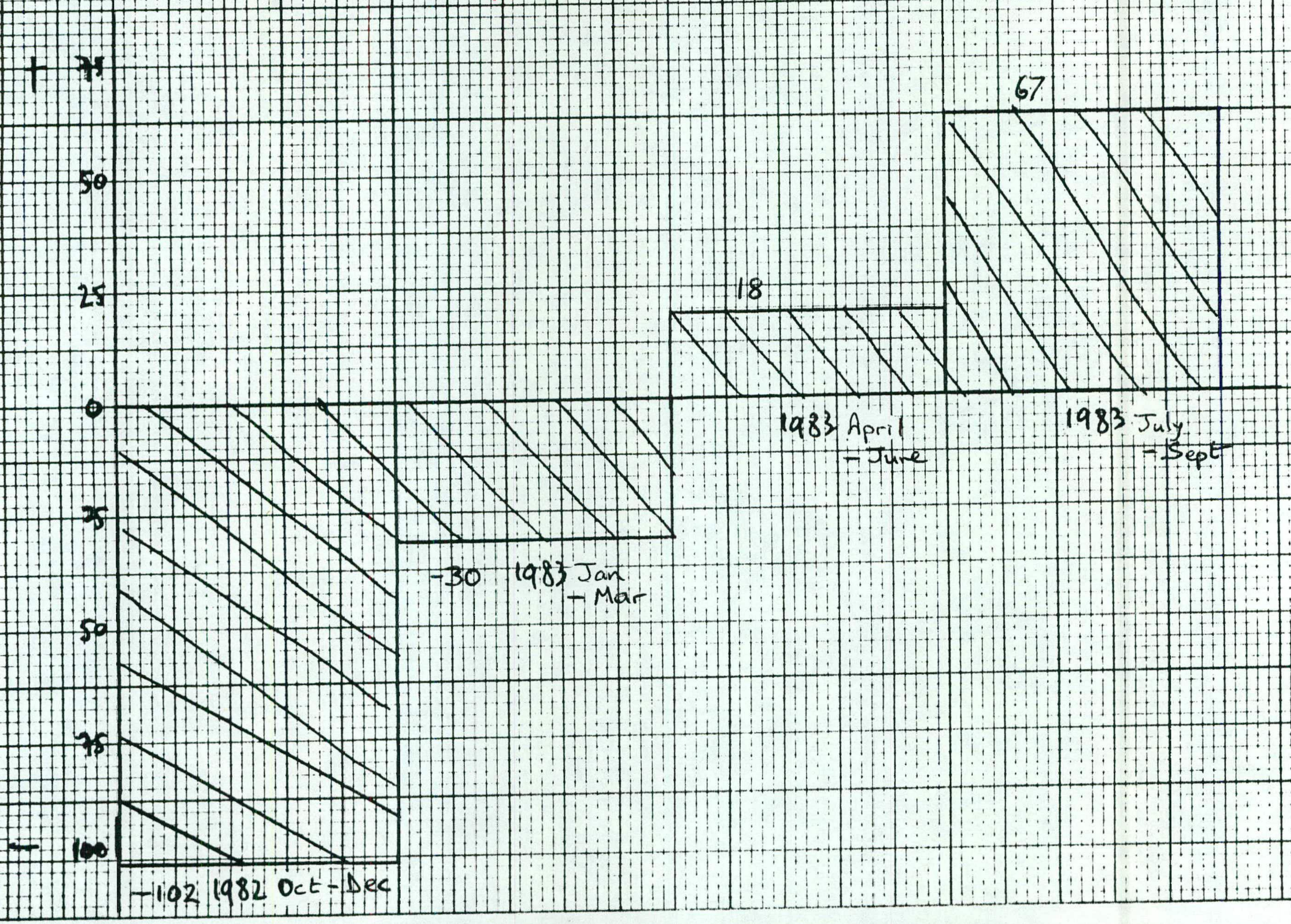
INFLATION



%
15
10
5
0
3
3.2
blue
1951-64
4½
4.6
red
1964-70
9½
9.4
blue
1970-74
15½
15.5
red
1974-79
16½
16.7
12
11.9
8½
8.6
4½
4.6
blue
MAY 1979 TO END 1980
1981
1982
1983
No damned joke

ESTIMATED TOTAL EMPLOYMENT

IN WORK

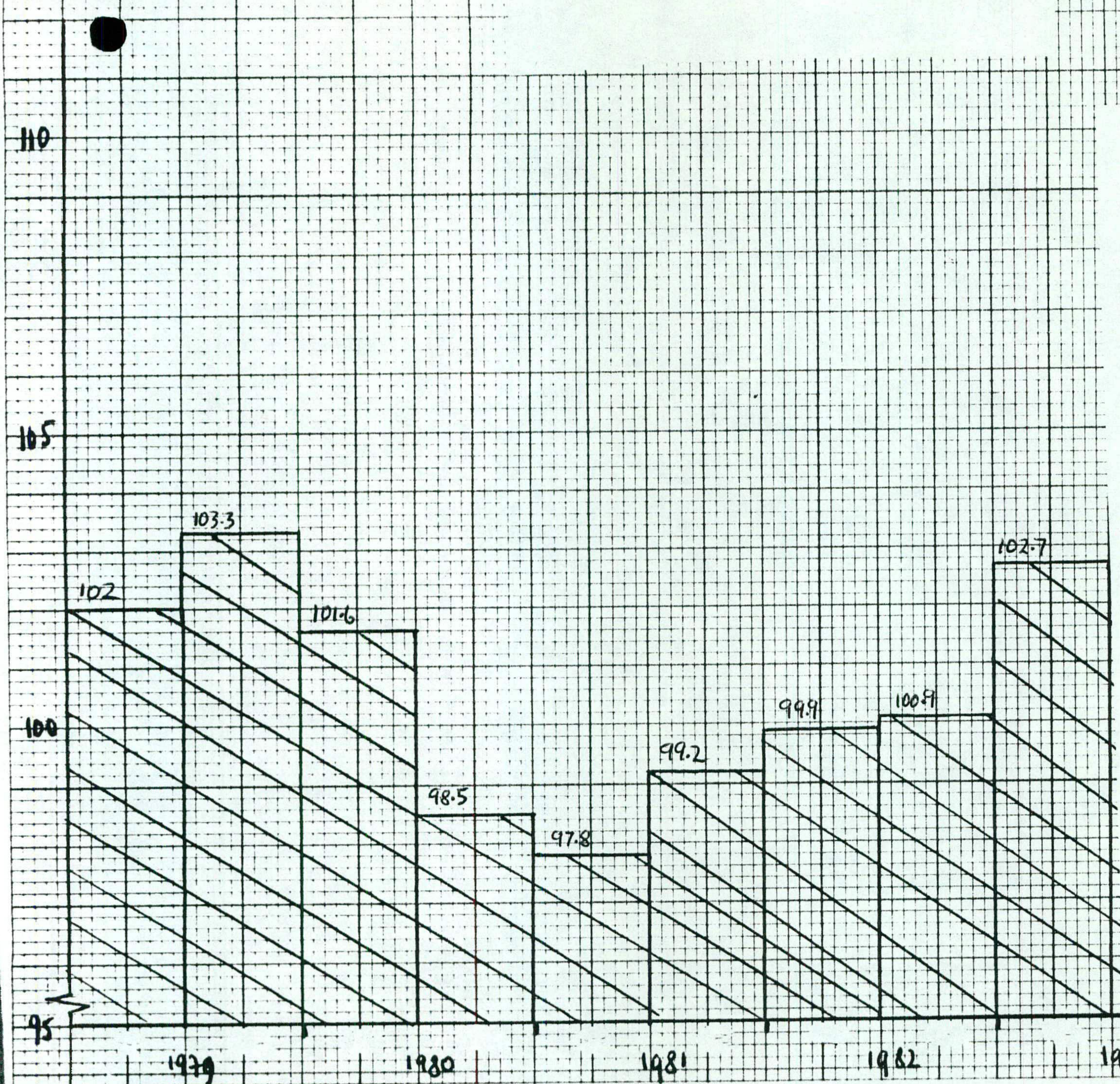


11/17181 9010104 5/82 A.G. 96 ST

revised 24/2

3

NATIONAL PRODUCTION



(1) values for 2nd half 1983
1st half 1984
2nd half 1984
to follow on Thursday 8 March.

(2) figures for 1984 are forecasts and should be shown as such on the screen. They will be <u>confidential</u> until 5pm on Budget day.

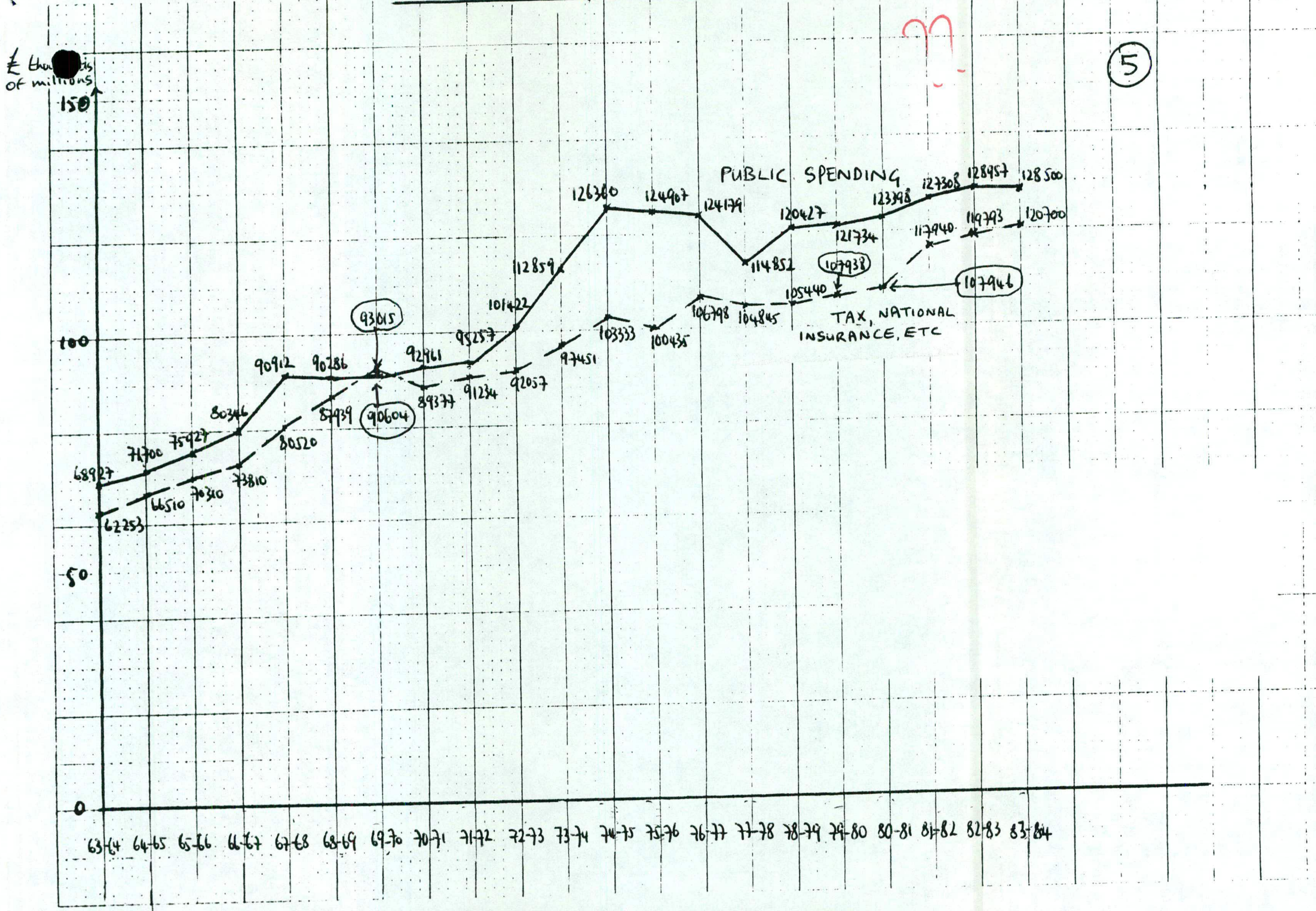
No figs

Annual Output Growth

1973-82		1983		1984	
FRANCE	(2.4)	UK	($2\frac{1}{2}$)	UK	($2\frac{1}{4}$)
ITALY	(2.1)	DENMARK	($1\frac{3}{4}$)	W GERMANY	(2)
BELGIUM	(1.8)	W.GERMANY	($1\frac{1}{4}$)	ITALY	(2)
W.GERMANY	(1.7)	NETHERLANDS	($1\frac{1}{4}$)	NETHERLANDS	($1\frac{1}{4}$)
DENMARK	(1.7)	FRANCE	($\frac{1}{2}$)	BELGIUM	(1)
NETHERLANDS	(1.4)	BELGIUM	(0)	DENMARK	($\frac{3}{4}$)
UK	(0.7)	ITALY	($-1\frac{1}{2}$)	FRANCE	(0)
EEC	(1.8)	EEC	(1.0)	EEC	($1\frac{1}{2}$)

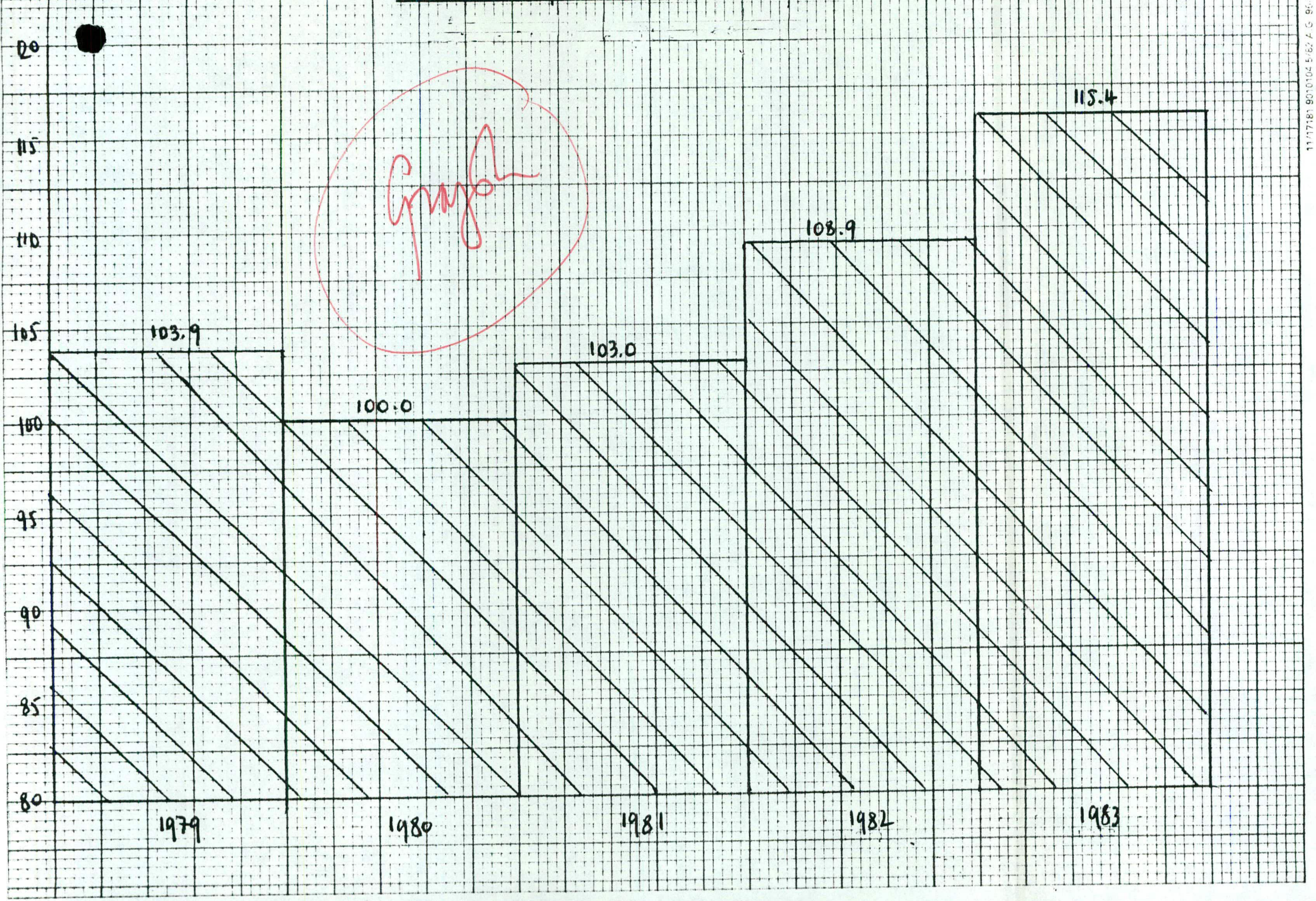
Source: OECD

PUBLIC SPENDING AND TAXES



Revised 29/2 (7)

PRODUCTIVITY IN MANUFACTURING



(PUP)

Ch/Ex Ref No B(84)427

CONCLUSIONS OF A MEETING HELD IN NO 11 DOWNING STREET ON FRIDAY, 2 MARCH, TO DISCUSS THE MATERIAL FOR THE BUDGET BROADCAST

Present:-

The Chancellor of the Exchequer
Mr Battishill
Mr Folger
Mr Hall
Mr Portillo

Mr Jay
Mr Kenyatta

The meeting concentrated on discussing the charts attached to Mr Folger's minute of 1 March. The conclusions were as follows:-

Chart 1

This should be included. The blocks for the years 1951-1979 should be joined together, with a small gap left before the block relating to the period 1979-83. Figures should be included on the chart, but as fractions rounded to the nearest half, not decimals, and placed in the exact middle of each block, rather than on the top of them.

Chart 2

This should be dropped.

Chart 3

This should be included, but should be retitled "National Output". The precise numbers should not be included on the final version. Further thought should be given to the correct baseline.

Table 4

This should be included. It should, however, take the form of a "Common Market league table" with the rankings based on EEC figures, not OECD. The figures themselves should not be quoted. It must be made clear that the rankings for 1984 would be based only on a forecast.

Graph 5

This should be dropped.

Chart 7

This should also be dropped.

2. The meeting then turned to discussion of the graph which was to show the impact of the Government's plans for long term public expenditure. It was agreed that what was required was a graph which would demonstrate the "opportunity wedge" that would result from the combination of increased GDP and reduced Government spending as a proportion of that GDP, and also show that this wedge indicated the Government's increased scope for tax reductions and therefore for a real increase in the money in peoples' pockets.

3. It was agreed that the Chancellor would let Mr Jay have a copy of the final version of the script by Monday, 12 March.

JS.

J C SIMPSON

5 March 1984

Circulation:

Those present
Sir P Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Evans
Mr Scholar
Mr Bottrill
Mr Riley
Mr Shields
Mr Stibbard
Mr MacKinnon
Mr Lord
Mr Ridley

Confidential

FROM: J PAGE

DATE: 5 March 1984

cc Mr Hall
Miss O'Mara
Mr Baillie ✓
Mr Bobsin
Mr Monaghan
Mr Johnson

MR SEGAL

STUDIO/NEWSROOM RELEASE ARRANGEMENTS

Please circulate by Friday of this week one consolidated minute to the couriers which sets out the transport arrangements for them on Budget Day ie exact details of arrival time of vehicles in centre court yard, license numbers etc. The minute should also show where and when couriers may collect their documents which will need to be securely fastened within carrying pouches.

2. Mr Johnson I believe will already have some of these matters in hand and will of course be able to assist in preparing this minute.

J. Page

JOHN PAGE

12/2

FROM: LIZA MCKINNEY

DATE: 5 March 1984

PS/CHANCELLOR)
PS/CHIEF SECRETARY)
PS/FST) separate copies
PS/EST)
PS/MST)

cc Mr Hall
Mr Monaghan
Mr Page
Mr Johnson
Mr Bobsin
Miss Young
D/7
IDCS

MINISTERIAL GROUP PHOTOGRAPH

As agreed, the Financial Times Ministerial Group photographs will be taken at 2.30pm on Tuesday, 6 March, in the Chancellor's room at the Treasury.

The FT photographer, Glyn Jennin, will set up lights in the Chancellor's room at 2pm and is aware that clearing afterwards must be conducted with all speed. The photographic session will take about 15 minutes and the FT will send complimentary copies to all members of the cast within a few days.

LIZA MCKINNEY

H. M. TREASURY

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

OPERATIONAL NOTE

Not for publication

D/ Thanks
D/

TO ALL PICTURE EDITORS AND TV NEWS PLANNERS 5 March 1984

CHANCELLOR OF THE EXCHEQUER

PRE-BUDGET PHOTOGRAPHIC FACILITIES

An opportunity to take pictures of the Chancellor of the Exchequer, the Rt. Hon. Nigel Lawson MP, during the run-up to the Budget will be provided at the locations listed below.

1. With Budget Box

This will take place in the Chancellor's office at the Treasury at 10am on Tuesday, 6 March.

Please note this is a film-photo occasion - hand held cameras and lights only. NO SOUND RECORDING. Reporters are not invited.

Photographers should report to the front door of the Treasury at 9.30am.

2. With Family at Home, Stoney Stanton

On Saturday, 10 March, there will be an opportunity to take informal pictures of the Chancellor and his family at home in his constituency in Stoney Stanton, Leicestershire. Weather permitting, Mr and Mrs Lawson will leave their home at approximately 10am, and walk to Bradley's the village shop. The walk will take them past the picturesque village church and the Youth Centre, an old Victorian building that housed the village school. In the event of heavy rain, a facility will be provided in the Chancellor's house.

Please note that this is a film-photo occasion only - NO SOUND RECORDING. Reporters are not invited and interviews will not be given.

It would help if photographers and TV crews were to meet Martin Hall and Liza McKinney, from this office, in the car park alongside the Star public house, Church Walk, off New Road, Stoney Stanton at 9.40am.

Budget Morning Walk

The Chancellor and Mrs Lawson and baby Emily will leave No. 11 Downing Street at 8.50am, Tuesday, 13 March and walk to the ornamental lake in St James' Park.

This is essentially a film-photo occasion only. Reporters are not invited and interviews will not be given. Radio stations and TV companies may wish to record sound and if so should seek clearance to do so in advance.

PRESS OFFICE
H M TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG
01 233 3415

39/84

NOTES TO EDITORS

1. If you wish to be represented at any or all of these media events would you please kindly let the Treasury press office know as soon as possible by telephoning Miss Jill Pleasance, 01-233 3415 or Mrs Joyce Hatter, 01-233 3074.

2. Attached is a copy of an Ordnance Survey map showing the location of Stoney Stanton. Probably the best route to take, for those travelling from London, is the M1 to junction 20, take the A427 then turn right on to the A426 towards Lutterworth and Leicester. Follow the road through until the B581 which goes straight through to Stoney Stanton. The Church is set back on the right-hand side; turn into Church Walk which is alongside the church and the first turning before it - the Star public house is on the corner of Church Walk and New Road (B581).


Earl Shilton
Huit Fm
Elmesthorpe
Shaw's Fm
Potters Marston
Thorney Fields Fm
Wks
Stoney Br
Quarry (dis)
Elms Fm
Littlethorpe
BLABY DISTRICT
Whetstone
Cemy
Croft
Croft Lodge
Foss Ho
Cosby Spinneys
Cosby
Oak Lodge Fm
Stoney Stanton
Port Hill Fm
Red Hill Fm
Sutton Hill Fm
Lodge Fm
Sutton Hill Br
Sutton in the Elms
Stanton Lodge
Sapcote
Fields Fm
Springfield Fm
Stoney Br
Ramsdale Fm
Fosse Fm
Primethorpe
Broughton Astley
Sutton Lodge
Lodge Fm
Arkwright Cottages
Station Fm
Hill Field Fm
Cosby Lodge
Sharnford
The Homestead
Clump Hill
Stemborough Mill
Sharnford Fields
Cottage Fm
Frolesworth
Dunton Bassett
The Shade
Claybrooke Lodge Fm
Sharnford Lodge Fm
Leire
Oak Spinney
Wigston Parva
Hill Fm
Sand Pit
Low Spinney Fm
Claybrooke Grange
Frowlesworth Lodge
Lodge Fm
Ashby Lodge
Mill
Watling Street
ROMAN ROAD
High Cross
Claybrooke Magna
Ullesthorpe Court
Ashby Parva
Moat
Cotes-de-val
Claybrooke Parva
Hall
Cemy
Canaan Fm
Cauldwell Fm
Wibtoft
Ullesthorpe
Ashby Lane Fm
Holt Fm
High Ridge
Manor Ho
Manorial Earthworks
Ashby Ho
Bitteswell Hall
Lodge Fm
Grey Gables
The Elms Fm
Riddlesden Fm
Boston Lodge
Cloudesley Bush
Tithe Platts Fm
dismtd rly
Spring Fm
Bitteswell Lodge
Hobley Furze
Wood Fm
Willey Fields Fm
Bittesby Village
Bitteswell
Manor Ho
Fields Fm
Butts Fm
Gottons Furze
Bittesby Ho
Norwood Fm
LUTTERWORTH
Monks Kirby Grounds
Newnham Lodge Fm
Field Fm
Bitteswell Aerodrome
Blakenhall Fm
Oback Fm
Willey
Long Spinney
Wood Br
Glebe Fm
Muswell Leys
Cross in Hand
Newnham Fields Fm
Middle Fm
Hall
Misterton
Cemy
Newnham Paddox
Moorbarns Fm
Brockhurst Convent
Little Walton
Warren Fm
B 4114
B 581
B 4069
A 426
A 5 (T)
B 577
B 4455
A 427

CHANCELLOR OF THE EXCHEQUER

C/

The latest version of the script is still the Portillo/Jay version attached immediately below ("sideflagged "Folger comments"").

- apart from the new text to go with the new diagram - attached to MH's minute.

B.

And see Scholar's note on a script point.

[illegible]

This will be better, provided we can also make clear that I have shown what will happen in world. Perhaps don't

FROM: M A HALL

6 March 1984

CHANCELLOR

c c Sir Peter Middleton
Sir Terence Burns
Mr Battishill
Mr Folger
Mr Portillo
Mr Bailey
Mr Scholar

BUDGET BROADCAST

Mick Folger, Michael Portillo and I had a further meeting today with Tony Jay, Peter Kenyatta and the BBC's designer.

2. The groundwork on the charts for the inflation and output charts, and the growth league table, were very much on the right lines, subject only to minor amendment.

3. We also discussed the 'wedge' chart. Both Tony Jay and Peter Kenyatta thought the approved version was complicated, and the BBC are going to work on a new format, as sketched below. This is a much more effective way of getting the point across illustratively. This will be very much a diagram, without figures written in.

4. We have tentatively arranged with Donna Young a meeting at 3 pm on Monday to discuss with you the script and the charts. We shall ourselves be looking at the BBC's further work on the charts on Friday afternoon, so that any changes can be incorporated by the time you see them on Monday.

pse let me have latest draft

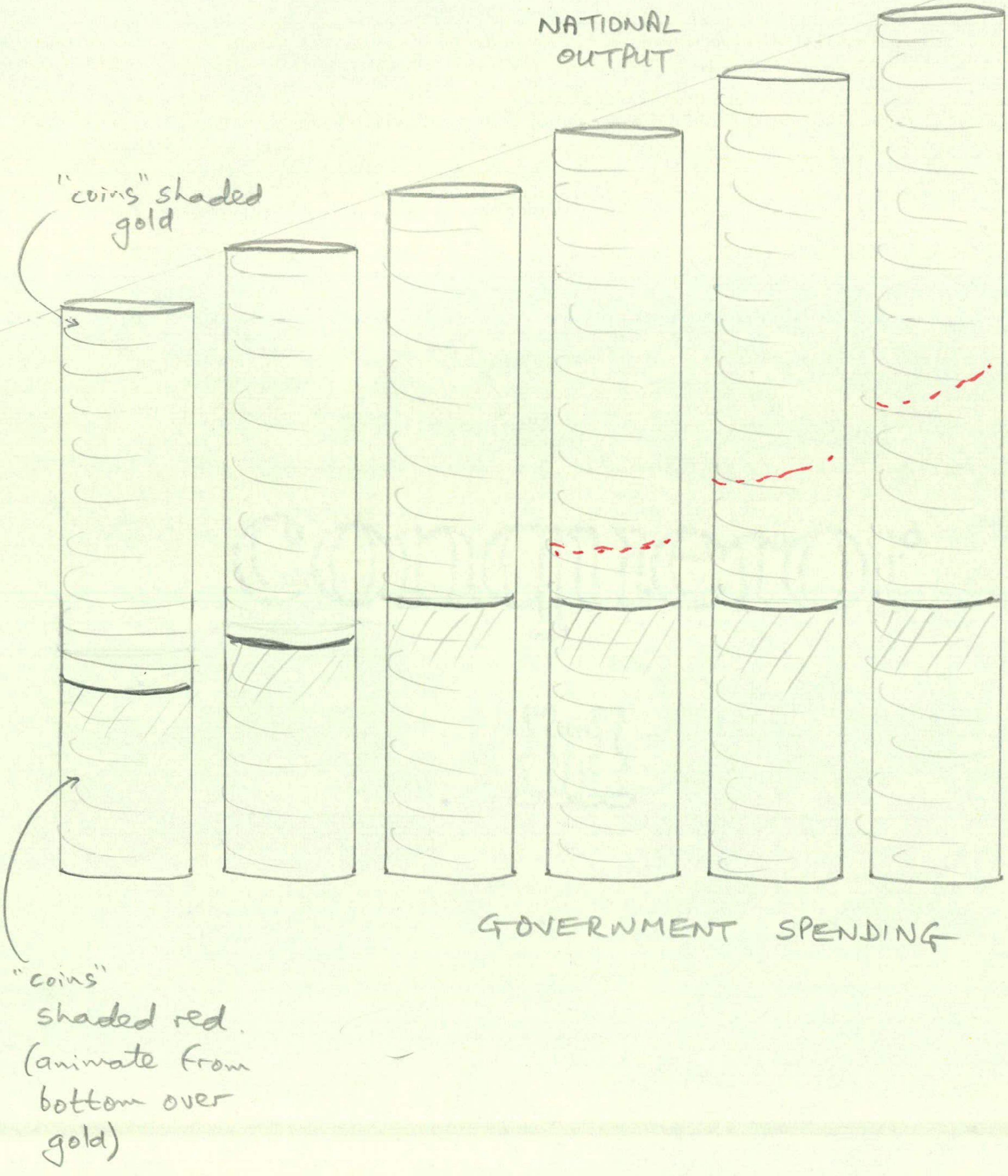
5. When we last met you, you said you would be looking at the broadcast over the week-end, with a view to discussion on Monday. If you can possibly carve out the time before that to have a first crack at the script, it would be enormously helpful. Tony Jay has re-written the portion of script to go with the 'wedge' diagram, and this is attached below.

Good

subsequent suggestion from Folger – on which he's acting – use OECD's figures, which don't throw up this problem.

M A HALL

P.S. Mick Folger has just reported that new EC forecasts, to be submitted to Ecofin on 12 March, show Germany as likely to grow faster than the UK in 1984. This suggests that we should drop the 1984 table, and confine ourselves to the 1983 one.


NATIONAL OUTPUT
"coins" shaded gold
"coins" shaded red (animate from bottom over gold)
GOVERNMENT SPENDING

Immediate

Chancellor's

Please see Michael Scholar's amendment.

Mr Hall cc Mr Folger
Mr Portillo

FROM: M A HALL
6 March 1984

MAH 7/3

CHANCELLOR

cc Sir Peter Middleton
Sir Terence Burns
Mr Battishill
Mr Folger
Mr Portillo
Mr Bailey
Mr Scholar

It's a bit much to say that 'people and businesses haven't felt the full benefits of growth' just because government expenditure was higher (esp. as most of the growth has been in social programmes).

Pl see my alternative overleaf.
MCS 7/3

BUDGET BROADCAST

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MAH

M A HALL

P.S. Mick Folger has just reported that new EC forecasts, to be submitted to Ecofin on 12 March, show Germany as likely to grow faster than the UK in 1984. This suggests that we should drop the 1984 table, and confine ourselves to the 1983 one.

'Wedge' diagram : draft commentary.

Let me show you what I mean in diagram form. Over the years national output has risen. But government expenditure has risen even faster, [so people and businesses haven't felt the full benefits of growth]. Now we have a real prospect of steady growth in the years ahead. And if only we can hold government expenditure at its present level - and I mean hold it, not cut it - then as output rises we shall all have a bigger and bigger share to spend as we choose and companies will have more and more to invest in new jobs.

So the full benefits of growth haven't got through to people and businesses to spend as they like.

Total No of words = 1,452

15th
3.00pm

c
You asked to see this.
Mom 6/2

PSt fix an early mtg with A-Jay* - plenty of time reqd.

* plus Mrs Hall PA Vallo KW

TRANSCRIPT OF THE CHANCELLOR'S POST-BUDGET BROADCAST AS APPEARED ON ALL CHANNELS. March 9 1982.

TRANSCRIPT OF 1982 BROADCAST

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

CHANCELLOR: When this Government was first elected nearly 3 years ago, we made one thing very clear. Putting Britain back on course was going to be a long haul, it would take more than one Parliament. We'd been saying that long before we were elected and most people, I think, realised that we were right because they knew that the economy had been going downhill for a very long time. Twenty or 25 years ago our living standards were amongst the highest in Europe and by the last election it was very much the other way round so it was bound to be a long job to reverse that trend. What's more, we had to tackle it just when the world was hit by the second huge increase in the price of oil and it was that big shock that really put the brakes on. That's why unemployment has been going up almost everywhere. In Germany, for example, there were well over half a million more people out of work this January than a year ago so we've not been alone in facing difficult times. The trouble is that we went into the storm - this worldwide stom - in a worse condition than the others. Happily there's another side to that story because, in the last year, things have started moving in the right direction. That's because most people haven't expected too much too soon They've shown a lot more common sense than some of the armchair critics. Remember what they said about my Budget last year, how that Budget would kill off all prospects of recovery for good. Well now we know how wrong they were. Within weeks of last year's Budget the long slide in output came to an end and over the past 6 months recovery has begun. Begun because this time last year I didn't try to rely too much on borrowing. If I had done what the armchair critics wanted then - spending more and taxing

~~320 × 7.25~~

~~224~~ ~~300~~ ~~32 × 2¼~~

325 × 2¼ 64 8 72

65 8.1 72

33 × 2¼ 66 8

330

325

66 16

65 16.25

3.25 × 2¼

6.5

.8125

7.3

2½ = 8.1

between 7.7

∴ 7 - 7.6 = 2¼

less - then we really would have choked off any hope of lasting recov-
because the cost of borrowed money would have gone right through the roof. As it was, for a good part of last year, interest rates in Britain were lower than in most other industrial countries and they're coming down again now. Last year's Budget helped in another vital way as well, it's helped us to keep inflation coming down and as you know that's something that we had to do because that's been going in the wrong direction for over 30 years. Under every Government since 1951 prices have been rising more swiftly. Three and a half per cent a year under the Conservati es up to 1964, then 4½% under Labour, then 9% under the next Conservative Government and 15% under the last Labour Government. We took it over and it was still rising, 16½% in our first year. We got it back to 15½% in our second year and down to 11½ this past year and it's set to come down even further. But there remains one over-riding anxiety for everyone of us, unemployment. If I could have put some magic ingredient into the Budget this afternoon, slashed the dole queues, then I'd have done it like a shot. But of course there isn't any such magic medecine. We've all seen what happens when Governments try to buy jobs. Prices take off, imports flood in, exports dry up, confidence col   , at home and abroad. The bubble bursts and unemployment and inflation end up higher than before. We've seen it happen time and time again. No, to get more jobs that will last we've got to compete in the world's markets and that means lower costs, more stable prices and pay increases that are earned through higher output for every man and woman at work and all that's starting to happen. As British goods get more competitive, as British salesmen win more orders and British firms rebuild their profit margins there will be more jobs and they will be jobs with a future. And that's what this Budget is mainly about, a Budget for industry and a Budget for jobs. I've tried particularly to help business and industry to cut their costs to encourage the investment

that creates tomorrow's jobs. That's also why we're planning for Government to go on borrowing less. That helps keep interest rates down, that helps businesses and it helps people who are buying their own homes as well. So will the cuts in stamp duty I've proposed. It's to help industry and the outlook for jobs that I've made a start on cutting the National Insurance Surcharge - the tax on jobs which the last Government imposed - and I've also suggested a host of other aids for industry. Help with energy costs, a programme for the
104 construction industry and home improvement, more measures to encourage those vital small businesses to start up and to help the high technolog industries of the future. And we're proposing direct help for the unemployed with a new scheme that will give them the chance to help with some of the community work which we can all see all round us and which cries out to be done. It's no substitute for long term jobs of course but at a time like this it does make a lot of sense. We've also had one big stroke of luck, the fall in oil prices. That's not all joy for me because it cuts the revenue that we get from the North Sea and that's one reason why I have to raise some extra revenue from drink and tobacco and petrol. Even so the prices we will be paying at the petrol pumps will still be lower than they were 2 months ago. In general, though, the fall in oil prices is excellent news. It cuts the cost of making and sitrributing goods in in Britain, it leaves us all with something extra to spend on other things - other British goods, I trust - and it does something else that I could never
104 do, it leaves our overseas customers with more to spend and that means more opportunities for British expor ers. So the opportunities are there, we could still throw them all away, that's if we simply use the extra cash to bump up wages that we haven't earned. We've done that before. Look at the frightening way our manufacturing labour costs
67 went up between 1975 and 1980; 13½% a year compared with 6% in America,

and 3% in Germany and Japan's unit labour costs didn't go up at all. If that hadn't happened we'd have had a lot more orders and a lot more jobs. Now look at last year, a tremendous improvement, up only 2½%.
57 Much less than America and indeed less than most of our other competitors. Only Germany and Japan did better. That's because we had more productivity, lower pay settlements and so lower cost increases. That's not just good, it8s the key to our recovery.
I've said that this is a Budget for industry but it's a Budget for people as well. The retirement pension will be raised by over £3 a
73 week for a single person, over £5 a week for a married couple.
Not only keeping up with inflation but making up for last year's short fall as well. So will all the other Social Security Benefits go up, including Child Benefits, and I've been able to help the self-employed make better provision for their retirement and to make Mobility Allowance tax free and at the same time I've been able to cut the tax on what we earn. Tax threshholds, the level at which we start paying income tax, will go up and by more than the rate of inflation.
But all of that - keeping up the fight against unemployment, looking after those in need - depends on the health of British industry.
That's why we've got to go on applying the tough lessons we've learned in the last 2 or 3 years. The chances of higher living standards and lower unemployment don't depend on how much Chancellors give away but on how much we are all prepared to put into the future of Britain.
I said last year that we faced a long uphill climbe. We still do but week by week and month by month we have been gaining ground.
This Budget will help us gain a lot more.

Graphs

Prices
Unemployment (mean) / But over what period?
Employment
Output (GDP)

? productivity
? labour costs per unit of output
? interest rates
? NHS spending these (given)

?? living standards

18
12
8½
4½

FROM: Miss J C SIMPSON
DATE: 9 March 1984

MR HALL

cc Sir P Middleton
Sir T Burns
Mr Battishill
Mr Folger
Mr Portillo
Mr Bailey
Mr Scholar

BUDGET BROADCAST

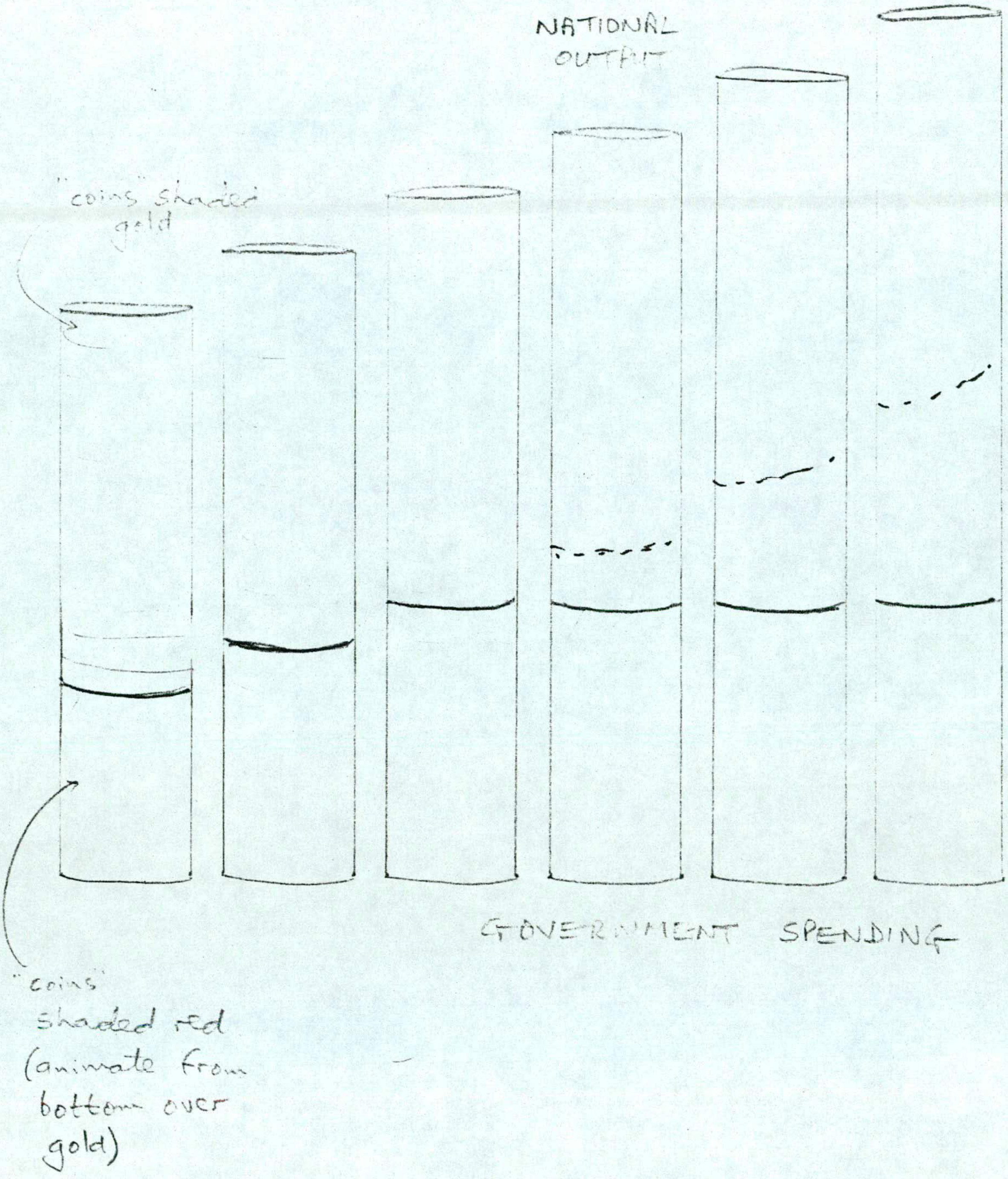
The Chancellor has seen your minute of 6 March. He agrees that the new format of the "wedge" chart will indeed be better, provided it is also possible to indicate along the lines which he has shown what would happen if the Government fails to hold down public expenditure.

2. Please could you also let him have a copy of the latest draft of the Broadcast script.

3. On the question of the figures to be used in the table of international comparisons, the Chancellor has now agreed to revert to use of the OECD figures, rather than the EC ones.

JS

MISS J C SIMPSON


NATIONAL OUTPUT
"coins" shaded gold
"coins" shaded red (animate from bottom over gold)
GOVERNMENT SPENDING

CONFIDENTIAL

FOLGER 1/3

FROM: M T FOLGER
DATE: 1 March 1984

CHANCELLOR OF THE EXCHEQUER

cc Sir Peter Middleton
Sir Terence Burns
Mr Bailey
Mr Cassell
Mr Battishill
Mr Evans
Mr Scholar
Mr Bottrill
Mr Hall
Mr Riley
Mr Shields
Mr Stibbard
Mr MacKinnon
Mr Lord
Mr Portillo
Mr Ridley
A/25

BUDGET BROADCAST: CHARTS

The charts for the broadcast have been revised to take account of your suggestions as recorded in Mr Kerr's minute of 27 February.

2. Revised versions - together with an explanatory note for the BBC graphics department - are attached. Chart 6 - on the "wedge of opportunity" on tax that can open up in the medium/long term - is the only one missing at this stage. It needs further work in the light of the latest redraft of the LTPE Green Paper and we will put a version to you for approval as early as possible next week.

3. Mr Hall is arranging for the charts to be passed to the BBC so that, in consultation as necessary with Mr Jay, they can draw them up and prepare animations.

Security

4. I should point out that extension of Chart 3 to show forecast GDP for the first and second halves of 1984 - as you asked - will mean giving the BBC the 1984 values before the Industry Act Forecast is published. I have discussed this with Mr Shields and we are agreed that this need not be of concern given that:

(a) the GDP figures will not be saying anything very different from the November IAF

(b) we shall not be supplying the figures until 8 March

(c) the note for the BBC contains an explicit warning about respecting the confidentiality of the 1984 numbers.

MTF

M T FOLGER

BUDGET BROADCAST: CHARTS

The Chancellor will choose from amongst 7 charts.

2. Six of these (nos 1 to 5 and 7) are attached, annotated with the data values. It is hoped that these can serve as a guide to the BBC graphics department.

3. Some points to note:

(i) charts 3 and 7 do not start at zero. To avoid misleading viewers it would be helpful to show the vertical scale as "broken" and to shade the bottom end of each bar more lightly than the top - eg by less dense use of colour. This should help to emphasise that the viewer is not seeing the whole graph.

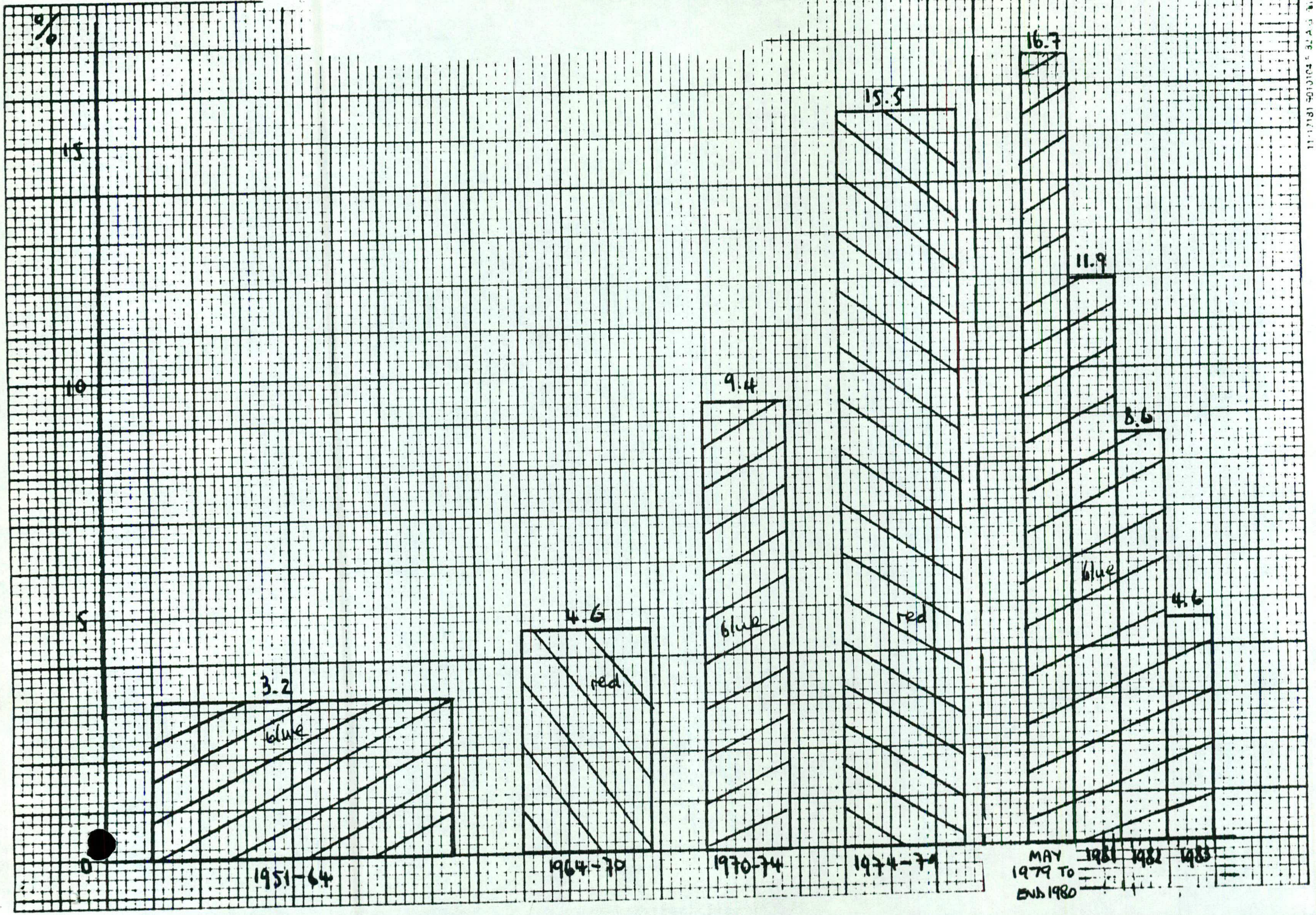
(ii) the data for chart 3 is not yet quite complete. The three missing figures for 1983 and 1984 will be supplied on 8 March. Those for 1984 will still be confidential at that date and should be respected as such until the Chancellor sits down after the Budget Speech on 13 March.

4. The missing chart (no.6) will be supplied as early as possible in the week beginning 5 March.

5. Advice on how charts should be animated, coloured etc can be obtained from Mr Tony Jay. Advice on the data, labelling scales, headings etc can be got from Mr Neil MacKinnon (233 4489).

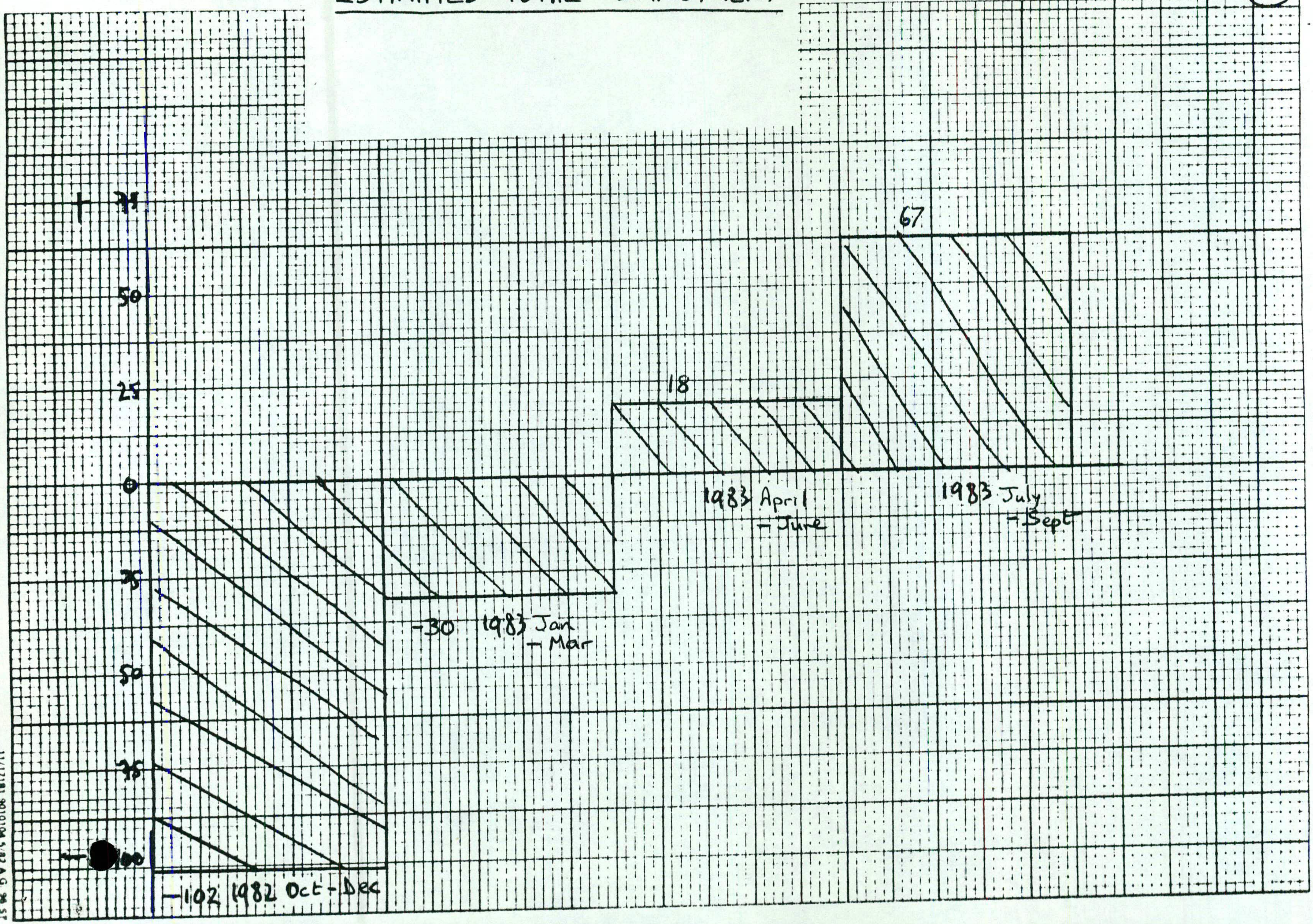
EB Division
H M Treasury
1 March 1984

INFLATION



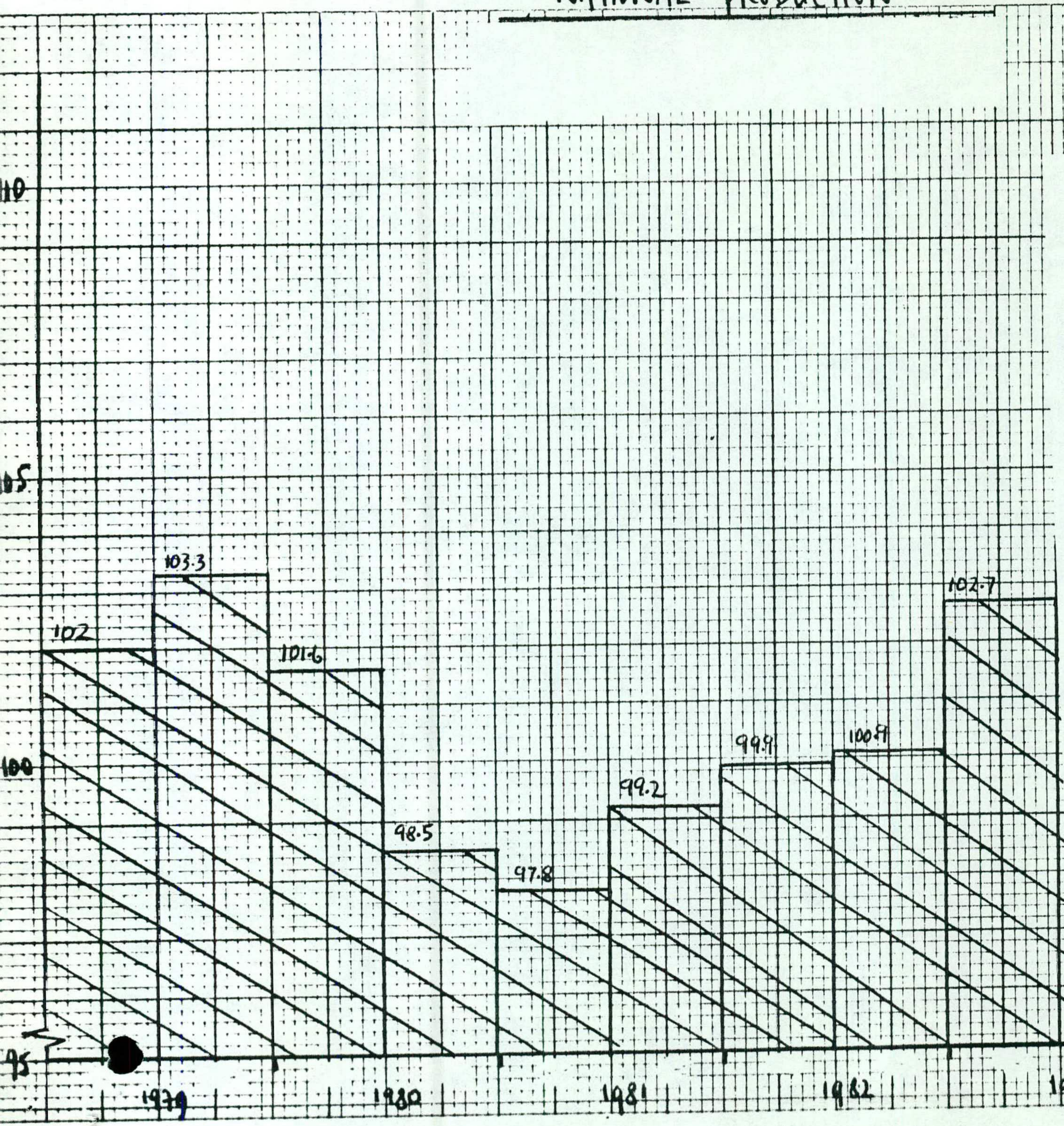
%
15
10
5
0
3.2
blue
1951-64
4.6
red
1964-70
9.4
blue
1970-74
15.5
red
1974-79
16.7
MAY 1979 TO END 1980
11.9
1981
8.6
blue
1982
4.6
1983

ESTIMATED TOTAL EMPLOYMENT



NATIONAL PRODUCTION

revised 29/2 (3)



(1) values for 2nd half 1983
1st half 1984
2nd half 1984
to follow on Thursday 8 March.

(2) figures for 1984 are forecasts and should be shown as such on the screen. They will be confidential until 5pm on Budget day.

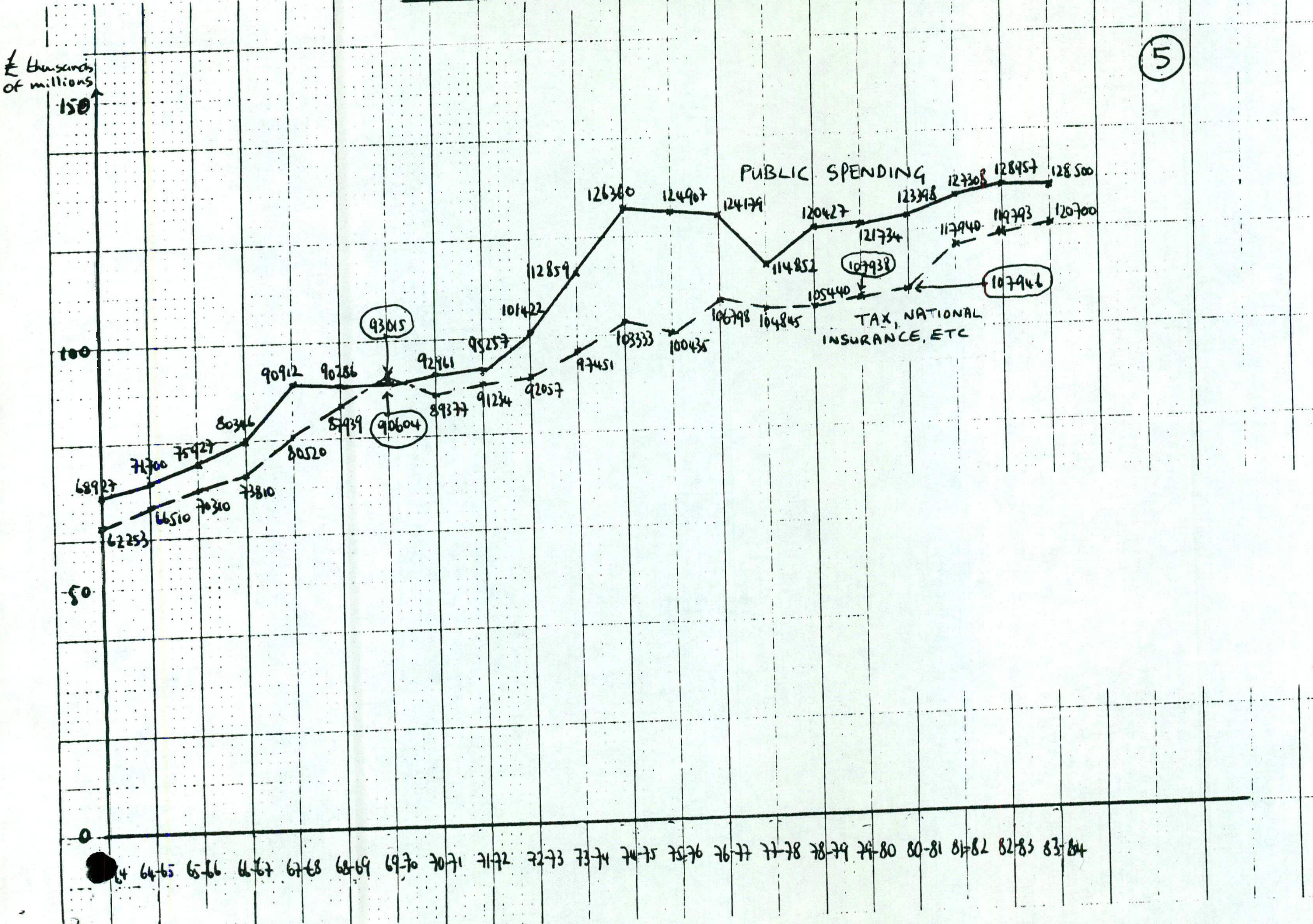
Annual Output Growth

1973-82		1983		1984	
FRANCE	(2.4)	UK	(2½)	UK	(2¼)
ITALY	(2.1)	DENMARK	(1¾)	W GERMANY	(2)
BELGIUM	(1.8)	W.GERMANY	(1¼)	ITALY	(2)
W.GERMANY	(1.7)	NETHERLANDS	(1¼)	NETHERLANDS	(1¼)
DENMARK	(1.7)	FRANCE	(½)	BELGIUM	(1)
NETHERLANDS	(1.4)	BELGIUM	(0)	DENMARK	(¾)
UK	(0.7)	ITALY	(−1½)	FRANCE	(0)
EEC	(1.8)	EEC	(1.0)	EEC	(1½)

Source: OECD

PUBLIC SPENDING AND TAXES

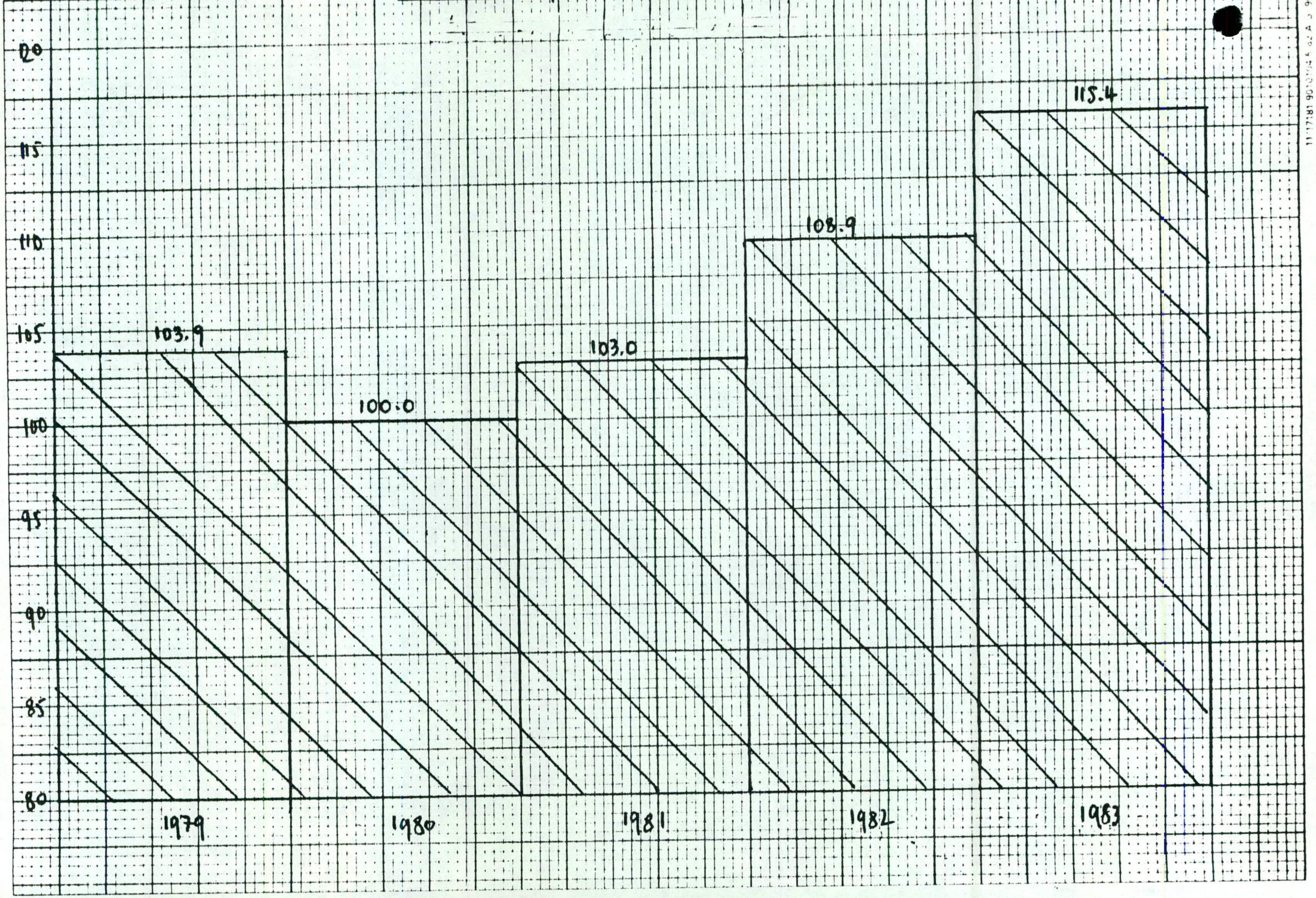
(5)



Revised 29/2

(7)

PRODUCTIVITY IN MANUFACTURING



CHANCELLOR OF THE EXCHEQUER

HONI SOIT QUI MAL Y PENSE

He also fished at T. Burns this morning, but T.B tells me he refused to talk to him.

[illegible]

Thanks

[illegible]

H M Treasury
Parliament Street London SW1P 3AG
Switchboard 01-233 3000
Direct Dialling 01-233 ....

A N Ridley
Special Adviser

CHANCELLOR

OBSERVER VIEWS ON THE BUDGET.

B.W. Keegan called me this morning and fished for guidance on the Budget by unveiling what he purports to be his present post-[illegible] assessment. In essence the picture he offered was pretty close to where we are on major issues except he had no inkling of the NIS/CT Rate/Allowances/Stock Relief elements. His more detailed thoughts were, as I recall:

Theme: low pay/neutrality

Indirects: Some VAT extensions, but doubts about extension to papers. CCD a probability but not certain. Speculation that over-indexation of specifics would not go very far

Directs: 113 to go; £1½ to £2 bn off allowances (i.e. thresholds)

Misc: Stamp duty halved. LAPR to be cut, but not for sure to be eliminated.
Composite Rate (I think).

I refused, as usual, to comment. I will tell Martin H. today if I can find him.

AR 10/3.

gup

'David

FROM: J PAGE

9 March 1984

MR HALL

c c Mr Monaghan
Mr Johnson
Mr Collins EB
Mr Baillie

RELEASE OF SPEECH FROM GALLERY TO P.A.

The arrangement for sheet/sheet release of the Budget Speech to the P.A. (from the red eared copy which is used to trigger release of the completed sections to the Gallery) stand as they did last year. Reuters confirm that they do <u>not</u> require this facility.

David Healey will handle the P.A. facility in the House.

By copy of this minute Mr Johnson is asked to cancel the Reuters red eared set for the Gallery.

J Page

J PAGE

~~Branch – BH?~~
~~TV – JM~~

FROM: M A HALL
9 March 1984

CHANCELLOR

OK. FST will be available for TV.

NB: Branch white for Tues: MST/EST

POST BUDGET MEDIA BIDS

I attach a consolidated minute reflecting our discussion yesterday.

2. The Editor of the BBC's television coverage of the Budget telephoned me in a great state after hearing that no Minister would be available until 6.30. He told me, and after consulting round IDT, I have no reason to doubt this, that it was unprecedented for a Government Minister (other than the Chancellor) not to give the Government's view towards the end of their programme. The ideal time for them would be 5.30 pm, and they would guarantee that this was the last word.

3. The effect of not fielding a Minister would be that the Government view would not be put across, or at best by a backbencher who was not a member of the Finance Committee. The Opposition parties would have a free run. Similar considerations apply to the BBC radio coverage, though there is still the possibility of a slot at a less favourable time than that on offer.

4. In the light of this, I hope you will reconsider your view that all the Treasury Ministers have to be either at the Finance Committee or on the Treasury bench.

M A HALL

FROM: M A HALL
9 March 1984

CHIEF SECRETARY
FINANCIAL SECRETARY
MINISTER OF STATE
ECONOMIC SECRETARY

For information

c c Sir Peter Middleton
Mr Monaghan
Mr Page
Mr Segal
Mrs McKinney
Mr Towers
Mr Evans
Mr Bosley
Mr Johnson
Mr Ridley
Mr Lord
Mr Portillo

POST-BUDGET MEDIA BIDS

We are now in a position to collate bids from radio and television for Ministerial appearances after the Budget. Subject to your respective views, the Chancellor is generally content with these proposals.

2. All this is subject to the proviso that no Ministers will be able to leave the House until the Leader of the Opposition has sat down, and all will immediately thereafter be either with the Chancellor meeting the Backbench Finance Committee, or manning the Treasury bench. This means that no Minister will be available for television or radio interviews before 6.30 pm.

3. I should be grateful if your Private Secretaries could confirm that these arrangements are acceptable. There is clearly room for horse trading at this stage, both amongst Ministers, and with the various radio and television programmes.

4. I am indebted to Mr Segal for doing all the groundwork on this.

MAH

M A HALL

RADIO AND TELEVISION APPEARANCES BY MINISTERS

BUDGET DAY EVENING

(a) BBC TV - "60 Minutes" (following Budget programme) - FST/CST : Norman Shaw, live.

It will be impossible to appear on this programme as early as they would like, and it is unlikely that the FST/CST can get there before the programme ends at 6.40 pm. It is worth doing if he can, otherwise we shall have to let it go. I am raising this separately with the Chancellor, to see whether a Minister can be released for the interview.

(b) BBC News and ITV News at Ten - Chief Secretary - Norman Shaw.

Both these interviews can be recorded at Norman Shaw around 7 pm. I imagine the Chief Secretary will prefer a live interview to down-the-line.

(c) Channel 4 News - FST - Norman Shaw.

Channel 4 propose either a straight interview, or a studio discussion via a presenter (Peter Sissons) with Roy Hattersley from 7.15 pm, lasting about 8-9 minutes. This would be live from Norman Shaw. The Chancellor would not want to press the Financial Secretary to do Channel 4 News, if he did not feel so inclined. The general No 10 policy is to avoid direct confrontations of this kind. But, provided we have the last word, the confrontational technique can be more effective. This is therefore very much a matter of choice.

(d) Newsnight - Financial Secretary - Lime Grove.

This would be a 10-12 minute studio discussion live at Lime Grove, the programme beginning at 10.45 (arrive 10.30) with Roy Jenkins and Roy Hattersley. The anchor man would be John Tusa.

(e) BBC Radio Budget Special - Minister of State - Norman Shaw.

The bid is for an interview lasting 4-5 minutes for use at 6.15 following the main news. This is not feasible, and we shall have to offer them an interview for the end part of the programme. They will also be carrying a separate interview with Roy Hattersley.

(f) World Tonight - Economic Secretary - Norman Shaw.

This will be a joint programme with Financial World Tonight to run from 10.30 to 11.30 pm. This could be live to preceed a studio discussion at about 10.50 pm, or pre-recorded at Norman Shaw for broadcast at 10.50. The interview would be for 4-5 minutes with Alexander McLeod.

(g) IRN News - Minister of State - Norman Shaw.

This would be a brief post-Budget interview by one of the political staff. The interview would last about five minutes, and br broadcast between 6 and 10 pm.

WEDNESDAY 14 MARCH

The Chancellor will be appearing on the Today programme.

(i) IRN AM - Chief Secretary - Bridge Street.

The bid is for 6-7 minute interview with Douglas Moffit, to be broadcast between 7.30 and 8 am. I am sure a later time could be negotiated Moffit is a good interviewer and this is worth the effort.

(ii) TV AM - Financial Secretary - Camden Studios.

The programme will be interviewing David Steel and possibly Roy Hattersley, and the bid is for a one-to-one interview giving reactions to the media reaction, and lasting about five minutes. This could be any time after 7 am, and would be broadcast live, edited sections being used in the 8 am news. This would unfortunately be at the Camden Studios. This is an optional extra, but I think worth doing if the Financial Secretary is so inclined. Casual clothing de rigueur.

FROM: GREGORY SEGAL

DATE: 12 March 1984

MR PAGE

cc Miss F Bogan
Miss D McCambridge
Mr J Milner
Miss T Pollock
Mr C Rowley
Mr D Slaughter
Mr T Stubbington

STUDIO RELEASES : TRANSPORT ARRANGEMENTS

Following are details of transport arrangements for Treasury officials involved in studio/newsroom releases of Budget material tomorrow. All the cars will arrive in the centre courtyard at the times shown.

Official	Organ.	Car	Reg. No.	Driver	Time
Miss F Bogan	BBC TV	Ford Granada	OBL 476X	Mr F Halden	2.45
Miss D McCambridge	BBC Radio	Ford Granada	NYN 209Y	Mr Stannard	2.45
Mr J Milner	ITN	Peugeot	HUA 604T	Mr L Sion	2.00
Miss T Pollock	IRN	Mercedes	4852 FH	Mr C Newman	2.30
Mr C Rowley	FT	Jaguar	A565 XMH	Mr C Curry	3.00
Mr T Stubbington	Reuters	Audi 80	NMC 37X	Mr B Frost	3.00

For your information I also attach a list of contacts.

G SEGAL

Mr Baillie

82/2

FROM: J PAGE

DATE: 12 March 1984

IDT BUDGET ARRANGEMENTS 1984

This is to confirm that the arrangements outlined in your copy of IDT's Budget arrangements 1984, dated 21 February 1984, are now FINAL.

J Page

J PAGE
Chief Press Officer

[redacted]

FROM: LIZA MCKINNEY

DATE: 12 March 1984

1. MR PAGE ✓

2. PPS/CHANCELLOR

cc Mr Hall ✓
Mr Segal

FINANCIAL TIMES : BUDGET PHOTOGRAPH

As Mr Hall will not be available until late afternoon I am confirming our telephone conversation. The Financial Times feel that a Tatler-style photograph in the state room is not really in line with the paper's budget edition. However, if they cannot get a departure style photograph - leaving the private apartments upstairs or on the landing - then they would gratefully accept the offer of a picture of the Chancellor putting the finishing touches to his papers as suggested.

X

Y

Liza McKinney

LIZA MCKINNEY

Chancellor

X wouldn't involve going downstairs twice; Y just as good.

MAA 12/3

IMMEDIATE

FROM: LIZA MCKINNEY

DATE: 12 March 1984

MWT

1. MR PAGE

2. PPS/CHANCELLOR

cc Mr Hall
Mr Segal

FINANCIAL TIMES : BUDGET PHOTOGRAPH

As Mr Hall will not be available until late afternoon I am confirming our telephone conversation. The Financial Times feel that a Tatler-style photograph in the state room is not really in line with the paper's budget edition. However, if they cannot get a departure style photograph - leaving the private apartments upstairs or on the landing - then they would gratefully accept the offer of a picture of the Chancellor putting the finishing touches to his papers as suggested.

Liza McKinney

LIZA MCKINNEY

Sir PM - to see
DBoard 13/3

(F)

FROM: M A HALL
12 March 1984

CHANCELLOR
CHIEF SECRETARY
FINANCIAL SECRETARY
MINISTER OF STATE
ECONOMIC SECRETARY

c c Sir Peter Middleton
Mr Monaghan
Mr Page
Mr Segal
Mrs McKinney
Mr Towers
Mr Evans
Mr Bosley Ms Goodman
Mr Johnson
Mr Ridley
Mr Lord
Mr Portillo

POST-BUDGET MEDIA APPEARANCES BY MINISTERS

The attached schedule updates the annex to my minute of 9 March. There are one or two gaps, and these will be closed in the course of tomorrow morning.

MAH.

M A HALL

TUESDAY 13 MARCH

	Programme	Minister	Time	Venue	Format
*	BBC TV, 60 Minutes (60 Minutes have all their presenters at Lime Grove, and cannot interview face to face)	FST	5.30	College Mews or Norman Shaw	Down the line
*	BBC News	CST	7.00	N Shaw	Face to fac interview - Curtois(?)
*	ITV News at Ten	CST	7.15	N Shaw	Face to fac interview - Mathias(?)
+	Channel 4 News	FST	7.00	48 Wells Street	Face to fac interview - Sissons, followed by interview with Hattersley
*	Newsnight	CST	10.15	Lime Grove	10-12 minut studio discussion live, with Hattersley, Jenkins and Tusa.
*	BBC Radio Budget Special	MST	6.30	N Shaw	Face to fa interview - Clough or Williams
*	BBC World Tonight	EST	7.30	N Shaw	Face to fa interview, Alexander Mcleod.
*	IRN News	MST	6.40	N Shaw	Political interview - Peter Murph

WEDNESDAY 14 MARCH

	Programme	Minister	Time	Venue	Format
(a)	IRN/AM	CST?	7.30/8.00 am	Bridge St.	Moffitt
+	TV/AM	FST	7.30	Camden Studios, Hawley Cres, NW1	5 minutes, reactions to reactions - one to one, John Stapleton.
	Today Programme	Chancellor	7.45 for 8.10	Radio car, No 11 (with MAH)	Interview/ Hobday, following reports from regions.

* Accompanied by John Monaghan

\+ We very much regret that IDT cannot provide anyone to accompany.

(a) Not yet resolved.

Chancellor / will come to No 11 at 0830. MM 14/3

THIS TRANSCRIPT WAS TYPED FROM AN RTU RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

RECORDING SERVICES (RADIO)
Tape Transcript by Radio Transcribing Unit

JIMMY YOUNG PROGRAMME - JIMMY YOUNG & ROY HATTERSLEY (MP)

TRANSMISSION: WEDNESDAY 15TH MARCH 1984 1040 - 1050 RADIO TWO

YOUNG: Right now, on the line from Westminster, Labour Economics Spokesman, Roy Hattersley. Good morning Roy.

HATTERSLEY: Good morning Jim.

YOUNG Now, listen, the last time we spoke at the time of the mini-budget, you actually on the programme said you would write, and indeed you did write and spoke the Chancellor's speech for him on income tax cuts and you got it just about right. Now would you have predicted yesterday's speech just as acurately do you think?

HATTERSLEY: I think we could have planned it beforehand. It's utterly consistent with what the Chancellor believes and what other Chancellors, other Conservative chancellors have done, given credit for consistency, but it's consistency in the wrong direction. It doesn't do anything for the unemployed, it does precious little for the poor, it doesn't hit at any of the real problems facing the British economy. It tinkers with the tax system. That's not what we need at the moment.

YOUNG: Now, I suppose what he would say, you see, is that by encouraging business, he hopes that business will therefore expand and boom, and that that will create the jobs which will help the unemployed.

HATTERSLEY: That's exactly what he's saying and will say, but there's no evidence to support it. There's a lot of money about in business at the moment - they're holding profits, there's a lot of money in the building societies, they're exporting a lot of British capital to foreign companies. If there was an urge to invest, they'd actually invest now - would have done last year, but the investment record last year was worse than five years ago when there was a Labour government. Now, the idea that if you give companies money, they'll invest it in people's jobs is just a myth, and I'm afraid the Chancellor's fallen for it.

YOUNG: Now, you mention the poor just now, Roy, and I suppose again that he would say, well, he did say yesterday, that he's taken 850,000 families out of the income tax net which I suppose must be good news for the poorest people, mustn't it?

HATTERSLEY: Well, a lot of people will be soon back in it , I do assure you, but let me tell you what that chain has really done. For people on five thousand a year, which heaven knows, a family on five thousand is poverty of one sort or another, he's given them about a hundred and eight pounds. For anybody on fifty thousand a year he's given them over six hundred pounds. Now I think the money he spent at the top of the income scale could be much better used. It could be used on making the pension a bit more acceptable than it is now. It could be used on child benefit to help the poorest families. The proposal on income tax helps the better off far more than it helps the people at the bottom of the earnings scale.

YOUNG: There seems to have a hint on child benefit. I mean, I agree with you that a lot of people have said that she should have done more. There seems to be a hint that he might have a rethink on that in a couple of months time perhaps.

HATTERSLEY: Well, this is one of the extraordinary things about yesterday. He said he'd tell us I think in May. If you look at his document, the red book, it actually says that child benefit is going to go up by five percent which is less than the present rate of i ation. It actually published a figure, which he didn't admit to yesterday, but e figure says that child benefit isn't going to keep pace with the cost of living.

YOUNG: One result of the budget seems to be, and indeed I was talking to someone on our budget programme yesterday from the building societies that there may be a reduction in mortgage interest rate on Friday. Now that's going to make a few people better off.

HATTERSLEY: Well, I hope so. I hope that happens. There's a lot of money in the building societies and I think they could reduce their rates. One of the problems of course was the week before last we had a bit of a budget preceding the budget when the Chancellor increased tax on building societies which may make it a little more difficult for them to make the reduction that I hope will come. Let's hope that works out, let's hope we get the mortgages down a bit at the end of the week.

YOUNG I suppose what he would say, mind you, is he brought the building societies into line with the banks.

HATTERSLEY Well, we can always do that. I mean, a budget that simply has uniformity as its objective doesn't seem to me to be a very sensible budget. I mean, just tinkling with the tax system, make them all appear on the same line and the same heading, that's a job for a clerk. It's not a job for the Chancellor of the Exchequer.

YOUNG I'M trying to find something on which you'll say he's done a good job and I'm going to try a shot at the National Insurance surcharge. Go on.

HATTERSLEY Yes, well the first one, I heard you do that last week, and Peter Shore do it a year ago. Bravo for that, and this afternoon I congratulate him on it. I'll give you another one. TALKING TOGETHER

YOUNG He's pinning a lot on the growth within the economy, isn't he?

HATTERSLEY Yes he is.

YOUNG And indeed I said yesterday that even th pessimists have been forced to acknowledge the durability of the recovery. What do you say to that?

HATTERSLEY I think the recovery is very fragile. I think it's much slower than it ought to be. When you consider that we've got the great boost and boon of nine billion pounds a year North Sea Oil money coming in to the Exchequer which no other European country enjoys, we really ought to be leaping ahead while that money's been squandered, and that money hasn't produced the sort of recovery that the people are entitled to demand.

YOUNG You see, I suppose he would say, you see, that the government's given back to industry over the past couple years some three billion pounds, you know, by gradually reducing the National Insurance Surcharge, and of course now getting rid of it, you see.

HATTERSLEY It hasn't worked. We still have - you said at the top of this item - we still have three to four million unemployed, and the Chancellor, give him credit, doesn't even pretend he's going to bring it down. He's made no false claims about unemployment. He knows that unemployment will be as bad next budget as it is this. It might even be worse. So all this stuff about cutting charges, cutting taxes to industry, and letting them use their initiative, letting them use their enterprise - it hasn't worked in the past and I fear it's not going to work in the future.

YOUNG Now what about the Green Paper, Roy, which is saying that public spending will need to be held at its present level for the next ten years if the tax burden is going to be reduced. I mean, do you think that is possible?

HATTERSLEY I don't think it's possible without attacking public services in a way that I at least find unacceptable, and if we are going to meet the demands of the health service, let's say, where the needs are growing more because we've got more old people in the population, there's more new techinques for curing people, conserving life - if we're going to do those things instead of switching off kidney machines and letting people die or not letting people go on kidney machines in the first place because there aren't enough to go round, then there's got to be more money spent.

YOUNG One of the things the Green Paper makes clear is if it is to be held at one to six billion, then there's going to be a terrible assault on some of the things that make Britain a civilised society.

HATTERSLEY Well, let's be basic about it. As you all know, the Green Paper says if health spending per head of population remains the same in the next ten years, spending will have to rise by one per cent per annum just to keep pace with the expenses caused by population changes.

YOUNG Does that jeopardise his proposed tax, I wonder.

HATTERSLEY Well, my fear is that he'll go ahead and cut the taxes come what may, and the evidence is the British people won't accept that. They want tax cuts, of course we all do, but they're not prepared to pay any price for them. They won't say cut taxes, and be damned to everything else. I think they'll turn on him, and quite rightly.

YOUNG Do you agree though Roy that he's got to do something to encourage industry to move into new areas, perhaps into sunrise industry areas, for instance.

HATTERSLEY Well, of course what he did yesterday made sunrise new tech industries' life a great deal more difficult. He's cut down the investment allowances saying they're being used by all companies. Now the people who've been investing most, and therefore getting most incentive from the government are the high profit, high investment, high tech industries, and I think he dealt them a blow yesterday. I think he has to do something for industry and I think that thing is increase industry's demand. All the evidence shows the Confederation of British Industry, the CBI's survey demonstrates, that industry wants demand for its product to be increased. Until he increases demand, industry isn't going to move.

YOUNG So how many cheers for the Chancellor from you would you reckon out of three?

HATTERSLEY OUt of three, well, point two.

YOUNG Roy Hattersley, from Westminster, Labour's economics spokesman.

THIS TRANSCRIPT WAS TYPED FROM AN RTU RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

RECORDING SERVICES (RADIO)
Tape Transcript by Radio Transcribing Unit

JIMMY YOUNG PROGRAMME
Jimmy Young and Roy Jenkins

TRANSMISSION: 14th March 1984 1115-1135 Radio 2

YOUNG: However, in the studio with me now, Economic Spokesman for the Alliance, the Right Honourable Roy Jenkins. Good morning, nice to see you again.

JENKINS: Good morning, very nice to be here again.

YOUNG: Well after five budgets from Geoff- Sir Geoffrey Howe, what sort of marks would you give Nigel Lawson for his first one?

JENKINS: Well on presentation, very good indeed. Taught speech, clearly set out, told us where he was going, we knew where we were on the map at each stage and a certain amount of coherent argument, which one didn't necessarily agree with but one could follow as to why he'd chosen one course rather than another. So from that point of view, I would say one of the best budget speeches that - that I've listened to for some time.

YOUNG: Was it as - as radical, were the tax reforms for instance as radical as they were touted before the budget as they were going to be?

JENKINS: No, I don't think they were immensely radical. I think quite a number of them were - were - were - were - were sensible and although there are some things in the budget I'm not very keen on. I wouldn't so much criticise what's in the budget and I certainly wouldn't use hysterical language about it, saying this budget's a disaster anymore than I think it's a triumph. What I think it is in a way, although Nigel Lawson hasn't got a

JENKINS (Cont'd): complacent manner, but I think it's a slightly complacent budget because it assumes that the last five years have been a great success from the point of view of economic policy and therefore if we keep going as we are, everything's fine. Now, I don't believe that. While I don't think everything's fine, I don't think it can be with over three million unemployed.

YOUNG: That's right.

JENKINS: And two, I don't necessarily think that just sort of steady as she goes will keep us going on a - on a proper course.

YOUNG: Well of course ...

JENKINS: I think we're likely to dip down a bit again and the only - and if you start dipping down, with a starting point of three million unemployed, then where you end up is pretty terrifying.

YOUNG: Yeah. Well of course one of the main criticisms this morning has been that he hasn't done enough for - for the unemployed. What do you think he should have done perhaps?

JENKINS: Well I think that it would have been desirable to concentrate some of the help on those who've suffered the - the worst effects of the recession and I think certainly from the point of view of relieving poverty, more for families would have been a good idea. But above all, I think that he should not just have assumed that we go on with present levels of unemployment. I mean this really is a council of despair, particularly when we may well be at the top of a little boom at the present time and therefore about to turn down again, and particularly also when we're in a very fortunate position at the moment so far as oil is concerned, which makes us one of the luckiest countries in the western world, but we don't remain like that you see, so we - we've soon got to live without that oil and how we're going to do that on present form I don't know.

YOUNG: Well his main thrust if you like seems to be that if he stimulates industry, industry in its turn is going to create the jobs and that is going to start solving the problem of unemployment.

JENKINS: Yes, but I don't think he is really stimulating industry. Now of course it's right to say that the jobs and great numbers of

JENKINS (Cont'd): them have to come from industry and they have to come from private industry too and that's why I'm not in favour of harrying - harrying and harrassing private industry with threats of nationalisation or excessive taxation or too much interference. That's sensible enough and I'm in favour of a good profit level certainly, but I don't just believe that if the government sits back, that is we'll go on as we are, that the fact that inflation's come down which in itself is a good thing, is going to stimulate a vast number of additional jobs or indeed any significant number of net additional jobs. There's no evidence for that, I think we'll just go on as we are.

YOUNG: Do you think then that if - shall we put it simplistically, if the aim in the first term of government was to cure inflation, that the aim in the second term of government should be to cure unemployment?

JENKINS: Well it should certainly be - nobody ought to say I've got a cure for unemployment, because honestly none of us, none of us have got that and anybody who talked about unemployment coming down to one million or below one million in a short period, would be misleading the electorate with quack remedies. But all I'm saying is that one certainly ought to start bringing unemployment down and taking measures to do that and you see I think that what's a great wasted opportunity at the present time, is that the level of investment of provision for the future in the public sector, which includes the nationalised industries, is immensely low at the present time and there's an awful lot of the stuff just running down in this country. Railways are beginning to run down, they're worse than they were a few years ago. Older things, sewage systems in a terrible mess, that's rather an old chestnut, but one can see it all around one. The housing stock is in a great mess.

YOUNG: So had you been delivering yesterday's budget instead of Nigel Lawson, what sort of things would you ....

JENKINS: Well I would have made a - made a major effort in circumstances in which the oil is in spate and I must stress this because this is a terribly important point.

YOUNG: Very important.

JENKINS: I mean oil is going to be flowing at the rate

JENKINS (Cont'd): of about 11 billion pounds a year, next year when it's about at its peak and it then begins from '86 onwards to run down tremendously fast and unless we're using this time when it's at its peak to build up our strength for the future, then I don't know how we're going to earn our living in the '90s, because I mean if you look at our accounts as a nation at the moment, we've got a surplus, not a huge surplus, on our dealings with the rest of the world, but now the whole of that comes from oil. If - if - if you take the oil away, we have a massive deficit on other things we sell to the world and that massive deficit is partly 'cos so much of industry's been closed down over the past five years. We've been closed down to a huge rate, when we had that very high exchange rate, sterling right up in '79, '81.

YOUNG: But what are the - what are the positive things then which Nigel Lawson has not done to deal with that situation, which you would have done?

JENKINS: Well I would certainly have - have stimulated a substantial programme of increased investment in the public sector. Investment there is now at a lower level in relation to national income, than it's been at any time since 1914 and that does seem to me, while I don't believe in using exaggerated language about the budget measures some of which are good, but looking at the overall picture in the country, that - that - that is criminal, while we've got this short term period of the - of the oil being in spate because it's such a warning for the future, so I would have stimulated a lot of investment there. Now that doesn't contradict saying that - that a lot of jobs have to come from the private sector, because investment of that sort would have a very good effect on various private sector industries, those making capital equipment, the construction industry and would give a lot of jobs to private businesses.

YOUNG: What about his tax changes for the poor people, I mean by shifting of tax thresholds around, he has said that he's - he's lifted 850,000 out of the tax net altother. Do you welcome that?

JENKINS: Yes in itself, I certainly welcome it, but mind you there is to be honest a bit of a sleight of hand about this which all

JENKINS (COnt'd): Chancellors engage in, because if one looks back over budgets, I did it myself, I think I took more out, I think I took 1.3 million out one year, but if you look back, sometimes it's 800,000 thousand out, sometimes it's 1.3 million out, you add them altogether there'd be nobody left in. Well now why is it that there are still an awful lot of people left in paying tax? It's because it's like an army going round and round a stage, they go out at the time of the budget, but then inflation comes on and they're back in again before the curtain goes up on the next act. So it's a revolving army going round and a lot of those 800,000 who go out will be back in again, even by next year ...

YOUNG: You know a lot of ...

JENKINS: ... two years time.

YOUNG: A lot of people listening to this will be nodding their heads and agreeing with you and say but will they not then say, well you know he's just said it, one Chancellor of the Exchequer's just as bad as another Chancellor of the Exchequer. They just shift the figures around.

JENKINS: No, some - some - some are better than others. It's a mistake to think that Chancellors of the Exchequer can solve all the country's problems, but they can certainly make them worse and they can, I think, up to a point solve - solve some of the problems.

YOUNG: Well ...

JENKINS: And - and Chancellors can be - some can be worse than others and I would certainly not say that on the performance yesterday Nigel Lawson is one of the worst.

YOUNG: No. That Chancellors can create a - an atmosphere if you like in which industry can prosper and create wealth and therefore create jobs ...

JENKINS: That's right, they can create an atmosphere, not only on budget day, in some ways budget days become a bit of an out of date festival, in which budgets are never quite as important as Chancellors think they are and never quite as awful as Shadow Chancellors say they are. Ian McLeod I remember, just over ten years ago, used to have not a bad maxim in

JENKINS (Cont'd): which he said any budget which looks very good in March, generally looks a good deal less good in July and any budget which looks in bad in March, generally looks a bit better by July and there's something in that. Still one mustn't move into that by thinking of council of despair, what is done does matter and in my view, not enough has been done in this budget to face up to the problems of unemployment and to face up to the fact that for the moment, the oil gives us a window opportunity which won't be there for long.

YOUNG: Now this was a - a spring budget from a new Chancellor, incidentally one thing I would like to get your views on, he is speaking (inaudible), he's looking for the whole lifetime of this Parliament, he is trying to project into the future, as a matter of fact some - some - it has been said that he's trying to look ten years ahead. Now do you think he is right to project that far into the future, rather than thinking of things on an annual basis?

JENKINS: Well I think it's - it's certainly a good idea to - to have some farsightedness, I wouldn't criticise that for a moment.

YOUNG: Even though you can get thrown off course...

JENKINS: .. provided you don't inhale as people sometimes say, provided you don't believe that you've merely got to lay down a course for the future and think that laying it down means that's it.

YOUNG: Quite.

JENKINS: You'll follow it and an awful lot of things can happen and we're tremendously vulnerable to changes which take place in the outside world and a lot of the things we can do depend on getting co-operation with other countries and then working - working with them.

YOUNG: Which is what I meant, you can look five years ahead and then the American budget deficit can go haywire or whatever and the entire scene can change can't it?

JENKINS: Well there are a lot of factors of that sort can happen, but it doesn't do any harm to say where you'd like to be, but my criticism of this rather is that it says we're - it charts a course for the

JENKINS (Cont'd): future but in certainly narrow financial terms and not looking sufficiently at the real problems of the economy, at investment, how we live without the oil and how on earth we're going to preserve even the present level of jobs, when we have a further turn down and let alone make a hole in that three and a half million unemployed.

YOUNG: I wonder if I could ask you finally, what I asked Roy Hattersly as a last question, I said how many - how many cheers out of three would he give the Chancellor for his budget and he said well because he was feeling in a very generous mood this morning, he would give him .2 of a cheer.

JENKINS: .2.

YOUNG: I mean one fifth, one - 0.2.

JENKINS: 0.2 of a cheer. Oh that's a bit - that's a bit ungenerous, one does give him one cheer for presentation. One's bound to give him at least half a cheer for ....

YOUNG: Not a lot for content.

JENKINS: ... for doing a lot of sensible things, abolishing the National Insurance surtax - sur- surcharge and not doing too many foolish things, but one cannot give him a really wholehearted cheer for facing up to the fundamental problem confronting the country and doing something about it.

YOUNG: Very nice to talk to you on the programme again. Thanks very much for coming in.

JENKINS: Thank you very much indeed.

YOUNG: That's Roy Jenkins, Right Honourable Roy Jenkins MP, Economic Spokesman for the Alliance.

pwp.

FROM: MISS J C SIMPSON
DATE: 12 March 1984

MR HALL

cc PS/Financial Secretary

POST BUDGET MEDIA BIDS

The Chancellor has seen your minute of 9 March, and is content that the Financial Secretary should be available for TV coverage of the Budget on Tuesday afternoon.

JS

MISS J C SIMPSON

UNCLASSIFIED

(pup)

ECONOMIC SECRETARY TO THE TREASURY

FROM: A M ELLIS
DATE: 12 March 1984

MR HALL

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State
Sir P Middleton
Mr Monaghan
Mr Page
Mr Segal
Mrs McKinney
Mr Towers
Mr Evans
Mr Bosley
Mr Johnson
Mr Ridley
Mr Lord
Mr Portillo

POST-BUDGET MEDIA BIDS

I am minuting to confirm that the Economic Secretary is content to take on item F of your minute of 9 March - The World Tonight programme on Budget Day evening .

A M ELLIS

RESTRICTED

FROM: A.P.HUDSON

DATE: 12 MARCH 1984

cc PS/Chancellor
Chief Secretary
Minister of State
Economic Secretary
Sir Peter Middleton
Mr Ridley
Mr Lord
Mr Portillo

MR HALL

POST-BUDGET MEDIA BIDS

1. The Financial Secretary has considered very carefully the proposals in your 9 March minute.

2. He is very concerned that we should not be drawn into the media's favourite approach of confrontation, as opposed to our own need in this Budget, which is "projection" - projection of hope for the future, hope for jobs. The message must be upbeat and positive, especially in the crucial early stages. Debate should follow later; the positive tone must be conveyed first.

3. With this in mind, the Financial Secretary is happy to take on all the bids which are down to him - but as interviews. He does not think Ministers should be into discussions and argument at this early stage.

APH

A P HUDSON

(PMD)

FROM: M A HALL
12 March 1984

CHANCELLOR

c c Sir Peter Middleton

TELEPHONE CALLS TO NEWSPAPER EDITORS

Sir David English and Sir Larry Lamb are expecting you to telephone them between 6.45 pm and 7 pm tomorrow evening. The telephone numbers on your diary are their direct lines. I have explained to them at great length the tightness of your schedule that evening, and the risk that in the event you may be presented by force majeure from speaking to them. But it is clearly important to try our level best.

MH

M A HALL

FROM: M A HALL

12 March 1984

CHANCELLOR
CHIEF SECRETARY
FINANCIAL SECRETARY
MINISTER OF STATE
ECONOMIC SECRETARY

c c Sir Peter Middleton
Mr Monaghan
Mr Page
Mr Segal
Mrs McKinney
Mr Towers
Mr Evans
Mr Bosley Ms Goodman
Mr Johnson
Mr Ridley
Mr Lord
Mr Portillo

POST-BUDGET MEDIA APPEARANCES BY MINISTERS

The attached schedule updates the annex to my minute of 9 March. There are one or two gaps, and these will be closed in the course of tomorrow morning.

MA.

M A HALL

TUESDAY 13 MARCH

	Programme	Minister	Time	Venue	Format
*	BBC TV, 60 Minutes (60 Minutes have all their presenters at Lime Grove, and cannot interview face to face)	FST	5.30	College Mews or Norman Shaw	Down the line
*	BBC News	CST	7.00	N Shaw	Face to face interview - Curtois(?)
*	ITV News at Ten	CST	7.15	N Shaw	Face to face interview - Mathias(?)
+	Channel 4 News	FST	7.00	48 Wells Street	Face to face interview - Sissons, followed by interview with Hattersley
*	Newsnight	CST	10.15	Lime Grove	10-12 minute studio discussion live, with Hattersley, Jenkins and Tusa.
*	BBC Radio Budget Special	MST	6.30	N Shaw	Face to face interview - Clough or Williams
*	BBC World Tonight	EST	7.30	N Shaw	Face to face interview, Alexander Mcleod.
*	IRN News	MST	6.40	N Shaw	Political interview - Peter Murphy

WEDNESDAY 14 MARCH

	Programme	Minister	Time	Venue	Format
(a)	IRN/AM	CST?	7.30/8.00 am	Bridge St.	Moffitt
+	TV/AM	FST	7.30	Camden Studios, Hawley Cres, NW1	5 minutes, reactions to reactions - one to one, John Stapleton.
	Today Programme	Chancellor	7.45 for 8.10	Radio car, No 11 (with MAH)	Interview/ Hobday, following reports from regions.

* Accompanied by John Monaghan

\+ We very much regret that IDT cannot provide anyone to accompany.

(a) Not yet resolved.

FROM: M A HALL
12 March 1984

CHANCELLOR

THE LOBBY

I have now told the Lobby that you will see them an hour after the leader of the Opposition sits down. I have arranged to be available to brief those members of the Lobby with early deadlines while you are seeing the Backbench Finance Committee.

MH

M A HALL

PMP

FROM: M A HALL
12 March 1984

CHANCELLOR

PHOTOCALL FOR THE FINANCIAL TIMES

We agreed over the week-end that you would see the Financial Times in the Stateroom at 2.55 pm. You need to start going down the stairs at 3.02 pm precisely.

MH

M A HALL

FROM: LIZA MCKINNEY

DATE: 12 March 1984

has not seen

1. MR ~~PAGE~~
2. MR HALL
3. CHANCELLOR

cc Miss Young
D/F
Mr Davey - No. 11

POST-BUDGET BRIEFINGS

This is to confirm the programme of briefings which has been arranged as agreed. at No. 11.

Wednesday 14 March

Brian Walden is not well at present MMG 12/3

10am Malcolm Rutherford, Financial Times

10.30am Peter Riddell, Financial Times

12.30pm Andrew Alexander, Daily Mail (moved to accommodate James Long's interview)

11.30-12.30pm Economics Correspondents Group

Max Wilkinson, Financial Times
Kenneth Fleet, Times
Andreas Whittam-Smith, Daily Telegraph
Geoffrey Goodman, Daily Mirror
Patrick Lay, Daily Express
Trevor Kavanagh, Sun
Steve Levinson, Press Association
Rich Miller, Reuters

No doubt realising what is likely to happen. MMG.

Hamish MacRae was invited but after being told he could neither bring along Victor Keegan nor send him instead, he said he wished to reconsider whether to accept. To date his presence remains unconfirmed.

3pm James Wightman, Daily Telegraph

3.30pm Charles Douglas-Home, Times

Thursday 15 March

3.30pm Andrew Neil, Sunday Times

6pm Mike Steel, Leicester Mercury

Friday 16 March

11am-12 noon

Keith Renshaw - Sunday Express
Michael Jones - Sunday Times
Adam Raphael - Observer
George Jones - Sunday Telegraph
Paul Potts - News of the World
Victor Knight - Sunday Mirror
Chris Buckland - Sunday People
Peter Simmonds - Mail on Sunday
Ivan Fallon - Sunday Telegraph
David Lipsey - Sunday Times
Bill Keegan - Observer

Liza McKinney

LIZA MCKINNEY

Covering BUDGET SECRET

FROM: M D X PORTILLO
DATE : 13 MARCH 1984

MNT

PS/CHANCELLOR

cc Mr Battishill
Mr Folger
Mr Hall

BUDGET BROADCAST

Latest text attached.

cc Mr Battishill
Mr Hall
Mr Kerr

M D X PORTILLO

Mr Portillo

Three essential points, one recommended, as below. All the "essentials" reflect changes made to the earlier version of the charts.

MJT
13. 3. 84.
12. 20 pm

THE CHANCELLOR'S 1984 BUDGET BROADCAST

CHANCELLOR

You'll already have heard what's in the Budget, and you'll be reading a lot more in the papers tomorrow. But in a couple of days it will stop being news, and then there'll be different stories about exports and unemployment and inflation and interest rates, and it will all merge into a jumble of economic news with very little pattern to it. Some of it sounds good, some of it sounds bad, but for some people it doesn't really mean very much.

2. But there is a pattern, all the same. Do you remember the old days when we used to lurch from one economic crisis to another, and Governments used to stagger from one gimmick to the next? What we've done is to get away from all that. And that means taking a longer view. So I'd like to take a moment to look at the pattern that underlies all the day-to-day events you read about in the newspapers, and explain how today's Budget fits into it - how it is designed to move us closer to our objective.

3. In fact every one of our Budgets since 1979 has pursued this same consistent strategy. The

aim is simple: to create steadily rising prosperity instead of the repeated stop-go that did us so much damage in the past. The change can be seen most clearly with inflation. That's the biggest menace of all. The rate of price increases went up under every government for a generation.

4. 3 per cent from 1961 to 1964. That was under the Conservatives. 4½ per cent from 1964 to 1970 under Labour, 9½ per cent from 1970 to 1974. That was under us again. And 15½ per cent from 1974 to 1979, under the Wilson and Callaghan governments.

5. That was the first and biggest task we had to tackle - inflation is the great destroyer of savings and jobs. When we took over it was still on a rising path - 16½ per cent ~~that~~ up to the end of 1980 ~~in our first year~~.

1

But we brought it down to 12 per cent in 1981, to 8½ per cent in 1982, and to 4½ per cent last year. Lower price rises have brought lower interest rates. That's part of our policy too, to make it cheaper for people to buy their homes and for businesses to invest.

6. Lower inflation has given us a firm foundation for recovery. Everyone now agrees that the recovery is under way. There is evidence everywhere. A look at Britain's output over the past ~~six~~ five years shows the pattern.

2

3

A rise ~~for the first four half-years~~ to the end of 1979. A fall during the world recession until the middle of 1981. Then a steady rise ever since, overtaking the 1979 peak and still going up.

7. At the same time Britain's getting more efficient. Our productivity rose sharply last year - people are producing more in a shorter time. That's what we need to sell our goods abroad, and new orders bring new jobs.

8. But of all figures I get - and I can tell you I get plenty - the one that gives me special pleasure is our position in the ~~Common Market~~ European league table for economic growth.

NB "Common Market" forecasts due out within days make it impolitic to use those words here

9. Our ten year average from 1973 to 1982 put us firmly in the relegation zone, right at the bottom. Last year we were right at the top. And the international forecasters of the OECD in Paris think we shall be top again this year.

10. We in the Government haven't done this. Governments can't. It's business and industry that have done it. All Governments can do is create the conditions that make it possible. And that's where this Budget fits in.

11. Today I announced important changes in the way companies are taxed. The idea is to bring down sharply the rate of tax they pay on their profits and to get them to put their money into projects that will be successful. Not just because that's good for British business, but because it's good for profits, and profits are good for jobs. And more jobs is what we all want to see.

12. But there is one great danger - a danger that could slow down the recovery, and make us worse off than we need be. That danger is too much government spending. What government spends has to come either from taxes, or from borrowing. No responsible government wants to run up huge debts which our children will have to pay off. So if we were to let government spending rush ahead, that would have to be paid for by higher taxes.

13. Let me show you what I mean with a diagram. Over the years national output has risen. But government spending has risen even faster. So we have all had to bear an ever -increasing burden of tax. That's left people and businesses with less spending power, and has slowed down the economy.

Now we have a real prospect of steady growth in the years ahead. But if government spending rises in the old way, we'll never be able to cut tax rates. But if we can hold government spending at its present level - and I mean hold it, not cut it - than as output rises we shall all have a bigger and bigger share to spend as we choose and companies will have more and more to invest in new jobs.

14. Today's budget contained another important step to help businesses create more new jobs: the end - at long last - of the National Insurance Surcharge, the tax on jobs introduced by Labour. Removing another weight from around the neck of British business.

15. There was good news on income tax too. Most people agree that families on low incomes are paying too much tax. Today I did something about that, by giving both single people and married couples bigger tax allowances making it more worthwhile to work.

16. In order to bring down taxes on wages, I've had to put up some taxes on spending: on cigarettes, for example. But I believe that people prefer to have more money in their pockets, to spend and save as they wish.

17. So well over three-quarters of a million people who would have been paying tax next year now won't have to pay. And 100,000 of those are widows. And married couples will generally pay £2 less a week in tax, and even less if they both go out to work.

18. And there was more good news for young couples thinking of buying their first home. For nine out of ten of them won't now have to pay any stamp duty at all.

19. The Budget looks ahead and sets the pattern for the next four years. It's designed to make the economy work better and bring new jobs. And it points the way to lower taxes too. Our policies are paying off and we're sticking to them. Today inflation is down and the economy's growing. Our prospects are very much better than for a long time.

BUDGET SECRET

FROM: M E Corcoran
DATE: 13 March 1984

PS/CHANCELLOR OF THE EXCHEQUER
PS/CHIEF SECRETARY
PS/FINANCIAL SECRETARY
PS/ECONOMIC SECRETARY

cc Mr Hall
Mr Ridley
Mr Lord
Mr Portillo
Mr Jefferson Smith - C&E

POST BUDGET INTERVIEWS: FAST FALLS

One fast ball which has occurred to the Minister of State is whether the extension of VAT to take-away foods will hit meals on wheels. It will not: although often carried out by volunteers, this is a local authority service.

MEC

M E CORCORAN
Private Secretary

BUDGET SECRET

pup

FROM: LIZA MCKINNEY

DATE: 13 March 1984

1. MR PAGE
2. MR HALL
3. CHANCELLOR

cc Miss Young
D/F
Mr Davey - No. 11

POST-BUDGET BRIEFINGS

This is to confirm the programme og briefings which has been arranged as agreed at No. 11.

Wednesday 14 March

10am	Malcolm Rutherford, Financial Times
10.30am	Peter Riddell, Financial Times
11.30-12.30pm	Economics Correspondents Group
	Max Wilkinson, Financial Times Kenneth Fleet, Times Andreas Whittam-Smith, Daily Telegraph Geoffrey Goodman, Daily Mirror Patrick Lay, Daily Express Trevor Kavenagh, Sun Steve Levinson, Press Association Rich Millar, Reuters Jim Levi, Evening Standard

Hamish MacRee was invited but after being told he could neither bring along Victor Keegan nor send him instead, he said he wished to re-consider whether to accept. To date his presence remains unconfirmed.

12.30pm	Andrew Alexander, Daily Mail
3pm	James Wightman, Daily Telegraph
3.30pm	Charles Douglas-Home, Times

Thursday 15 March

3.30pm	Andrew Neil, Sunday Times
6pm	Mike Steel, Leicester Mercury.

Friday 16 March

11am-12 noon

Keith Renshaw - Sunday Express
Michael Jones - Sunday Times
Adam Raphael - Observer
George Jones - Sunday Telegraph
Paul Potts - News of the World
Victor Knight - Sunday Mirror
Chris Buckland - Sunday People
Peter Simmonds - Mail on Sunday
Ivan Fallon - Sunday Telegraph
David Lipsey - Sunday Times
Bill Keegan - Observer

Liza McKinney

LIZA MCKINNEY

cc Sir T Burns
Mr Scholar
Mr Battishill
Mr Hall

Mr Davey

14 MARCH

1.00 pm - Lunch: The Economist, No 11

Those attending from HMT:

Chancellor
Sir T Burns
Michael Scholar
Tony Battishill
Martin Hall

Those attending from the Economist:

Andrew Knight
Norman Macrae
Rupert Pennant-Rea
Simon Jenkins
Clive Crook

FROM: LIZA MCKINNEY

DATE: 14 March 1984

1. MR HALL

2. CHANCELLOR

cc Mr Page
D/F
IDCS

POST BUDGET LUNCHEON - THE ECONOMIST

Andrew Knight, Norman Macrae, Rupert Pennant-Rea and Simon Jenkins from the Economist are already well known to you. Clive Crook, the fifth member of the team, is in fact a Treasury official presently on un-paid leave in order to work for the magazine. Prior to joining the Economist he was Private Secretary to Sir Terence Burns and I am told that, privately, he is anxious not to offend his old boss.

Attached are two press cuttings from last week's Economist. The magazine is mostly laudatory of the Government's economic strategy today and impresses upon the Chancellor to "go on fighting inflation, to persuade workers to price themselves and the unemployed into secure jobs...".

The Economist sums up by saying "A strategy aimed at slowing growth in the various Ms to, say, 4 per cent by 1989 would be the surest proof of the government's intentions. Mr Lawson would also prove that, on economic policy at least, the Tories have not lost their feet or their way."

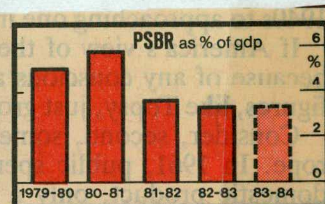
Liza McKinney

LIZA MCKINNEY

THE ECONOMIST

MARCH 10th.

Revivalist Lawson



Britain's Tories should keep pushing for lower inflation—but not, please, a balanced budget

After six months slipping on tactical banana skins, Britain's Tory government needs to use its annual budget on March 13th to demonstrate that it has not lost its strategic way. The chancellor of the exchequer, Mr Nigel Lawson, seems to have a better chance of managing this than his predecessor, Sir Geoffrey Howe. The British economy is growing at 3% a year. Inflation is steady at around 5%. But those very achievements beg the question of where policy goes next.

Sir Geoffrey, when he was chancellor, always had a ready answer. His overriding goal was to reduce inflation. He would reach it by sticking to a medium-term financial strategy (MTFS) for curbing monetary growth and public borrowing. As the Tories started in 1979 with fast monetary growth and heavy borrowing (which, for a year, they made faster and heavier), their orthodoxy had obvious purpose.

Having travelled hopefully, the government has now arrived. It has cut the public sector borrowing requirement (PSBR) to about 3¼% of gross domestic product, one of the lowest ratios in the world. It has slowed monetary growth, though perhaps not by as much as it would have liked. And it has landed Britain in the same low-inflation league as West Germany and Japan, for the first time in a dozen years.

This prize has been won at great cost, with 3m people out of work. Some economists (and all opposition politicians) are therefore urging the government to be more expansionary "because it can afford to take risks with inflation". On the contrary, the government rightly believes that another round of rising inflation would mean another string of lost jobs. It should go on fighting inflation, to persuade workers to price themselves and the unemployed into secure jobs, managers to realise that they will not be saved by the printing presses if they concede large wage rises, and the

1

THE ECONOMIST

MARCH 10th

financial markets to bring interest rates down to West German levels. In short, the message as before—but given new force by updating Sir Geoffrey's MTFS.

Monetary rules, fiscal discretion

The best updating would start from first principles. The MTFS was originally intended as a framework for monetary policy; the PSBR targets were there largely as support. Only when the government was thrown by the bucking of sterling M3, its chosen measure of the money supply, did it put more weight on the PSBR. At the time it was right to do so; its counter-inflationary intent would otherwise have seemed pretty feeble. But the PSBR is a messy guide to fiscal policy, growing messier as the government sells more public assets and treats the proceeds as though they cut it (see box).

Even if the PSBR was a good guide to the financial impact of the budget deficit, the government should no longer try to cut it steadily, year after year. That would mean heading for a balanced budget—a primitive target, because the cycle always affects the size of the PSBR. Ideally the government should be aiming for a "full-employment budget balance", but that notion risks mayhem. If the government defined "full employment" to be a jobless rate of 8%, the trade unions and the Labour party would call it callous. If it defined full employment as a 5% jobless rate, the City would skitter, fearing that the government planned to boost the economy into accelerating inflation.

Mr Lawson would do better to downgrade fiscal policy and explain its future in words rather than numbers:

> The government will judge the budget deficit by its effects on interest rates. If the economy is growing solidly and the private sector is increasing its borrowing, we will take pressure off interest rates by cutting the deficit. If the economy is slowing and—critical point—inflation and interest rates are low, we will let the deficit expand to stop a slump. Once that has happened, we will again use interest rates as a guide to when we should cut our deficit. Our goal is lower inflation and lower interest rates. We will get there by monetary means, using fiscal policy as a reinforcement.

That approach would justify a neutral budget next Tuesday, perhaps even a lower deficit as a proportion of gdp. It would also leave the field clear for a medium-term monetary strategy.

Mr Lawson need not fudge the goal of an MTMS. It would keep a lid on inflation, lowering it gradually over five years. An MTMS would not solve all the problems of monetary policy, of course. The Bank of England and the treasury would still need to judge what the money supply statistics were saying, how velocity was moving, etc. But they can do this more credibly now that the government is targeting several measures of money. And waiting in the wings is a new measure, M2, which should one day prove the least distortable guide to monetary conditions.

The government need not be embarrassed by the plethora of Ms. America's Federal Reserve has targets for three measures of money, and watches others. It uses its judgment on what they each mean, all the time stressing that monetary policy is intended to squeeze inflation. A strategy aimed at slowing growth in the various Ms to, say, 4% by 1989 would be the surest proof of the government's intentions. Mr Lawson would also prove that, on economic policy at least, the Tories have not lost their feet or their way.

How long is a piece of string?

The chancellor and his Keynesian critics argue at cross purposes about the PSBR. Keynesians say that it is a poor measure of how much demand the government is adding to, or subtracting from, the economy. Mr Lawson claims to steer his policy by a different light: he asks how much strain the government's budget deficit is placing on financial markets. Alas, the PSBR is no use for answering that question either.

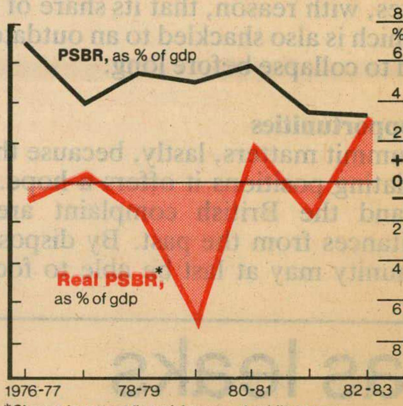
Left alone, the PSBR follows the economic cycle, growing in slumps because of lower tax revenues and higher spending on, eg, unemployment benefit, and shrinking in booms. In theory, it is possible to calculate an "adjusted" PSBR that takes account of these cyclical influences. If the adjusted total falls, fiscal policy is tightening; if it rises, policy is being relaxed.

The national institute of economic and social research reckons that, left to itself, rising unemployment would have increased the PSBR by around 2% of gdp between 1980-81 and 1981-82. In fact, the PSBR fell by 2.2% of gdp (from 5.7% to 3.5%). During a year of deepening recession, Sir Geoffrey Howe tightened his fiscal policies by more than 4% of gdp.

The treasury rejects the theoretically elegant notion of an adjusted PSBR for two reasons. First, adjusting the PSBR involves assumptions about the trend rate of growth in the economy, which is anybody's guess. Second, and more important, the actual unadjusted PSBR is what has to be financed, either by selling government stocks to the non-bank private sector or by selling treasury bills to the banks ("printing money"). Financial markets care little about a hypothetical measure of the PSBR, still less whether it is falling or rising.

The treasury's no-nonsense view of the PSBR ignores two things that financial markets do care about:

- Inflation. As prices rise, the real value of public-sector debt falls. If the City wants to maintain the real value of its holdings, it will be willing to buy more new government stock—ie, finance a larger PSBR—than if prices were stable. The real PSBR has been smaller than the nominal one since the Tories took office (see chart), implying that fiscal policy has been tighter than it seemed.



*Change in real net financial assets of public sector

- Asset sales. The treasury counts the proceeds from selling shares in state-owned industries as "negative public spending"—ie, they reduce the PSBR. In fact, they finance it: selling £4 billion-worth of shares in British Telecom is just another way of raising cash from the City of London, an alternative to selling £4 billion of gilt-edged stock. On this bizarre convention, a long-term programme of privatisation will mean that the PSBR can fall each year even though the impact of the government's deficit is not changing.

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

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Mr Hall

BRIEFING - ECO. CORRESPONDENTS' GROUP

Herewith cuttings - the Financial Times' cuttings you already have in respect of Max Wilkinson - they were included with the Ridley and Rutherford material. Unfortunately we have not got copies of PA and Reuters' reaction to the Budget.

Also attached briefing for Economist's luncheon - please note Clive Cook.

Lyn McKinney

BUDGET COMMENT

Lawson displays dash of ingenuity

WITH characteristic ingenuity, Nigel Lawson has presented a Budget which combines a cut in the burden of personal and business taxes with a lower public sector borrowing requirement. He has achieved this by a mixture of state asset sales of some £2 billion and the proceeds of a 1·2 billion once-and-for all acceleration of VAT payments on imports.

The last item broadly pays for a net £600 million injection of funds in the 1984-85 financial year into both the personal and business sectors after allowing for the effects of full indexation of taxes and excise duties in line with inflation.

The overall "neutral" impact of the Budget measures was widely anticipated and is consistent with the highly diminished role of overt demand management of the economy. Where the Chancellor has impressed is in his far-reaching structural reforms, particularly of company taxation and reliefs.

The prospective reductions in capital allowances will bring forward fixed-investment spending while ending the bias against jobs in project selection by companies. This boost to labour markets was reinforced by the surprise abolition of the employers' National Insurance surcharge.

A steadily reducing corporation tax rate, from 52 p.c. to 35 p.c., will help retentions and, so long as economic prospects appear to be encouraging also promote investment spending in later years.

At the same time this particular structural measure is linked with the objective of lowering monetary growth since a lower corporation tax rate will reduce the bias towards bank borrowing, rather than dividend distributions, within the present imputation method of taxing shareholders.

The step, announced yesterday, designed to give as favourable capital gains tax treatment to company bonds as to government bonds and the abolition of stock reliefs are further efforts to reduce the role of bank credit in overall financial flows and improve the chances of keeping to monetary targets.

The Treasury has become more optimistic about consumer spending, fixed investment and exports in 1984 since the Autumn statement in November but expects imports to grow faster, so growth is still projected to turn out at around 3 p.c. Inflation continues to be forecast at 4·5 p.c. by the end of this year and in a new projection the Treasury expects a rate of 4 p.c. in the second quarter of 1985.

So far as the Medium Term Financial Strategy is concerned the Chancellor has taken on board the small role which asset sales have to play in lowering interest rates and the probable peaking out of North Sea revenue to aim for a £7·25 billion PSBR in 1984-85 equivalent to 2·25 p.c. of GDP compared with an Autumn statement projection of £8 billion and 2·5 p.c. respectively.

The absence of the accelerated VAT on imports largely accounts for an apparent £1·75 billion "reduction" in the burden of taxation in 1985-86 but still includes scope of £2 billion for fiscal relief. Thereafter the PSBR, in a new five-year projection, stays at £7 billion in cash terms up to 1988-89 as a faintly declining proportion of output.

This leaves scope for £3 billion to £4 billion a year tax cuts assuming that the economy grows at an average 2·25 p.c., inflation falls to 3 p.c. and public spending is unchanged in real terms.

Monetary targets have also been extended until 1988-89 and foresee the growth in wider aggregates slowing from a 6 p.c.-10 p.c. range in 1984-85 to 2 p.c.-6 p.c. over the period. As expected, the Chancellor has brought the narrow MO measure into the picture with a slower growth range of 4 p.c.-8 p.c. in 1984-85, declining to 0 p.c.-4 p.c. in 1988-89.

Judging by the noisy bafflement of Members of Parliament yesterday the general public may be less concerned with such arcana than the prospects for tax cuts.

The City will, meanwhile, see little in the Budget to disturb the stability of financial markets and the atmosphere for further base rate cuts has undoubtedly improved.

TREASURY SHORT-TERM FORECASTS

	GDP p.c. change on year ago	Current account (£ bn)	PSBR (2) £bn and p.c. GDP	RPI p.c. change 4th qtr to 4th qtr
1983	3	2	10(3¼)	—
1984	3	2	7¼(2¼)	4½
1985 (first half)	—	1(1)	—	4 (3)

(1) Annual rate. (2) Financial years. (3) Second quarter 1984 to second quarter 1985.

D Telegraph 14.3.84

D. Telegraph 14.3.84

A BOLD BUDGET

FOR A GOVERNMENT whose political fortunes have been somewhat mixed during the past six months or so, Mr NIGEL LAWSON's first Budget delivered precisely what was required of it. He was able to claim that the policies of his dogged predecessor had been vindicated and that the fruits of the harvest would soon be reaped. He contrived to suggest precisely the vigour and sense of direction which uneasy Conservative back-benchers have been craving for. Above all, Mr LAWSON's performance left an impression of competence and, for want of a better word, grip.

One of Mr LAWSON's greatest virtues is coherence. He described his Budget as having two themes—the further reduction of inflation and the judicious reform of Britain's chaotic and indefensible system of taxation—and he stuck unwaveringly to his last. He might also have said that this was Britain's first real supply-side Budget. Within the constraints of a Budget which was to give no stimulus to aggregate demand, Mr LAWSON succeeded in introducing a raft of measures which will encourage both employment and savings. Mr KINNOCK and Mr HATTERSLEY, whose ideas about reducing unemployment are still dominated by public works schemes and the propping up of dying industries, will find it difficult to appreciate, but what Mr LAWSON has done is to produce a Budget for jobs.

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To that end, the over-riding priority remains the provision of a monetary and financial framework which will promote stability and declining inflationary expectations. The tax reforms are the "little extras"—individually unspectacular, but cumulatively of the greatest importance. The medium-term financial strategy therefore remains the cornerstone of Government policy. The reformulation of the MTFS, announced yesterday by Mr LAWSON, was very much in line with expectations. The clear intention is not to indulge in any innovation which might lead to uncertainty over the Government's intentions or provoke a potentially tiresome technical debate.

The result is a MTFS which is more evolutionary than revolutionary. The public sector borrowing requirement, after this year's hiccup, is to return to a declining trend and monetary control is to be bolstered by the addition of a new measure for narrow money, M0, while M1, which had become hopelessly distorted by the growth of interest-bearing sight deposits, is put out to grass. The new targets are certainly consistent with a further reduction in the rate of inflation; to what extent they will help to bring about the stable prices which the Chancellor says is his ultimate goal, is open to question. Given a period of sustained economic recovery and tight control over expenditure it would be surprising if the budget deficit did not narrow. When asset sales are thrown into the equation, the anticipated fiscal stance does not look too severe, just rather mechanistic and predetermined. The exact opposite is the case with monetary policy. Although the narrow aggregates have been given generous target ranges, difficulty will be encountered with Sterling M3 unless the Government continues to over-fund the public sector deficit more or less indefinitely.

To judge by the Chancellor's remarks, a great deal of discretion will be used in determining the tightness or looseness of policy. This is entirely sensible, but it does rather call into question the extent to which the monetary aggregates are really being *targeted* as opposed to merely *monitored*. If Mr LAWSON wants the MTFS to bear down on inflationary expectations, he would do well to consider the introduction of a target for nominal GDP or total spending. People would then be able to see exactly what the trade-off between growth and inflation was likely to be and could bear that in mind when negotiating wages.

★

The Chancellor's overhaul of the taxation of savings and businesses is altogether a more exciting subject. Despite the usual proliferations of leaks, few people expected him to go as far as he has. Mr LAWSON's goal of moving towards a neutral fiscal environment for savings and investment is one which we firmly endorse. The net effect of the myriad reliefs, privileges and allowances which have proliferated over the past 20 years is to distort markets and diminish economic efficiency.

The decision to withdraw tax relief on new life assurance policies while scrapping the pernicious investment income surcharge and halving stamp duty on share transactions is a major step in the right direction. The Chancellor does, however, deserve some criticism for such overt pandering to householders. If he was too nervous to do anything about restricting mortgage relief for higher rate taxpayers to 30 per cent., he should not have given this cosseted class a windfall via the cut in stamp duty on land and house purchases, especially after the recent cuts in housing benefit. It would have been far more to the point to have scrapped stamp duty on share purchases outright.

Paradoxically, Mr LAWSON has been extremely bold in his phased reduction of the 100 per cent. first-year depreciation currently granted to companies investing in plant and equipment. To encourage companies to substitute robots for people at a time when we have three million unemployed —at great expense to the taxpayer—is a nonsense. The offsetting drop in corporation tax is entirely to be welcomed as is the abolition of the hated national insurance surcharge, although the latter may encourage a few companies to accede to wage claims that they might otherwise have resisted.

By over-indexing beer and cigarettes and levying VAT on some previously exempt items, the Chancellor has also been able to do more to lessen the tax burden on the low paid than most people had dared to hope. He is to be praised for concentrating all his tax cuts on raising personal allowances—it is a scandal that very poor people should be paying tax at all, let alone facing a marginal tax rate which, in certain circumstances, can exceed 100 per cent. However, Mr LAWSON is wrong to claim that there is no relatively inexpensive way to assault the poverty/unemployment trap. A substantial increase in child benefit would do more to help the sort of families who are most penalised by the present system of tax and benefits than a rise in allowances costing an equivalent amount.

Overall, however, Mr LAWSON deserves high marks indeed for his first Budget. Yesterday he gave the impression of a man enjoying a moment for which he has spent most of his life preparing. Mr LAWSON would undoubtedly like to go down in history as a great reforming Chancellor. He has made a notable beginning.

D Telegraph
14.3.84

INDUSTRY REACTION

Two and a half cheers for tax reform package

A TAX reform package ranging from cuts in corporation tax to abolition of the National Insurance surcharge produced two and a half cheers from industry leaders after Mr Lawson, the Chancellor, unveiled measures to stimulate business.

But there was criticism about the phased abolition of first-year capital allowances and stock relief and a mixed reaction to the speed up of value added tax payments on imports.

The Confederation of British Industry and the Association of British Chamber of Commerce chorused "Nice one Nigel" while the British Institute of Management regretted the absence of a swift stimulus to investment.

Business leaders are now looking for a follow-up in the shape of an interest rate reduction but despite the cuts will be faced with higher tax payments in 1984-85 because it will take time for the effects of the reforms to work through.

Taxes will rise by up to £500 million but the Treasury says the increase will be more than outweighed by cuts worth £1·4 billion in 1985-86, producing a net benefit of around £900 million over the two years.

The main changes are:

Corporation Tax: The present 52 p.c. rate will be cut to 50 p.c. for 1983 tax year assessments, 45 p.c. for 1984, 40 p.c. for 1985 and 35 p.c. for 1986. The small companies rate will drop immediately from 38 to 30 p.c.

The Treasury believes the changes will help improve the quality of investment, bring British rates down below those of most international competitors and leave companies with more freedom to choose how they spend and invest their profits.

Stock relief: The "temporary measure" introduced in 1975 to provide tax relief on the book value of stocks at a time of high inflation will end from March 13, but the provisions for unused relief will continue.

Capital allowances: The 100 p.c. first-year allowance for machinery and plant will be reduced to 75 p.c. for investment from today, 50 p.c. after April 1 next year and be abolished on April 1, 1986. Expenditure incurred before April 1, 1987 from a binding contract made before yesterday will continue to qualify for the full rate.

There is concern in business quarters that the change will damage manufacturing investment

The industrial building allowances, at present 75 p.c., will be reduced to 50 p.c. from today, 25 p.c. from April 1 next year and abolished a year later. In next year's Finance Bill changes, to take effect from 1986, will be introduced in allowances for farm buildings, hotels, dredging, patent rights and "know-how."

National Insurance surcharge. The abolition of the hated "tax on jobs" from October 1 produced a whoop of delight from the C B I, the main campaigner. The surcharge, at present 1 p.c., will reduce employers costs by £335 million in 1984-85 and £865 million in a full year. The total benefit since the Thatcher administration started dismantling the surcharge will be £3 billion a year.

V A T on imports: About 50,000 businesses are expected to be affected by the decision to reduce the breathing space for paying V A T on imports from 11 weeks to a month, a change which is estimated will provide a once-and-for-all windfall to the Treasury of £1·2 billion in a full year.

Roland Gribben

11

Questions the Green Paper sidesteps

THE ten years forward look at public sector spending and revenues is a brave exercise. But anyone looking for a forecast of what life in Britain will be like will be disappointed.

The figures in the Green Paper are based on very simple assumptions about the general level of output, the likely growth of overall revenues and the amount which will be available for public sector spending if the objective of reversing the 20-year rise in its share of the national cake is to be significantly reduced.

It makes the point that if output rises by 1·5 p.c. a year between 1988 and 1993 and public expenditure by only 1 p.c. its share of the national cake will fall a bare 1 p.c. to 34·5 p.c. Even if output grows by 2 p.c. a year and public expenditure is held steady its share of output will still be 32 p.c. ten years from now.

The forecast deliberately makes no specific assumptions about changing priorities in public expenditure over the next decade, on the grounds that building totals from the bottom up is a form of thinking which has contributed directly to the remorseless rise in the public sector's appetite for resources in the past, and the proper way to work is to consider the likely resources available, set a ceiling on the demands of public spending and allocate the resources between the competing sectors.

So there is no guidance here on the competing demands of defence or demand-based spending programmes such as pensions and social security, or between capital and current spending, apart from a general warning that the proportion of the population over 75 is rising and many welfare programmes are labour intensive and hard to make more efficient.

The forecast also makes no assumptions about the future course of economic cycles, although the tendency for public spending to rise during a recession is very obvious from past figures. The only sectors about which the Green Paper makes detailed assumptions are North Sea oil output, prices and revenue and debt interest.

It sees oil output falling from 118 million tons in the current year to anywhere between 80 million and 115 million tons in 1988-89 and a distinctly dismal 40 million to 90 million tons by 1993-94. It sees prices in constant terms about 5 p.c. lower than now in five years' time, and about 8 p.c. higher than now ten years hence.

As revenues fall, North Sea oil taxes' contribution as a proportion of national output may halve to 1·5 p.c. As annual public sector borrowing requirements shrink from the current 3·25 p.c. of output to 1 p.c. ten years from now the burden of net interest payments should halve from 3·5 p.c. of the national cake to 1·75 p.c.,

PUBLIC SPENDING, RECEIPTS AND BORROWING, 1983-84 to 1993-94

(per cent. of GDP)

	1983-84 estimate	1984-85	1988-89	1993-94
1. Public expenditure planning total ...	39¾	38½	35½	34½*
2. Net debt interest	3½	3¼	2½	1¾
3. North Sea revenues	3	3	2¼	1½
4. Non-North Sea taxes	36	35¾	33½	33¼*
5. Other net receipts	1	¾	½	½
6. PSBR (1+2-3-4-5)	3¼	2¼	1¾	1

*Assumes that GDP grows at 1½ p.c. a year between 1988-89 and 1993-94 and public expenditure at 1 p.c.

D. Telegraph Contd.

Times Contd.

11

Uncertain outlook for gilts

Post-Budget perspectives in the gilt-edged market are less bright. At first sight they seem to stretch into a golden future for gilts – and that may turn out to be so, if the Chancellor's gamble on sustained growth works out and nervous analysts genuinely get over their initial qualms about the nature of the arithmetic surrounding the projected public sector borrowing requirement.

Inflation should be down to 4½ per cent by the year end; the PSBR will fall to £7.2 billion (2¼ per cent of gross domestic product) some £3 billion lower than in the current year; targets for monetary growth are tightened.

Raising the threshold of personal sector allowances by far more than inflation decreed underwrites the continuation of the consumer spending boom, which has shown signs of peaking out, as well as enabling the personal sector to pay for some of last year's credit-financed boom without defaulting. The inflation threat from rising prices as output and demand are sustained will be contained by pressure on imports through the short-term move to levy instant VAT on them. This £1.2 billion once-for-all boost to government revenue is the cause of questions about the "true" level of the PSPR.

Enhancing the attractions of the corporate debt market by eliminating capital gains tax on fixed interest corporate stock ought to remove a lump of private sector borrowing which would otherwise boost the monetary aggregates and keep yields high in nervous markets – two things the Chancellor is anxious to avoid.

Phasing out stock relief may help in this context too, since the abolition of the concession discourages the industrial sector from carrying above average stock levels, which in turn boosts credit requirements. Any threat to sentiment which an accelerating sterling M1 figure might pose has again been neatly taken care of; M1 has been replaced. And ending of the National Insurance Surcharge is also a clever tactic. According to the Treasury model, eliminating the surcharge should help to underpin the inflation forecast, since such a substantial re-injection of cash eliminates companies' need to push up prices.

The Chancellor may live to regret the elimination of the CGT concession gilts have long enjoyed and the block on life assurance business with the ending of tax relief on premiums. The PSBR has been distorted by proposed asset sales and the changed treatment of public sector deposits and the £7.2 billion figure for 1984-85 has a one-off feel to it bearing in mind that this year's figure of £10 billion is a substantial overrun.

Assuming a similar error in 1984-85 the Government will need to borrow and might run into problems, competing on supposedly equal terms with the corporate sector's demand for long term credit. When this has happened in the recent past, witness National Savings' experience, the Government simply bids up the rate.

The final threat to the strategy must invitably stem from the exchange rate. Sterling was wobbly last night, as the feeling grew that another round of interest rate cutting was on the way, when US rates, as ever, look set to rise.

The snap reaction in the market last night was to anticipate something of a gilt rally this morning. The Government Broker did not discourage this view yesterday, when he supplied the new tap stock, Exchequer 10 per cent 1989, at40⅛ and then withdrew. According to conventional wisdom, low coupon stocks and index-linked stocks are now the categories of gilts to avoid, since abolition of the investment income surcharge has reduced the appeal of low coupon stocks, while officially inflation is a thing of the past.

Times 14.3.84

The kerosene Budget lights an equity fire

Mr Nigel Lawson's first Budget was immediately dubbed in the City as "the kerosene budget", not for the removal of excise duty from the fuel itself but for the fire his various measures were likely to put under the equity market.

Wholly admirable are the specific changes to persuade more people to buy shares: halving stamp duty on purchases, abolishing the investment income surcharge, raising the Capital Gains Tax starting point, albeit only in line with inflation (next year the major reform) – these should further Mrs Thatcher's cause of a share-owning democracy, as the sale of council houses did for the parallel dream of a nation of Conservative-minded property owners.

The better treatment of profit sharing schemes is overshadowed by the long overdue decision to tax gains under share option schemes not as income but as capital gains, but both measures should combine to foster a healthy interest in the processes, performance and profits of the market economy. And of course, the most radical section of the Budget, the new "five-year framework" for company taxes, together with the abolition of the National Insurance Surcharge, is both an incentive to make profits and something approaching a guarantee that they will not be promptly siphoned off by the Exchequer.

There are, naturally, reservations. The promised scaling down of corporation tax to 35 per cent may make industrial investment in the United Kingdom more attractive, but it will affect, adversely, the tax position and thus the earnings of British companies with appreciable overseas earnings in countries like the United States which have a higher company tax rate.

More immediately, the unwinding of our system of accelerated depreciation through generous capital allowances will cause bad headaches for companies which have used the flexibility of accounting standard SSAP 15 to ease up on their provisions for deferred taxation. Such liabilities are back with a vengeance. Finance directors in the leasing business have probably had a bad night. Put another way, how pleased the banks and their auditors must be that the 1983 accounts are already finalized.

Most serious of all, the one nasty time bomb ticking away quietly in the Inland Revenue press releases, relates to "controlled foreign companies". It seems, unless he is stopped, the Chancellor intends to legislate in this year's Finance Bill against companies the Revenue blithely describes as "using tax havens to avoid UK taxes". He ought to know better than to strike at the heart of United Kingdom companies and the City which regard the world as their oyster.

All, however, may not yet be lost on this score, so let us accentuate the positive and hope the negative will be eliminated. Several of yesterday's key proposals continue the process of liberalizing the Stock Exchange and preparing it for full-blooded international competition. Sir Nicholas Goodison, the chairman, said last night that Mr Lawson had "taken steps to lead to more people having a direct stake in British industry. I have argued for this for years." They obviously do no harm to the immediate trading prospects of member firms. Secondly, they go a long way to removing the fiscal bias in favour of Wall Street.

It is this bias which has done so much to nourish the habit of buying leading UK shares in New York in the form of Authorized Depositary Receipt. When the technical disadvantages associated with ADRs are taken into account, the new 1 per cent stamp duty becomes much more tolerable.

It will take a day or two for last night's equity euphoria to be replaced by a more durable view of the Budget changes. However, some trends are already discernible. The life insurance market has been badly hit by the threatened abolition of tax relief on policy premiums. The sector is a deliberate victim of Mr Lawson's central aim of removing distortions in the tax system. It will be interesting to see how the insurance world responds to such a sudden blast of competition.

Meanwhile, some big names could be vulnerable to takeover raids by more nimble brethren in the financial sector. After all, the dog that did not bark was an overall financial services tax. The banks, in particular, can pat themselves on the back for successfully diverting another dose of windfall profits tax, although their joy is tempered by the decision to scale down capital allowances.

According to Datastream, the value of life insurance shares fell by £262m during the course of the speech. That compares with an incerease of £334m in the market value of breweries, relieved that beer tax is going up by only 2p a pint – more than the rate of inflation, but hardly enough to deter regular drinkers when in many parts of the country a pint already costs nearly £1.

Another sector which did nearly as well as the breweries was retailing, whose combined value rose by £320m on the same basis, reflecting the impact of the sharply higher personal tax allowances. This will also divert a useful amount of cash into individuals' pockets in time for them to pay for a better holiday. Horizon, the tour operator, is due to report results today and should be a direct beneficiary.

For some of the biggest companies such as GEC and ICI, the Budget must appear distinctly mixed. On the one hand, they are bound to cheer the abolition of the National Insurance Surcharge, an inhibition to employment and an administrative chore. On the other hand, they may purse their lips at the dismantling of generous tax allowances on new equipment. The captial goods makers will be even less happy.

A similar mood must infect the tobacco companies. The increased personal spending money can only help them, especially in their diversifications into retailing and the like. But they can be under no illusion that this Chancellor has declared fiscal war on their main product, cigarettes. The 10p increase on a packet of 20 has all the signs of being merely the first in a series of annual salvoes.

Times. 14.3.84

THE BUDGET'S POLITICS

A preliminary verdict on the economic philosophy of Mr Lawson's first budget is given in the article below, but, as with all budgets, its full evaluation has to be measured against the Government's political strategy for a second term. Since last year's general election that strategy has been somewhat elusive, as much inside the Cabinet room as outside it. It seemed to await some resolution of an argument, or at least a divergent set of attitudes, between Tory radicals and Tory consolidators. The former wish to exploit the general election result with a new burst of energy, while the latter seem to feel that, with the achievement of a major reduction in inflation behind it, the Government could afford to ease up the pressure on government spending and hope that a genial aspiration of growth would float it gently forward to the next election.

This period of uncertainty was concluded by the Prime Minister's television interview with Mr Brian Walden, in which she made it clear that no further attempt to cut government spending would be made. It would be held at its present levels for the life of this parliament. In other words, the Prime Minister had become a consolidator. It was clear that the thrust of the Government had changed to one in which ministers would simply hope to manage the mixed economy better than their predecessors. They do not otherwise intend fundamentally to change its proportions between public and private spending except in so far as some margin can be achieved by moderate and sustained growth.

For a government with a large majority and a rhetorical reputation which certainly exceeds its performance, there are dangers in this strategy of consolidation. Chance, as Pasteur said, visits the prepared mind. Presumably mischance is therefore likely to inhabit the empty one. Hence the arrival of what has fashionably become known as the banana skin.

Although the Prime Minister last Friday set out the Government's objectives for the remainder of this parliament there was a certain lack of excitement about the list. It was as though the shine had come off the ball, and Mr Tebbit apart, this cabinet is certainly short of good spin-bowlers.

It was therefore important in political terms for Mr Lawson to shine it up again. He had to give some impression of a radical intent to a government which otherwise would be condemned each year to a defensive strategy holding down public spending at its present levels without being able to give any promise that such an exercise had its own reward.

Mr Lawson's tax changes have some radical flavour to them. The more that can be done to encourage individual enterprise in business, investment and savings the better. The momentum of collectivism in this kind of mixed economy is enormous. It has not been reassuring to see a government express such a marked preference for consolidation over an aggressive counter-attack on the collectivist model which has so permeated our economy and institutions and so undermined the spirit of individualism. To the extent that Mr Lawson has helped individuals reassert their economic responsibilities, he has assisted in the counter attack on collectivism.

But the whiff of radicalism in the tax changes in the corporate and personal sector cannot conceal the fact that, in political terms, this is a consolidators budget. That is what one would expect of the Chancellor now that the Prime Minister has called the tune, but it is not only in economic terms that this Budget takes much on trust. It is in political terms as well. Against the momentum of collectivism in this mixed economy the Government advances a simple laudable and politically compelling hope of progressive reduction in taxation. It will need luck as well as good management if such a hope is not to be beaten, as before, by experience.

Times Contd.

11

THE BUDGET'S ECONOMICS

Mr Lawson began his Budget speech with challenging words. "We shall continue the policies that we have followed consistently since 1979. These policies provide the only way to achieve our ultimate objective of stable prices." If these words are to be believed, the Government wants to end inflation once and for all.

A careful reading of the Budget documents shows that it intends to do no such thing. On the contrary, it is still planning for inflation. Table 5.5., on "Public expenditure in cash and cost terms and as a percentage of GDP", projects a GDP deflator of 4¾ per cent in 1984/85, 4¼ per cent in 1985/86 and 4 per cent in 1986/87. In plain English, the Government is basing its macro-economic strategy on an inflation rate of about 4 per cent, a rate sufficient to cause the price level to rise about tenfold in a lifetime.

Although this would be a great improvement on performance in the 1970s, it is not sound money and the Government cannot pretend that it is. Some people still argue that a set of institutions and arrangements has grown up which depends on continuing inflation and that a determined move towards nil inflation might disturb reasonable expectations. But the same argument was heard when the inflation rate was 15 per cent and 10 per cent and the Government saw no virtue in stabilizing inflation at those levels.

And why is the British Government, which has become known for its noisiness on honest money, unwilling to match inflation figures already reached in other major industrial nations? In Japan consumer prices have risen by 1.6 per cent in the past twelve months and in West Germany by 2.9 per cent. No doubt inflation in these two countries will go even lower while Mr Lawson and his colleagues are agonizing over whether the Government should commit itself to 4 per cent or 4¼ per cent in five years' time.

In fact, Mr Lawson does not want to gear monetary and fiscal policy to defeating inflation. Instead he is happy enough leaving inflation where it is and taking every opportunity he can to cut taxes in order to stimulate the supply side of the economy. When allowance is made for inflation, the full year effect of yesterday's measures is to cut taxation by £1,730m. One of the main beneficiaries is the corporate sector which Mr Lawson clearly hopes will be an engine of economic growth.

In his first Budget Mr Lawson has shown himself to be a supply-sider rather than a monetarist. Mr Reagan would no doubt be delighted if the USA's financial position were strong enough for his Treasury Secretary to push through a tax package as incentive-minded and stimulatory as that announced in the House of Commons yeserday. But the USA cannot have more tax cuts because those already implemented are causing serious financial imbalances and giving no help whatever to the supply side of the American economy.

Indeed, there is a striking and ironic contrast between the spectacular improvement in productivity trends in Britain, which under Mrs Thatcher has given priority to cutting the budget deficit regardless of the resulting increase in the tax burden, and the drab productivity numbers now coming out of the USA, where the Administration's policy has been to give a deliberate boost to the supply side by tax cuts and reforms. So why is the Government changing emphasis now?

Fortunately, the excesses of the American supply-siders will not be matched here. Mr Lawson is hemmed in by the medium-term financial strategy introduced by his predecessor. Indeed, there are the predictable tables showing the PSBR/GDP ratio and money supply growth falling steadily over the lifetime of the Government. But the difference in attitude between Mr Lawson and Sir Geoffrey Howe is substantial. In his first version of the MTFS Sir Geoffrey planned to bring the PSBR/GDP ratio down to 1½ per cent in 1983/84, even though his starting point was in 1979/80 a PSBR/GDP ratio of over 4 per cent. In his first version of the MTFS Mr Lawson evisages cutting the PSBR/GDP ratio from 3¼ per cent in 1983/84 to 1¾ per cent in 1988/89.

It is not an encouraging omen that in Mr Lawson's first year as Chancellor the PSBR has exceeded target by £2b. The reasons, in the bland prose of the *Financial Statement and Budget Report*, are that "local authority borrowing seems to be running much higher than expected, and central government expenditure, particularly on cash-limited programmes, has exceeded last year's forecasts".

D. Mirror.
14. 3. 84

MIRROR COMMENT

IT is a traditional Tory Budget. Once again, a Conservative Chancellor is looking after his friends.

The City of London, Stock Exchange gamblers and company boardrooms will be cheering this morning.

Those looking for a job, or a home, or struggling to make ends meet, won't be so happy.

It is also a clever Budget. Mr. Lawson looks to be helping the less well-off. But he isn't.

What he gives with one hand will be more than taken away by the other.

After the usual higher taxes have been paid—on beer, fags, petrol and car taxes—plus the new taxes on takeaways, there won't be anything left from the small income tax concessions.

These taxes affect millions of families.

Making it cheaper to trade in shares will only benefit thousands.

And those who make money by investing it will score over those who earn it by working.

As for those who are not working, Mr. Lawson had nothing to offer. In that sense, too, it was a traditional Tory Budget.

Mr Lawson's cautious reforms

by Sarah Hogg, Economics Editor

This Budget is not about 1984. Though Nigel Lawson fleshed out his first budget statement with a remarkable number of tax changes for the coming year, fulfilling both hopes and fears of his radical intentions, this is the first Budget of a parliament, and it is the bare bones of his strategy that merit closest intention.

It is an incomplete skeleton. His financial rib cage is fully displayed, but his tax plans are only half-stated and the projections for public spending do not amount to a strategy at all. Only partial judgment, therefore, is possible, plus a little malicious speculation as to why the chancellor has chosen to lay out his economic plans in this particular way.

Mr Lawson's plans assume that public spending remains constant, after allowing for inflation, between now and 1989. Since he claims that he has already brought public spending to a halt, this in effect means no further assault on the expenditure side of his equation, merely a balancing act between the competing demands of different government departments. This should be rather easier over the next five years than over the past four, since the rise in unemployment has slowed and defence has not been promised a sizable real increasein its budget beyond 1986.

Having plumped for stability on this side of the equation, the Chancellor had only two choices. He could have chosen to go down in history as the mechanical successor to Sir Geoffrey Howe, following the same predetermined track towards the elimination of the public sector's deficit. Mr Lawson was, after all, deeply involved in the creation of the Thatcher Government's original monetarist strategy, and he might have been expected to ram it home during his term as chancellor.

That course, however, would have meant no tax cuts during the lifetime of this parliament. Mr Lawson's projections of revenue and spending published in the Budget "Red Book" indeed show that he would have had to plan to increase tax rates to balance the Budget by 1987. Instead, he has chosen to be a tax-cutting and tax-reforming chancellor. His plans allow for £2 billion of tax cuts in 1985-86, and as much as £4½ billion in the following year. The level of public borrowing, as a consequence, remains at £7 billion right through to 1988-89, falling only marginally as a proportion of national income.

For a man so often accused of ignoring political realities, this looks like a strategy of surprising political caution. Mr Lawson tasted the anger of the Tory party last autumn when he threatened tax increases in his first Budget, and this could be interpreted as a capitulation to political pressure. A kinder interpretation would be that the Government has belatedly remembered half the promises it made back in 1979, and decided to put them to the fore in its second parliament.

There is no doubt that cutting taxes is much more generally popular than cutting public borrowing. And the Chancellor has some justification for a switch in strategy: inflation is now below the international average, rather than way above. Of course Mr Lawson took great care in his budget speech to insist that price stability is still his "ultimate" aim. But the spoken word cannot contradict the Red Book figures – and they show the strategy has altered.

Most of the tax reforms outlined by Mr Lawson are sensible and well directed. He has, for example, outlined a considered plan for the redirection of corporate taxation which should cease to penalize the use of labour as compared to capital; at a time of high unemployment that is welcome. On the personal side, the tax savings should act as a stimulus to saving rather than spending, although there are rather more awkward side-effects from his decisions (for example, on the taxation of interest on bank interest, and cuts in tax relief on life assurance).

There is still no clear long-term thinking in the Government's approach to income tax. What the Chancellor called a "middle way" looks dangerously like a muddled way. The Tories' original, declared intention was to make reductions in the rate of tax. Since Sir Geoffrey Howe's first Budget, that has changed to a concentration on tax thresholds – increasing basic allowances in order to "take people out of tax". Mr Lawson, as expected, has taken a big step further in this direction, raising certain allowances by 7 per cent more than he needed to put them up to compensate for inflation. But he gave no signal that this was a course he intended to follow throughout his chancellorship – or whether he would nibble at income tax from another direction next year.

For the corporate sector, although the direction is clearly laid out, the benefit does not really begin to flow until 1985-86. This year, the cost of all tax cuts is largely financed by a change in the VAT on imports. But this is a one-off gain to the exchequer.

This is not an uncomfortable political pattern for Mr Lawson. It would leave him, on these plans, with money to dole out to personal taxpayers before the next general election – following the same pattern of give and take through a parliament as Sir Geoffrey. But what if those plans go wrong? What if the growth – 2 to 3 per cent a year – in the economy on which they are based does not transpire? Then Mr Lawson will find himself pursuing a standpat strategy, with very little change in the real levels of public spending, or borrowing or taxation.

Mr Lawson's hope must be that the radical changes in business and personal taxation he is proposing will help to keep him out of that groove; that they will stimulate the "supply side" of the economy and help to keep it growing at a respectable pace. He is certainly better-placed to embark on this strategy than Sir Geoffrey was in 1979. And it is just possible that he is playing, with his wayward party, a game of bluff. This Budget says rather plainly that taxes can now come down; but borrowing cannot simultaneously be cut if the Government makes no further inroads into public spending. But is that a question – or a statement of intent?

The Times. 14.3.84

DAILY Mirror

Wednesday, March 14, 1984 17p ★

BUDGET SPECIAL

- **UP 10p:** Cigarettes
- **UP 2p:** Pint of beer
- **UP 10p:** Whisky
- **UP 4½p** Petrol
- **UP:** Fish and chips

COMPLETE **GUIDE** PAGES 2, 3 and CENTRE PAGES

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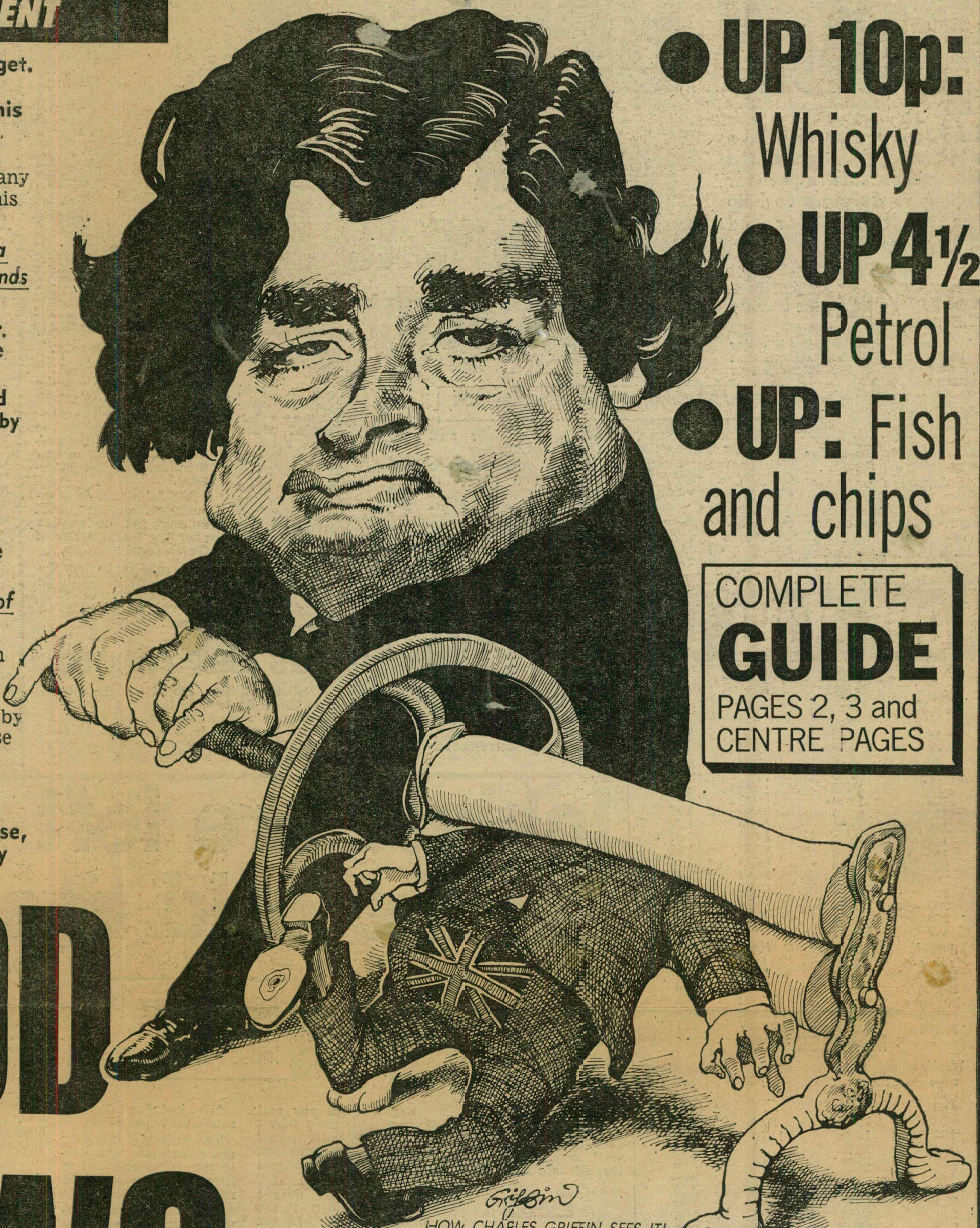

HOW CHARLES GRIFFIN SEES IT!

GOOD NEWS IF YOU'RE RICH

Mirror Special on reaction to the Chancellor's

The battering of poor Britain

Kinnock hits at failure to help needy

LABOUR leader Neil Kinnock savagely attacked the Chancellor last night for failing to do more to help the needy, the poor and the jobless.

He told MPs: "This Budget does more for the City of London than it does for the country of Britain.

"We are told that the Prime Minister is batting for Britain. I believe that the Chancellor of the Exchequer is battering Britain."

The Labour leader added: "I envy this Government's power to do good, to provide care for the needy, their powers to generate employment. . .

"I despise their utter failure to use the power for the advantage of the people of this country."

One Budget measure which Mr. Kinnock described as a tax on the low-paid was the slapping of VAT on hot take-away meals like fish and chips.

By MARK DOWDNEY and CHRIS HAMPSON

Other main points of Chancellor Nigel Lawson's package were:

Income tax will come down. The starting point for paying tax is raised and so are personal allowances.

But tax on petrol, cigarettes, beer and spirits goes up.

Stamp duty on house buying and shares is halved.

But tax relief on life assurance premiums will not be given on new contracts.

KINNOCK: "It's bare-faced malice."

Attacked

Mr Kinnock condemned the Chancellor's claim that he had produced a neutral budget.

He said: "Neutrality in the face of a rise of two million in unemployment and the existence of one million long-term unemployed is not neutrality, it's plain bare-faced malice."

Liberal leader David Steel attacked the Chancellor's package as a "go-nowhere Budget which fails to address itself to the urgent need to get Britain back to work."

He added: "There is no message of hope for the unemployed or for the poor."

But Mr Lawson was cheered when he talked to Tory MPs at a private meeting after his Budget speech.

There was hardly a grumble, although one or two MPs were concerned about VAT on takeaway meals and building alterations.

Others queried the ending of tax relief on new premiums for life assurance.

MP John Carlisle summed up the general relief among his colleagues after the recent series of Government blunders.

He said as he left the meeting: "It's the tonic we needed. It's certainly not a banana skin budget."

Shares set record

SHARES soared to all-time record on the Stock Exchange after the Budget. More than £2,750 million was added to their value, and the Financial Times 30-share index rose 20 points to a new high of 864. Investors were pleased with the cuts in Stamp Duty and the other measures which helped them.

Your new tax

SINGLE WORKER

Weekly wage £	Old tax £	New tax £	Week'y gain £
35	0.20	—	0.20
40	1.70	0.43	1.27
50	4.70	3.43	1.27
60	7.70	6.43	1.27
80	13.70	12.43	1.27
100	19.70	18.43	1.27
120	25.70	24.43	1.27
140	31.70	30.43	1.27
160	37.70	36.43	1.27
180	43.70	42.43	1.27
200	49.70	48.43	1.27
220	55.70	54.43	1.27
240	61.70	60.43	1.27
300	79.70	78.43	1.27
350	98.19	94.96	3.23
400	119.93	115.53	4.40
Annual salary	**Old tax**	**New tax**	**Annual gain**
20,000	5,877	5,658	219
25,000	8,198	7,898	300
30,000	10,697	10,392	305
40,000	16,274	15,762	512
50,000	22,274	21,757	517

MARRIED MAN

Weekly wage £	Old tax £	New tax £	Week'y gain £
60	1.88	—	1.88
80	7.88	5.80	2.08
100	13.88	11.80	2.08
120	19.88	17.80	2.08
140	25.88	23.80	2.08
160	31.88	29.80	2.08
180	37.88	35.80	2.08
200	43.88	41.80	2.08
220	49.88	47.80	2.08
240	55.88	53.80	2.08
300	73.88	71.80	2.08
350	90.42	86.80	3.62
400	111.20	106.12	5.08
Annual salary	**Old tax**	**New tax**	**Annual gain**
20,000	5,422	5,198	224
25,000	7,692	7,380	312
30,000	10,192	9,817	375
40,000	15,668	15,130	538
50,000	21,668	21,067	601

Jobless are left out in the cold again

THERE is no comfort for Britain's three and a half million jobless in the Budget.

By GEOFFREY GOODMAN
Industrial Editor

Mr. Lawson claimed he was setting out a Budget for jobs. But the evidence for that is weak.

The Chancellor is gambling that his tax concessions to companies will eventually feed through into more jobs.

Policy

Yet even the financial and industrial captains were sceptical about that last night.

There was a unanimity of views among TUC leaders, Labour Party and Liberal Party chiefs that the Budget offered no real hope for the millions out of jobs.

Nor is there any real thrust in the Budget for a change of Government economic policy toward significant industrial recovery.

The biggest direct boost to industry is the abolition of the jobs tax (National Insurance surcharge) from next October.

The Confederation of British Industry believes this will save firms about £900 million a year.

But the CBI would not forecast the number of new jobs this huge cash concession might create.

"We just don't know," said a CBI spokesman.

The truth is that it may not create any new jobs at all. It depends what firms do with the £900 million.

In the public sector—where more jobs could be created—the Government axe will be sharpened.

Cuts

More cuts in the Civil Service will be matched by a tighter squeeze on jobs in State industries and local authorities.

Mr. Lawson is to slash his public sector spending budget from £10 billion to around £7 billion—a massive cut in public spending which is bound to have a severe impact on jobs and services.

The most telling comment on the Budget came from the British Institute of Management.

Doubts

It expressed "grave doubts that Budget changes in company allowances will give the manufacturing industry the boost it desperately needs."

And it added: "It certainly offers nothing in the public sector which has been neglected for too long."

A bit of give and take away . .

IT was an ingenious Budget. It was an eloquently-delivered Budget. But for many it will go down as Nigel Lawson's take away Budget.

For now there will be VAT on all food taken away from the neighbourhood chippy.

By TERENCE LANCASTER
Political Editor

Up will go the price of curry, chips, chow mein and chicken.

Mr. Lawson took away tax relief from new life assurance contracts. And he took away income-tax from many poor families.

But, as Shadow Chancellor Roy Hattersley pointed out afterwards, it would only help some families in the poverty trap.

About 150,000 families would remain—unaffected and still trapped.

Tory MPs gave Mr. Lawson a great reception. It was their sort of Budget.

Because it was the City of London's sort of Budget. Share prices swept up as the Chancellor sat down. Government supporters were also delighted at Mr. Lawson's style. He spoke with confidence, authority and verve.

It was all such a contrast with Sir Geoffrey Howe, the former Chancellor, whose Budget speeches used to be delivered with about as much spirit as a marionette on Mogadon.

Demand

Will the Budget produce more jobs? Opposition MPs do not think so.

Mr Lawson has cut public borrowing. This is in line with Tory philosophy.

But public borrowing is needed to increase demand and put more money into the economy.

There are few things in the Budget which will increase investment.

The Chancellor described it as a neutral Budget. Neutral for some.

But although it will help some poor people, it will help the rich a great deal more.

Mr Lawson promised tax cuts in next year's Budget. And with more to come in future years — as the General Election approaches.

But in 18 months, North Sea oil will begin to run down.

Will Mr Lawson have the resources then to turn his take-away into a give-away?

D. Murar
14.3.84

The Sun
14.3.84

Sweet 'n' sour

TAX DOWN, TAKEAWAYS UP


Chancellor Lawson . . . Commons ovation

By TREVOR KAVANAGH

CHANCELLOR Nigel Lawson served up a taste of the good life with a Sweet and Sour Budget yesterday.

He offered Britain **SWEET** titbits by slashing income tax, making home-buying cheaper and giving a vital boost to industry.

Sweeping changes in the tax on companies could create 50,000 new jobs.

But the beano turned **SOUR** when he slapped VAT on Chinese takeaways and fish 'n' chips — and bumped up the price of beer and spirits and cigarettes.

He also slapped 4½p on a gallon of petrol and put road fund licences up £5 to £90 a year.

His decision to scrap tax relief on life assurance premiums — the traditional nest egg against hard times — was also hard to swallow.

But Mr Lawson — regarded by Premier Thatcher as the Tories' new golden boy—was hailed with the loudest cheers that any Chancellor has earned for years as he wound up his 75-minute maiden Budget.

He told jubilant Conservatives who crowded the Government benches and even spilled over into the public gallery that it was "a Budget for jobs and enterprise."

The 52-year-old Chancellor achieved the ambition of a political lifetime by launching a major rethink of our chaotic tax structure.

And he spiked the Opposition guns by taking almost a million low-paid people out of the tax net altogether.

With a beaming Mrs Thatcher sitting beside him during part of his speech, he:

PUT an average £2-a-week into the pockets of a married couple by raising the income tax threshold.

DECISION

Under the tax changes, a single man's allowance goes up by £220 a year to £2,005 and the married person's allowance goes up by £360 a year to £3,155. The allowance increases—12½ per cent — are well over double the inflation rate.

AXED the National Insurance surcharge introduced by Labour Chancellor Denis Healy in 1977.

SWEPT away outdate industrial allowances and introduced measures to encourage bosses to invest in new jobs.

SHOVED cigarettes up 10p. beer 2p, spirits 10p a bottle and petrol 4½p a gallon.

CUT stamp duty on houses to a flat rate of one per cent on property over £30,000.

PAVED way for a reduction in the mortgage interest rate by ¾ per cent to 10¼ per cent on Friday.

The road fund tax on cars and light vans is to go up £5 to £90 a year from tomorrow.

But Mr Lawson helped old folks with their heating bills by abolishing duty on domestic paraffin from 6pm last night.

INTEREST

Mr Lawson went on to set out his wares for long-term reform

He told intently-listening MPs he wanted:

- Public sector borrowing slashed from an estimated £10 billion this year to £7.25 billion next year;
- Interest rates down and inflation at zero by 1990;
- Higher profits and lower pay rises.

Labour leader Neil Kinnock and Shadow Chancellor Roy Hattersley were left floundering as Mr Lawson announced reform after dramatic reform.

And Tory backbenchers cheered the Chancellor to the rafters when he addressed them privately in the Commons afterwards.

A BRIGHT NEW DAY FOR TOMORROW

BUDGET SPECIAL

ON his debut yesterday, Chancellor Nigel Lawson sparkled like a skilful conjurer at a children's party.

His first Budget was cleverly designed to produce a better today and an even better tomorrow.

He stands committed, provided public spending can be kept in check to a £1¾billions tax cuts bonanza.

Goodies

Yesterday, he was already scattering goodies around . . .

TO INDUSTRY, with the scrapping of the hated national insurance surcharge, the tax on jobs; and a reduction in corporation tax in place of the indiscriminate capital allowances that simply cushioned inefficient businesses.

TO HOME BUYERS, with the halving of stamp duty, and the virtual certainty of a fall in mortgage rates.

TO THE LOWER PAID, with the raising of tax thresholds by more than double the present rate of inflation.

This reform will hoist hundreds of thousands of wage earners out of the unjust, lunatic "poverty tax trap," where it actually pays them to go on the dole rather than work.

We hope that the Chancellor will match this boon with really generous increases in child benefits and pensions.

Mr Lawson will NOT be the pin-up boy in the Chinese takeaway or local chippy after spreading the VAT men's nets.

Or in the saloon bar where he is grabbing an extra cut out of every round of drinks.

But if we believe there is no Santa Claus we also have to accept that in real life everything has to be paid for.

The Chancellor's basic achievement is to give people a little extra and leave to them the choice of how they spend it.

He is, of course, absolutely right to cling to the regime of rigid discipline begun by Sir Geoffrey Howe.

After the prodigal years of Socialist waste and extravagance, sacrifice and hardship have brought a rich harvest in taming inflation and making our industry leaner and more competitive.

Challenge

This Budget offers the nation a challenge and an opportunity.

If we accept wage restraint and curbs on state spending, we can build a new prosperity.

We can have tax cuts again and again.

It all depends on us whether it will be a lovely day tomorrow!

The Sun 14.3.84

Encore, encore!

D Express
14.3.84

The scene is set for interest rate cuts

By PATRICK LAY
Financial Editor

IF AN artist gets his reward from the warmth of an audience's applause, a Chancellor of the Exchequer—a Tory Chancellor at least—is lifted, or dashed, by his reception in the City.

Nigel Lawson need have no more doubt. He, who had been seen as an arrogant upstart, has been elevated to Superstar status.

Although the Chancellor did not sit down until 1½ hours after the stock market's official close of business, his audience refused to leave until his last note.

They marked his performance with a leap in virtually every share price in the market. Insurances were the exception.

The Financial Times index, already at a peak, closed almost 21 points higher at the best ever 865. That added almost £3,000 million to share values.

On the foreign exchanges the pound leaped 1½ cents to $1·4690.

It was the first Budget of an ambitious Chancellor wishing to make his mark. That he has achieved.

Already his audience expects even greater things at his next performance. And, having spoken of an excellent chance of further income tax cuts next year, and even more the year after, he cannot afford to miss out.

Highlights of the Lawson act was the progressive stripping away of Corporation Tax.

"Corporation tax is far too high, penalising profit and success," he said.

First major surprise was 2% off the rate companies will pay on their 1983-84 profits.

The rate is trimme dfrom 52% to 50%. Calculators and slide rules will be whirring for days as analysts attempt to adjust the new values of companies.

A cautious Chancellor would have stopped when the first veil was removed. Not Nigel. He promised the tax will be whittled away, year by year, until the rate is no higher than 35% in 1986-87.

Nothing is for nothing, particularly in this Budget. And much of the cost of this cut will be paid for by savings on stock relief, which is less necessary with inflation heading for 4½% than it was when it was introduced to help protect industry against 20%-plus inflation.

If there had been nothing more Stock Exchange chairman Sir Nicholas Goodison would have been ecstatic at the halving of stamp duty on share sales.

But there is always a penalty. Now he will have to re-write his yearly speech for the Lord Mayor's Banquet, which has been his major platform for urging stamp duty cuts.

Cheaper

The City will benefit. For not only will it now be cheaper for all to buy a direct stake in British industry, but it should also stop some major investors going overseas to buy British shares through the back door. Previously overseas buyers have not paid stamp duty.

Going, too, is the ridiculous National Insurance Surcharge. This tax on jobs ends on October 1. Industry will save £350 million this year and £850 million in a full year.

Investors, particularly many pensioners living on dividends, are relieved of investment income surcharge—half of those who pay it are aged over 65.

An imaginative, somewhat imaginary measure, has been abolishing the delay importers are allowed in payment of VAT to the Exchequer.

Now this has to be paid within a month—at the latest. It produces a once only payment of £1,200 million for the Treasury coffers.

Balance

It is not possible to please all the people. And manufacturing industry is having to balance its lower corporation tax benefits against the dwindling benefits likely to come from reduced capital allowances on investment in plant.

One leading leasing expert predicts that costs of leasing everything from a photocopier to a company jet, could rise as much as 4%.

Insurance shares were badly hit by the removal of tax relief on new policies — the leak was no red herring — and may fall further today.

But it was a time for rejoicing in store shares, which expect to benefit from corporation tax cuts and higher spending; for bank shares relieved at no windfall tax; and for shares of distillers delighted that whisky and gin have been lightly treated in duty increases.

Finally, although it was in Nigel's overture, his borrowing plans next year are lower than had been predicted at £7.250 million.

That should boost gilts today and allow interest rates to ease in the money markets. Stand by for bank base rates to fall today, or tomorrow, by ½% to 8½%.

D Express Contd

1.

£3 billion boost for shares in City joy

By PATRICK LAY Financial Editor

THE BUDGET gave the City an immediate dividend with shares shooting up to record one of the biggest rises in history.

It was a massive vote of confidence in the Chancellor and his measures and by the end of the day's business nearly £3,000 million had been added to the value of companies.

The £ took on a new lease of life and climbed 1·5 cents to end at 1·4690 against the dollar. All this and a hint that not only mortgage rates but bank interest rates as well are on the way down.

The Bank of England is expected to give the nod of approval to High Street banks today: building society chiefs meet on Friday, and it's all looking lovely for Mr Lawson.

His tax-reforming Budget not only cheered the City and Britain's bosses, it gave Mrs Thatcher and the Tory rank-and-file a big boost.

The Chancellor's colleagues last night hailed his impressive performance and said it was the best Budget since 1979. There was a new-found buoyancy in the air when he addressed 150 backbenchers after his Commons triumph.

They even cheered him and then listened in respectful silence as he explained his "profits mean jobs" theme.

It moved one Tory to say of the often-abrasive Chancellor: "Nigel had better watch out, people may begin to like him!"

Unequal

But there were a few brickbats for Mr Lawson — as well as the bouquets from outside Westminster.

TUC boss Len Murray lead the way, saying he was not impressed.

There were "some attractive bits of icing" but the cake was "unsatisfactory."

Mr Murray said: "The Chancellor has fallen short of meeting the needs of the hardest-hit and failed to tackle the central problem of unemployment."

Mr David Basnett, chairman of the TUC's economic committee, said the Budget "does not even begin to tackle the country's economic problems. He said: "Once again it is a 'jam tomorrow' Budget."

He said the measures would only make Britain a more unequal country. The poor would continue to suffer.

Director of Age Concern, Mr David Hobman, said "Pensioners have been forgotten. They've been left out of the more generous tax allowances."

D. Express
14.3.84

A PACKAGE THAT GAVE MORE THAN IT TOOK AWAY AND SOWED THE SEEDS FOR 'FLOWERS IN THE FUTURE'

BOUQUETS FOR LAWSON

D. Express Contd

THE cleverest for years! That was last night's verdict on Chancellor Nigel Lawson's first Budget.

His dazzling performance in the Commons was a personal triumph that restored his party's flagging morale.

Tory MPs leapt to their feet and cheered as he unveiled his reforming package. And Mrs Thatcher laughed out loud in delight.

Although instantly dubbed Lawson's takeaway, with its new tax on fast foods, the Budget actually gave more than it took, especially in its promise of good times ahead.

By JOHN WARDEN
Political Editor
and GEORGE LOCHHEAD
Parliamentary Reporter

For the present, however, it brings a tax cut of £2 a week for maried couples, through increased allowances, and a help for home buyers with stamp duty halved.

Smokers are penalised by a "health tax" of 10p on a packet of 20 cigarettes. But drinkers and motorists escape with tax rises in line with the 5 per cent rate of inflation.

Dark-haired Nigel—his name means Black Champion—raced through a 79-minute speech full of tax reforming ideas to boost jobs and enterprise.

When he had finished, it was as if he had told the nation: "Now wait for the flowers to grow."

Whisky

Mr Lawson, sipping occasionally from his glass of watered whisky, gave little clue of what was to come in the opening 20 minutes of his speech.

Labour MPs yawned and laughed restlessly as he went through a very detailed review of the economic background of his Budget.

Mr Lawson chided them "You ought to sit quiet for you have a lot to learn."

The lesson was about to begin. Suddenly it came clear that here was not just a new broom at the Treasury but a positive whirlwind.

Mr Lawson spelled out the basic principles of his reform—the need to make changes that will improve our economic performance over the longer term.

He made it clear that the Government is on the brink of beating inflation and of sustained recovery.

In total, the Chancellor gave away just over £2,000 million in income tax cuts, lower stamp duty, abolishing the payroll tax, and lowering company taxation.

He took back £1,965 million through tobacco, drink, and petrol duties, VAT on take-away food, and other tax changes.

The Chancellor gave a sort of political smile at the Labour benches when he announced the increase on cigarettes. "I do not, however, propose any increase in the duty on pipe tobacco," he said.

Loud laughter from the Tories, and wry smiles from Labour, the pipe-smoking party.

The House listened intently as the Chancellor explained how he is paving the way for tax cuts in future years—with a pledge of £1,750 million to come next year.

He also managed to cut Government borrowing drastically, from £10,000 million to a target of £7,250 million in the coming year, with no overall increase in taxation.

This puts the Chancellor on course for 4 per cent inflation, and eventually reducing it to zero. There were other cheers to come :—

- **He embarked** on a tax shake-up to stimulate enterprise, business and jobs.
- **He cut subsidies** on business plant and buildings, and switched to less tax on profits.
- **He gave** business an £840 million boost by scrapping the remaining one per cent jobs tax — the hated National Insurance Surcharge.
- **He abolished** a second tax completely by ending the Investment Income Surcharge, a tax on savings.
- **He streamlined** the tax on bank interest by putting it on a par with building society deposits. From next year, most bank customers will be able to forget about tax on bank interest, which will be paid net.

Beamed

Mrs Thatcher beamed while, behind her. Tory MPs got out pencils and paper and did their sums.

All this time Labour leader Neil Kinnock was taking his own notes, with a red ink ballpoint.

But he was very quiet and restrained, not quite the same Mr Kinnock who has been running round the country wearing funny hats.

The Chancellor went further than expected in ending immediately the 15 per cent tax relief on life assurance premiums made from today. Existing policies are not affected.

A bonus of streamlining the taxes will be a cut of 1,000 tax collectors.

He halved the rate of stamp duty to one per cent, raising the starting point to homes above £30,000.

"Below this level no duty will be payable," said Mr Lawson. "As a result of this £5,000 increase in the threshold, 90 per cent of first time buyers will not have to pay stamp duty at all."

Cheers, cheers, cheers, from the Tories. And glum silence from Labour.

Jeering

There was a little light relief for Labour when Mr Lawson announced that the duty on table wine will be cut by about 18p a bottle.

At this, Left-winger Dennis Skinner aimed a jeering finger at the claret-drinking SDP bench in general and at Roy Jenkins in particular.

Again there was some stirring of hope from Labour as Mr Lawson announced his decision to impose VAT tax on takeaway food and drinks.

This means that the typical portion of fish and chips will cost more than £1 in its paper bag.

The Chancellor argued that take-away food competes with other catering which pays 15 per cent VAT.

"Shame," cried Labour backbenchers, with visions of deprivation in the hamburger and fish and chip belt.

But the Chancellor was once again on the rampage as he gave the news about income tax.

By raising thresholds and allowances by more than the rate of inflation he took 850,000 people on low incomes out of the tax net altogether.

Coming on top of his abolition of the National Insurance surcharge, it was all sweet music to the Tories.

And their joy was unconfined as he went on to speak of the "excellent prospect" of further cuts in income tax in next year's Budget.

Mr Lawson sat down to a huge roar of congratulations.

It was a bitter pill for Edward Heath, arch-critic of the Government's monetarist policies. He looked as if he had swallowed a lemon.

D. Express 14-3-84

Niceone Nigel

'A display of political skill and financial imagination'

CHANCELLOR Nigel Lawson has suffered his share of brickbats these past months. We should know. The Daily Express has thrown one or two.

But today is the day for a well deserved bouquet. With his Budget yesterday Nigel emerged from Blunderland with one bound.

His Budget will do more than aid the return of economic vitality in this country. It will be a wonderful fillip to the Government.

It was a Budget which displayed both political skill and financial imagination.

At the time of the Chancellor's autumn statement, last November, we demanded to know what the Government was going to do to encourage industry.

"How are the wealth producers being encouraged to produce wealth?" we asked. "How are we rewarding enterprise and initiative?"

Mr Lawson clearly heard our

D. Express conta

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questions. He has given good answers.

He is:

- **FREEING** industry from Labour's tax on jobs—the National Insurance Surcharge.
- **ABOLISHING** the surcharge on investment income.
- **CUTTING** Corporation Tax, and
- **SLASHING** stamp duty.

These are good measures. There are more.

What his package means is that saving money, investing money and making money are no longer to be regarded as grounds for punishment.

As we were warned, he does not feel able to cut the basic rate of income tax. This is a pity—though we are encouraged by his promises of cuts in future.

IMAGINATIVE

In the meantime the raising of tax thresholds is excellent news.

It takes many of the low paid out of tax altogether. It will work powerfully against the "why work?" syndrome, helping many escape the unemployment and poverty traps.

Mr Lawson clearly believes that there is not a lot of scope for further dramatic cuts in public spending—but he reaffirmed his promise to hold it steady.

The Chancellor's package will stimulate economic activity—but not in the old, time-dishonoured way, by merely pushing money into the economy.

It will stimulate the economy by stimulating people. It will help to reduce the dole queues. It will not stoke up inflation. There will be no phoney short-lived boom.

In our view the Budget is sound, balanced, imaginative and creative.

And it must be seen for what it is—not as an end, but as a significant beginning.

Standard

Put

PPS Chancellor
12/2

ROY HATTERSLEY - BUDGET REPLY

Trancript from: BBC 2 tv, Newsnight, 14 March 1984

HATTERSLEY: Yesterday the Chancellor of the Exchequer told you that the British economy is on the road to recovery. In replying to him tonight I don't propose to play the usual Party game of challenging everything that he said. Of course we all welcome some parts of the Budget and things are certainly better than they were in 1981 and 82. But that's not much of an achievement. As a nation we are still nothing like as prosperous as we were 5 years ago, before Mrs Thatcher and her Government were first elected. Output 's improved over the last couple of years. We've climbed a little way out of the pit that Conservative policies dug, but we still produce less than we did in 1979. And in that year Mrs Thatcher was elected on a promise to cut taxes. Today the tax bill is actually £17000 million more than it was before she became Prime Minister. Yesterday the Chancellor juggled a lot of things. But , although he didn't tell you, the overall tax bill is going up still higher. Worse of all there's no hope of ending the waste and misery of unemployment. Even on the Government's own figures there are today 3½ million men and women out of work. We've the worst unemployment record in the industrialised world, and more jobs are lost every month. Yet the Chancellor doesn't even attempt to put Britain back to work. I keep asking him in the House of Commons how many people he plans to make unemployed next year and the year after. He has got statistics for everything else but he never answers that question. That's because he knows that unemployment is not going to get any better , and that makes nonsense of any talk about recovery. The definition of recovery which doesn't put Britain back to work is not a definition which ought to be acceptable in a civilised society. And although the Government claim that our economy is on the mend it's still cheats the pensioner out of a £1 a week, which was cut off last year's increase; prescription charges are still pushed up by 20 pence an item; child benefits won't be increased enough to protect families from the rising cost of living. And all over the country essential services; like home helps, meals on wheels and nursery classes are destroyed because the Government says we can't afford to pay for them. No Chancellor, or at least no Chancellor with decent priorities, allow these things to happen if he really beleived that Britain was on the road to recovery. Indeed, if the Chancellor had any faith in his own forecasts he would have produced a quite different Budget. He can't expect us to believe that the difference between economic success and failure is VAT on take away foods. If we need to tax fish and chips the British economy really is in a bad way. Of course the Budget tinkered about with a lot of taxes, mainly by cutting those which help the better off. Anyone with £70,000 or more of savings in the bank will recieve a £25 a week windfall thanks to yesterday's Budget. Anyone who does business on the Stock Exchange will pay less tax. So will the big profit making companies who simply hoard their profits without providing any benefit to our country. But that sort of tax change isn't going to put the economy back on its feet, nor are the changes in income tax. They give Most help to people who don't need it. People like the family earning £50000 a year which, thanks to yesterday's Budget, will be over £600 a year better off. The money that's gone to the people on top salaries Would be much better used on a decent increase in child benefit and a worthwhile improvement in the pensions The Budget's a tragedy for the low paid, and a tragedy for the unemployed. But it's also a tragedy for everyone in Britain who'd want to see our country prosperous again. It's a tragedy which is made all the more desperate by the simple fact that we could and should be doing better than the Chancellor and his policies make possible. Yesterday by doing no more than juggle with tax details , he threw away our chances of recovery. The Chancellor should have encouraged investment in private industries by increasing spending power and pushing up demand for goods and services our stagnant economy ought to provide. He should have boosted the recovery by public investment in roads and railways, in hospitals and all the essential projects which directly create jobs in the public services and generate many more in private industry. There are a million families in Gt Britain who need a decent house but don't have one; there are 400,000 construction workers signing on for unemployment pay. It's just common sense to give those building workers a chance to build the houses we need. And if we did that the whole nation would benefit. But common sense is above all what yesterday's Budget lacked. It was full of complicated financial theories. And there was a great deal in it to appeal to the City of London and the people who read the financial pages at the back of our newspapers. But for ordinary families it offered very little. Industry won't be helped; unemployment won't come down; poverty will remain. In fact, this Budget is just a re run of the old formula, the formula we've heard every year since 1979 and the formula that's failed every year since 1979. After each Budget you're told that recovery is just around the corner. But unemployment gets worse, the public services are cut nearer and nearer to the bone, our taxes and rates go up again and hundreds of thousands of families live in poverty suffer even more. We were told in 1979 that Britain was entering a new era of prospertiy. And there's no doubt that that year should have been a turning point for our country. For suddenly we began to enjoy a massive bonus of North Sea oil; £9000 million paid into the Treasury every year. Money that no other British Government has ever received. That money should have been used to rebuild British industry. It was a major opportunity for Britain to forge ahead. But the Government threw that chance away. Of course we can put the years of poverty and unemployment, and the years of failure behind us. We can build a more prosperous and a more fairer Britain. The mistakes made in yesterday's Budget can be put right and one day they will be.

FINANCIAL SECRETARY
JOHN SMITH - INTERVIEWS ON BUDGET
DAVID STEELE

Transcript from: ITV, TV AM, 14 March 1984

INTERVIEWER : (Frank Bough) Well, the morning after the afternoon before. A predictably somewhat mixed reaction from Fleet Street to yesterday's Budget. 'Lawson maps future course with tax reforms' says the Financial Times. The Express goes further; 'Nice one Nigel' says the Daily Express. However, the Daily Mirror says 'Only Good News if You're Rich'. Well with me to give me the benefit of their views are a distinguished panel of politicans; Treasury Minister, John Moore, Labour's employment spokesman, John Smith and the Liberal Party leader, David Steele. Mr Moore , Mr Lawson called it a Budget for jobs. Is it possible to quantify what effect it will have on the unemployment total problem?

FST: Well John I don't think any Government , or any politican, has ever tried to quantify. I think what we're trying to do is to remove some of the main barriers to job creation, and it's an opportunity Budget in a sense, trying to take away barriers like the National Insurance surcharge, trying to take away disadvantages that labour, as opposed to machines, have suffered under our vast tax systems, and trying to give enormous encouragement via improvements in profits, to companies to encourage them to invest in the future of jobs.

INTERVIEWER : About those measures, John Smith, the abolition of the national insurance surcharge, the cut in corporation tax, at least create the atmosphere in which empoloyers can now create more jobs?

SMITH: I'm not sure what the impact of corporation tax changes are, they seem to me not to be very helpful to the manufacturing side of industry, the national insurance surcharge of course is. But it is interesting to note at the same time as the Government does these things they make no predictions, and indeed they make assumptions, about levels of unemployment which mean that there's going to be no real reduction. Indeed, for 84, 85 and 86 they assume that unemployment is going to stay well above 3 million, and what is even worse, that long term unemployment is going to stay at at least a million. So it's almost as if unemployment was ignored. And indeed in the Chancellor's speech last night, especially on television, he didn't mention the word unemployemnt once. Now you just can't ignore the fact that we've $3\frac{1}{2}$ million unemployed in this country. And that should have been the first task of this Budget.

INTERVIEWER : I'Ll put that to John Moore in a moment. First of all come to David Steele; it has been suggested that it won't do a great deal for manufacturing industry, but it surely will help service industry and create more jobs there?

STEELE: I think it will have a marginal efect, and I'm rather surprised that the Chancellor called it a Budget for jobs. Because I think the abolition of the national insurance surcharge, for example, will help - but very much on the margins. The fact is that the Government faces a chronic unemployment situation [illegible] and this Budget is not going to bite into that at all. The Chancellor has set out to operate the tightest control over public spending of any of the of any of the western industrial powers, and yet we have the highest rate of un employment of any of the western industrial countries.

INTERVIEWER : Well if you'd like to pick up those 2 points John Moore?

FST: Basically we can't go back to the kind of failed policies with the past. I mean, David is suggesting that we put more money back into the economy via the State. That's the way we've actually failed. We know that jobs come from successful industries, from successful firms whether manufacturing or service. That essentially is where the job base comes from. And I think John Smith will remember that there are no Government assumptions about the future level of unemployment. There has to be data that looks at the current rate just extrapolated up. That's exactly the same as his Party did.

INTERVIEWER : ... another related problem, John Smith, and that's the low paid. Hasn't this Budget , by lifting the tax threshold at least helped them to some extent?

SMITH: Well to some extent it appears to help them but it actually doesn't ttackle the problem of poverty. And if the Chancellor had really wanted to do that he could have tackled it much more directly. Now can I give you a fairly straight example; he abolished investment incomes surcharge, which is for people getting investment income above £7000 a year - which means that they must have about at least £70,000 in capital, so that's the wealthy. Now they get totally relieved from tax, that cost £350 million. If he'd used that to help long term ... - to give long term supplementary beenfit to the long term unemployed, or made a major change in child benefit, then we would have seen some real attack on poverty. And I'm afraid that that's a very interesting example of how the wealthy benefit from this and how the poor are continuing to suffer. And you know we have a moral obligation, if we've got a million long term unemployed we're really got to do something for the families and he's done nothing.

INTERVIEWER : The fact remains though, does it not, that a substantial number of people have been taken out of the, what we call, the poverty trap,, ie, the system whereby they get one benefit and then they have another benefit taken off?

STEELE: That's quite right. But as the Financial Times you showed us a moment ago was saying, even more would have been achieved if he'd put money into an increase in the child benefit. I think that would have done more to relieve real poverty, excellent though it is to remove people out of the tax net, there are still a lot of people who are not in the tax net who are very poor.

INTERVIEWER Yes but they are, the indications are anyway, they are going to increase child benefit at least by the rate of inflation?

STEELE: Yes but in other words it's going to stay much the same. And the fact is that if you're going to tackle poverty in our society then child benefit and long term supplemntary benefit are the two main ways of doing it and they haven't.

FST: The debate is constant, and it's come back again, to about how you actually divide up a smaller cake. That's a debate of the past. What we're trying to talk about is how you create a more successful wealthy society. I know it's difficult to - be it on debates like benefits - but a 12% increase in basic thresholds surely can't be denied. Clearly child benefit is going to be addressed, as the Chancellor said, in June .....

SMITH: Well to take that point: why give it to the wealthy rich, the same amount of money as given to the poor? And you always talk about the past, you know, it was under the policies in the past we had relatively full employment. It's only since these new policies , so called, have been tried that we've had mass unemployment in Britain and in other countries.

STEELE: I think the phrase 'failed policies in the past' is a mistake. The fact is that America, Japan, France Germany, the people we're trying to compete with, are putting more money into public investment and that's what we're failing to do in Britain and that's why we've got so many unemployed.