

## THE 1983 BUDGET

Sir Geoffrey Howe presented his fifth Budget on March 15th. Like its four predecessors it is designed to maintain the drive for lower inflation and interest rates, which are essential if economic growth is to be revived and sustained. Within this framework it offers tax cuts to people and business, and generous measures to help families, the poor, the disabled and charities. **The Chancellor** characterised it as 'a Budget for the family, a Budget for enterprise and most of all, a Budget for Britain's continuing economic recovery' (*Hansard*, 15th March 1983, Col. 157).

### A Stronger Economy

The British economy is now in far better condition than it was four years ago; it has weathered the world recession better than many, and is in good shape to benefit from the recovery in the major world economies which the Chancellor sees gathering pace in 1983.

- \* The money supply, borrowing and public spending are all under control;
- \* Inflation is at its lowest level for 13 years;
- \* The domestic economy is picking up: industrial and manufacturing production rose 2 per cent in January;
- \* Competitiveness has improved by a quarter since 1981;
- \* UK exports rose in 1982 despite a 3 per cent fall in world trade.

The prospects are for a slight rise in inflation to around 6 per cent at the end of 1983, but the economy is set to grow by 2 per cent in 1982-3 and 2½ per cent in later years. The Chancellor welcomed the recent fall in oil prices because it would boost trade and hence create jobs for Britain; nevertheless in the light of the possibility of further falls, and the effect of falls on revenue, it was necessary to keep a close control over borrowing.

### A Budget for People

Previous Budgets gave priority to industry; this year's Budget gives priority to people.

- \* Income tax allowances have been raised by 14 per cent, 8½ per cent more than inflation. The real value of these allowances is now 5 per cent above the levels inherited from Labour;
- \* The new allowances add to the weekly income of the average basic rate taxpayer by £1.27 if single; £2.02 if married; and even more to the retired – £1.67 for single; £2.65 for married;
- \* 1¼ million people will cease to pay income tax at all, so helping the problem of the poverty and unemployment traps.

The Budget also raises the mortgage interest relief limit to £30,000. Increases in duties on alcohol and tobacco are very much smaller than in recent years (1p on a pint of beer, 3p on 20 cigarettes). This is one of the benefits of bringing inflation under control. Further help is given to employees buying shares in their own companies.

### A Budget for Business

Personal tax cuts in themselves help business, but the Budget contains further measures worth another £¾ billion. On top of the £½ billion benefit to industry announced last Autumn, total help is now worth £1¼ billion in a full year.

- \* The ½ per cent cut in the National Insurance Surcharge means it has now been cut three times, from 3½ per cent to only 1 per cent, and is on course for abolition;
- \* Corporation Tax has been cut for small businesses;

- \* Extra spending on improvement grants and "enveloping" (the external repair of whole rows of houses), will help the construction industry;
- \* A technology and innovation package will be worth £185 million to industry over three years;
- \* The reintroduction of the Small Engineering Firms Investment Scheme will help firms especially in the West Midlands;
- \* The Business Expansion Scheme extends and improves the Business Start-up Scheme;
- \* Tax cuts averaging £200 million a year will encourage North Sea exploration and development;
- \* The Enterprise Allowance Scheme, which helps unemployed people set up in business, is now extended to the whole country.

### **A Budget for Those in Need**

The Budget gives help to those most in need: widows, the disabled, the lower paid, the unemployed and families with young children.

- \* Child Benefit will rise by 65p a week to £6.50 in November, its highest real value ever. One-parent benefit will rise to £4.50;
- \* Widow's Bereavement Allowance has been extended to the year after bereavement and will now help twice as many;
- \* Restrictions eased for many in receipt of Invalidity Benefit;
- \* The extension of the Job Release Scheme and other measures to encourage early retirement will help 150,000 people;
- \* The 5 per cent abatement of Unemployment Benefit, introduced in 1980, is being restored now that the Benefit is being brought into tax.

For the general uprating of Social Security benefits, due in November, the Government is returning to the arrangements which operated before 1976, whereby the increase was based on an actual rather than a forecast inflation figure. The figure to be used now is that for twelve months to May 1983; the Chancellor expected it to be in the region of 4 per cent.

Pensioners will be left with the full amount of last year's overpayment of benefits, and if the four per cent figure this year turns out to be correct, then benefits for the two years will continue to be ahead of prices.

In the course of the five upratings made by this Government (November 1979-83 inclusive) prices are likely to have risen by some 70 per cent and pensions by some 75 per cent.

### **Sticking to the Strategy**

This year's tax cuts are the reward for a strategy consistently pursued over five successive Budgets. As the Chancellor said: 'The requirement we saw, and the country accepted, in 1979, was for resolve, for purpose and for continuity. My proposals in this Budget are rooted in that same resolve and will maintain that purpose and that continuity. They are designed to further the living standards and employment opportunities of all our people and to sustain and advance the recovery for which we have laid the foundations' (*Hansard*, 15th March 1983, Col. 134).

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