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NOTE FOR THE RECORD

118th Meeting

Chancellor's Morning Meeting, 5 November 1980

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 MST (C)  
 MST (L)  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona

Stock Relief

1. There was a discussion of the forthcoming announcement on stock relief. The Chancellor said it was important for industry to know as soon as possible what was proposed, but he was reluctant to publish the figure of £300m revenue cost at a time of Cabinet discussions about public expenditure reductions. The figure should therefore not be included in the published document.

Tax and national insurance policy

2. Mr Kemp's paper on Why Work (31 October) and Mr Cropper's paper on Tax Policy (4 November) would be fully discussed at a special Morning Meeting.

North Sea taxation

3. There was a discussion of the proposal to raise an extra £1 million from companies operating in the North Sea. The Chancellor observed that it was important to form as sound as possible a judgement on the extent to which tax levied at one level or another might damage the motivation or performance of the companies, and asked that officials should consider and advise on the issue urgently. He also wished to discuss this issue with Mr Howell at an early date.

Merit payments in the Civil Service

4. Mr Ridley was asked to strengthen Mr Butler's draft letter.

British Rail

5. Mr Ridley reported that a reliable source had told him that, rather surprisingly, there was at least one BR director who believed that BR's EFL should not have been raised.

Monetary policy

6. Mr Ridley drew attention to the significance of the argument, recently articulated in Christopher Johnson's article in Lloyds Bank monthly bulletin, that high interest rates could have perverse short run effects on the money supply. This might call for more careful consideration of the public presentation of the Government's interest rate policy, not least to industry and in Parliament. It might also have implications for policy. The Chancellor said that he would need a meeting to go over the issues shortly after the weekend, in preparation for the Prime Minister's meeting on monetary matters on November 12th. The Financial Secretary undertook to consider the issues further, if possible with Mr Middleton later in the day.

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GEORGE CARDONA

5 November 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Sir D Wass  
Sir K Couzens  
Sir A Rawlinson  
Mr Ryrie  
Mr Burns  
Sir L Airey  
Sir D Lovelock  
← Mr Ridley  
Mr Cropper