

The Governor CR 2/3

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Conversation with Sir Kenneth Couzens

1. Budget

Ext. MS 5010

Couzens said that they had had a number of meetings with the Chancellor from which the broad shape of the Budget seemed to be appearing. His guess was that the net effect would be close to neutral. There would, however, be reluctance to compensate the personal sector fully for the effects of inflation and he judged the 25% tax rate to be in danger. On the other hand, he thought there would also be less than full indexation of indirect taxes, while the Chancellor certainly hankered for something for the company sector. All decisions would be looked at closely for their possible effect on the next wage round which was seen as vital.

2. EMS

Ext. T13

Noting that Schmidt had raised this question again, Couzens said that they were preparing a paper which should be ready by the second week in March. He would be in touch with CWM on this. The French, however, had said in Paris that it would be inconvenient and unwelcome to them if we joined EMS at this stage. The Governor noted that this was precisely the opposite of what de la Genière had said.

Len.

29th February 1980.