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Ian Stewart MP

CONSERVATIVE PARTY FINANCE COMMITTEE - 20 JANUARY 1981

The Chancellor of the Exchequer spoke briefly on the background to the Budget, and invited questions and comments. About 80 present.

Hal Miller: Can we not devise a means of drawing a distinction between Nationalised Industries' borrowings for capital expenditure and their borrowings to meet current deficits.

Paul Dean: The government did a good job for charities last year, but now there is rumbling again, particularly on VAT, and particularly in light of the concession on sporting competitions (Chancellor reminded questioner that this 'concession' was only restoring the status quo ante.)

Terence Higgins: i) Presentation and explanation. People are very unclear about how the upturn is going to come about and how inflation is going to be avoided. ii) It is absurd that the real value of tobacco and drink excises should have fallen over time; we must get away from the tyranny of the RPI. (Hear, hear).

Charles Fletcher-Cooke: Black economy is simply thriving. What is the government going to do about the poverty trap. Production figures are totally misleading. An immense amount of work is going on outside the system and an immense amount of tax being lost.

Julian Amery: Public expenditure and M3 are out of control, yet we have over 2 million unemployed. What is the purpose of it all?

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John Townend: Are you optimistic of doing much better on Public Expenditure from now on?

Jock Bruce-Gardyne: I hope Chancellor will be prepared to err on the side of caution on the PSBR. This year we aimed for £8½ bn and look like overshooting by 50%. The gilt edged market would look pretty sick if we aimed at £10 bn this year and overshoot by 50%.

Geoffrey Johnson-Smith: Everybody we speak to pleads for lower interest rates, lower capital taxation and riddance from NI surcharge. How can we encourage these people to travel hopefully?

Peter Hordern: One reason why the PSBR is so big - public sector pay. The NHS has taken on an additional 25,000 people since this government took office.

William Rees-Davies: In constituencies like mine, with prevalent low wage levels, there are great advantages in not working. Cannot tax thresholds be cut?

Maurice MacMillan: I see how difficult it all is, but cannot government rhetoric acknowledge that private capital is central to Tory beliefs. Private businesses see even bigger burdens placed on them in the recession, while money is poured into nationalised industries and big public companies. CGT continues to be levied on purely inflationary gains (hear, hear, hear) and at the end of it all businesses are clobbered by CTT at levels that cannot possibly be financed.

Johnathan Aitken: Will the government not reconsider postponing the 4th Channel. It will cost the taxpayer £100 million and it will be a flop.

Tony Beaumont-Darke: Please will you reconsider the Stock Relief proposals which really will not help manufacturing industry. Of 37 firms I have asked, only 2 will benefit: the scheme will cost Tube Investments £8 million a year.

Pat Cormack: Still a lot of anxiety about ESPS.

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William Waldegrave: There has never been such a sudden loss in competitiveness. Will not Chancellor consider a major cut in National Insurance Surcharge, even at the cost of raising direct taxation.

Albert Costain: It is very wrong that people should be obliged to use up their redundancy pay before they can qualify for Supplementary Benefit.

Stephen Dorrell: Welcomed the gradual advance of inflation bonds, via National Savings.

Nicholas Winterton: What on earth is the cost of one million employed. When is the government going to start using North Sea oil proceeds to help industry.

Ralph Howell: Very concerned that government has not moved further and faster on "Why Work". The Prime Minister told us a year ago that it was the No.1 problem, but little has happened. Appallingly low tax thresholds; penal tax rates; indexed Supplementary Benefits. There may be as many as a million people who cannot afford to work. The Chairman of Unigate says he cannot get milk delivery men.

Bill Benyon: We have just got to get the economy going again. I would rather have higher tax rates if we could get lower interest rates. I know this is not acceptable to the Party, so cannot we have differential interest rates?

Martin Stevens (Fulham). My local authority recently came to me to ask how I thought they should best spend the surplus cash they looked like having at the end of the year, to stop it falling into the hands of the Treasury. I told them to pay it back. But this is what we are up against.

Nick Budgen: It may be time to cut the employers NI contribution, balancing that by economies in the Manpower Services Commission and elsewhere.

David Madel: i) If VED is to be raised, please raise it on a sliding scale by size of vehicle. ii) Cannot we follow the Belgian example

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and relieve employers on NI contributions on newly recruited employees in the under 25 group. Can we not move to synchro-pay in the Public Sector?

John Browne: What proposals do you have for tax encouragement to the seed corn investment in new business?

Ian Lang: Is there not a case for a withholding tax on interest rates paid to foreign depositors in the UK, as a way of financing NI surcharge cuts.



P J CROPPER
21 January 1981

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