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Personal and Confidential

Mrs. Margaret Thatcher,  
Prime Minister,  
10 Downing Street,  
LONDON.

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*Dear Prime Minister*

Warmest and wholly unreserved congratulations on your Budget. It is splendid that middle management as well as top earners will at least, as far as tax is concerned, be able to compete on equal terms with our EEC partners and competitors. The seeming swinging rise in VAT still leaves our rate amongst the lowest in Europe and I suspect that we have a wider range than most countries of zero rated goods. The overall package should go a long way to destroy the attractions of the "black economy", as tax evasion on earnings will become progressively less worth the effort, whilst the spending in all sectors of the economy will obviously substantially support the revenue raised by the VAT.

The irony is that one of the problems that you will have to face, probably quite soon, is excessive strength of sterling. I of course have never believed in a weak pound but you will not wish it to go too far up if we are to retain our competitiveness. I suspect and hope that this will enable you fairly soon to start bringing interest rates down, as from every conceivable view point, they are of course much too high, in addition to abolishing completely Exchange Control.

I must say that I am surprised and shocked by the mealey-mouthed reaction of the City to the Budget. It really does need one or two leaders there to speak up to applaud the new opportunities that are now created.

As well as the most welcome fiscal changes, I particularly like the reference to "the dismantling" of exchange control. This is an abomination and I have always believed a serious intrusion into the liberty of the subject from which we have suffered since 1939. The first steps seem to be wholly sensible and I hope that this road will lead to the final repeal of the 1946 Exchange Control Act, which as long as it remains on the Statute Book, continues to be a threat. Although not obligatory under the Treaty of Rome, the complete demolition of Exchange Control is very much in the spirit of what we hope the community is going to be.

*With warm personal regards*  
*Raymond Cromer*