

69/022

XRef Minutes of Meetings

RESTRICTED

- 3 APR 1981

- 1 Mr Copple
 - 2 Mr Gifford
 - 3 Mr Kelly
 - 4 Mr Jones
 - 6 Mrs Blackman
 - b. Mr B...
- 5 Mr Smith

RECORD OF MEETING WITH BACKBENCHERS AT NO. 11 DOWNING STREET
ON 26 MARCH 1981 AT 5.30 PM

Present:

- Chancellor
- Mr Stewart MP
- Mr Newton MP
- Mr Cardona

- Mr R Shepherd MP
- Mr P McNair Wilson MP
- Mr Marland MP
- Mr Winterton MP
- Mr Eggar MP
- Mr Neubert MP
- Mr Lloyd MP
- Mr Stevens MP
- Mr Page MP
- Mr Murphy MP
- Mrs Fenner MP

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Mr Stevens began by saying that the Labour Party opinion researchers had shown that 65% of trade unionists approved of the budget.

Mr Winterton said that, with some exaggeration, one could claim that 65% of businessmen opposed the budget. The Chancellor had hit the innocent with the guilty. Mr Winterton had voted against the petrol price increase and he would do so again. The Government's problems were due to a failure to cut public expenditure on current account. The Government had also failed to grasp that they could help employment with ^{capital} Projects. The Government's policy was insensitive and insensitively presented. The private sector had been clobbered to pay for the miners, the steelworkers and so on. The great divide in British society was now between public and private sectors. This Government was no good for business; the textile industry was particularly badly affected.

Mr Murphy wished to put the opposing point of view. He accepted what Mr Winterton said about the public sector. But he believed that the private sector were fully behind the Government's policies and wished the Government to continue on its course. Private firms were streamlining themselves in a way which they had never been able to before.

Mr Winterton criticised the enormous severance payments made in the public sector. Why should they receive more than was

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provided for in the Redundancy Act? The money should be used for capital projects.

Mr Marland asked how the privatisation programme was going.

Mr Winterton interjected that Sir Derek Ezra should have been sacked (hear hear from some members).

Mr McNair Wilson said that the Government should not have set unrealistic financial targets for the NCB. Otherwise he agreed entirely with Government strategy. A business interest of his was a company in Sheffield which was a big user of energy. He read out a paragraph from a letter from the company claiming that they had received no benefit at all from budget concessions on energy. This same company had an identical plant in Calais, manufacturing identical goods by an identical process: their energy costs in France were however 35% lower than in Britain.

Mr Eggar put a contrary view. The biggest energy user in his constituency had admitted that 1% of their wage bill was four times greater than 1% of their energy bill. This underlined the importance of the Chancellor's message on pay. Turning to the general budget judgement, he disagreed with it, but the problem now was where to go next. The next election was coming up. Was there any chance of some capital expenditure projects? Also the Government's performance on denationalisation was bloody awful. The failure to privatise BNOC could be laid at the door of the Treasury and the PM and nowhere else. BGC was an even better prospect for denationalisation - why was nothing being done?

Mr Marland said that people in general were nervous about the budget but nevertheless wanted the Government to keep going. The important point was to be tough on the public sector.

Mrs Fenner said that although her constituency was in Kent it had higher rates of unemployment than in the south east generally. And yet local feeling was more concerned about the bank profits tax than about other parts of the budget. Companies were grateful for lower interest rates but were very unhappy about the failure to cut back the public sector.

Mr Page believed that banks would have been happy to keep ICL going if there had been no profit tax. He disagreed with Mr Winterton. The country needed to be taught that it had to work for its living. Productivity had started to improve. He was delighted with the budget, especially what it had done for small businesses.

Mr Winterton interjected that the Government should have leant on the banks not taxed them. The tax was a precedent for an extremist Labour Government.

Mr Shepherd disagreed. He supported the windfall profits tax principle.

Mr Eggar said that the delay in bringing forward the ENOC bill meant nothing could be done about denationalisation of ENOC in this Parliament.

Mr Murphy said that the ^{electorate} were disappointed at present, because they thought we had failed to come to grips with the public sector. It was essential to cut public expenditure. This did not mean fiddles ^{such} as delaying the pension increase by two weeks. Many such small cuts would eventually add up to alienating the entire electorate. Also domestic rates were so important that they alone could win or lose us the next election.

Mr Stevens believed that we would win the next general election, not if people thought they had been better off under the Government, but ^{if} people thought they would be better off under ^{the} the next Government.

Mrs Fenner asked whether North Sea revenues could be separately identified, and whether new public expenditure projects could clearly be seen to be financed by such revenues.

Mr Winterton said it was important to do something about local rates. Also he believed enterprise zones were a bad idea. They were a gift to socialist parts of the country.

Mr Neubert said that he fully supported the budget. There had been no flinching from painful decisions, and the electorate respected this. The electorate did not respect weakness. But public expenditure had to be reduced. Also the Government must not back down on the petrol price. After a few minutes reflection one soon saw the petrol price was less of a problem. The increase had already become accepted by the public (some muted hear hears).

Mr Lloyd strongly supported the budget. He agreed with Mr Winterton that public money should be given to nationalised industries far more sparingly, as in other countries. The West Germans for example were very careful about giving money for research or investment rather than wages. It might have been sensible to say in the budget speech that the tax increases were being made to pay for the miners and the steelmen. Turning to his own interests of information technology and biotechnology, the Government must help these nascent industries. People in these industries who had good ideas were unable to raise sums of between £50,000 and £500,000. The Government should give grants to help them. It might be sensible to give people 150% of their research and development costs.



GEORGE CARDONA
27 March 1981

Distribution:

Chancellor
Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Mr Ridley
Mr Cropper

Mr Stewart MP
Mr Newton MP

Mr Ryrie
Mr Battishill
Mr Bridgeman
Mr Burgner
Mr Unwin