

## Chancellor under savage attack from all quarters

Hostility to the Budget swept upon the Government from almost all sides of the nation yesterday. The TUC and the CBI were at one in deploring Sir Geoffrey Howe's failure to give decisive encouragement to industrial expansion (Report, page 2). The universities predicted a disintegration into chaos, with the closure of some

institutions, because of a 15 per cent cut in income over three years. The Cabinet itself was beset with rumours that some ministers were profoundly shocked when the Budget proposals were disclosed to them, while it became apparent that at the Treasury plans were already being prepared to cut public spending below the level

stated in the expenditure White Paper. The Prime Minister made a scathing denunciation of the critics of the Budget, which seemed to include dissident Cabinet ministers. Mr Edward du Cann, chairman of the Treasury select committee, called for a programme of national economic recovery (Report, page 2).

### Fears of university system collapsing from loss of income

By Diana Geddes  
Education Correspondent

Britain's university system is likely to disintegrate into chaos as a result of a cut in income of about 15 per cent that the universities will face over the next three years, the University Grants Committee (UGC) and the Committee of Vice-Chancellors and Principals (CVCP) will tell the Government today.

The possibility of having to close whole universities, and of removing all postgraduate facilities or entire faculties from other universities, is being openly discussed.

At the same time, universities are likely to suffer another severe blow arising from the Government's revised estimates, as yet unpublished, on the future demand for school teachers.

The new figures show that the present planned output of newly trained teachers from teacher training colleges and university departments of 17,000 a year already far exceeds the estimated demand for the current year of 12,000, and that demand is expected to fall sharply over the next three years to a low of 3,500 in 1983-84.

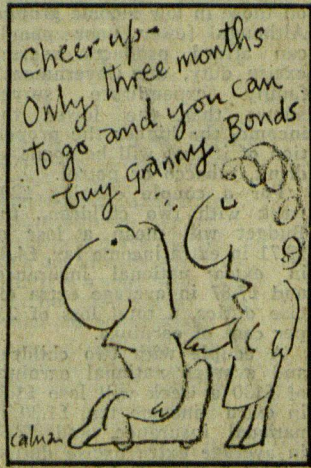
It is then considered unlikely to rise above 10,000 until 1991.

That dramatic fall in demand, arising partly from a reduction in teachers' jobs as a result of government spending cuts, partly from the falling number of pupils in schools, and partly from a lower than expected teacher wastage rate, will

almost inevitably mean closures of teacher training colleges and university education departments.

At their meeting today with Mr Mark Carlisle, Secretary of State for Education and Science, the vice-chancellors and the UGC will explain that the 8 per cent cut, which the Government said in its public expenditure white paper was planned for higher education over the next three years, is likely to amount to about 15 per cent for universities as a result of the combined effects of the Government's policy on overseas student fees and inadequate cash limits.

University staff costs account for about 70 per cent of total expenditure, and it is there that most of the savings will have to be found.



### Mrs Thatcher delivers scathing denunciation of her critics

By Fred Emery  
Political Editor

The Cabinet was taken to the brink of crisis over the Budget yesterday, with Mrs Margaret Thatcher delivering an extraordinary denunciation of her critics, which seemed to include dissident ministers, and Mr James Prior, Secretary of State for Employment, publicly vowing that he would not resign but would continue the fight.

Choosing his words carefully, Mr Prior stated: "There is no question of my resignation. I am going to fight my corner for the Government, and in the Government". There was emphasis on both prepositions.

Speaking at a luncheon award, Mrs Thatcher cast aside both restraint and prepared text, in rounding angrily on critics of the Budget's taxes. In a passage that came close to branding her own Cabinet as opponents she said: "I'll tell you what they really mean; they mean we do not like the expenditure we have agreed; we are unwilling to raise the tax to pay for it. Let us print the money instead; the most immoral path of all."

The question over Mr Prior's wishing to remain in the Cabinet arose when it was learnt that his associates were having, as they believed, difficulty persuading him to stay and fight. But Mr Prior chose to clarify matters last evening, deliberately turning up at the Commons to show that he was not evading colleagues and reporters.

By declaring his decision to fight, Mr Prior implicitly confirmed his opposition to the thrust of the Budget. Like the rest of the Cabinet he learnt of its proposals at the Cabinet meeting only a few hours

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before the Chancellor delivered his speech in the Commons.

It is accepted at Westminster that among ministers profoundly shocked by the Chancellor's failure to offer any real relief for industry were, with Mr Prior, Lord Carrington, Foreign Secretary, Mr Francis Pym, Leader of the House and Chancellor of the Duchy of Lancaster, Sir Ian Gilmour, Lord Privy Seal, and Mr Peter Walker, Minister of Agriculture. There have of course been private threats to resign from this Cabinet before, and possibly none will ensue. But this is the first time that the Cabinet guerrilla fighting of the past 20 months has broken out into the open.

They are all senior Cabinet members identified with, or close to, the so-called "wet" faction who worry over what they see as the obsession with monetarism and favour some expansion in the economy.

While Mrs Thatcher was counterattacking at her luncheon, two more fell blows were struck at herself and at Sir Geoffrey Howe, Chancellor of the Exchequer.

The suggestion that Cabinet members must be asking themselves whether they could stay on after this Budget was voiced on television by Mr Norman St John-Stevas, who was re-

lieved of his Cabinet post in the January reshuffle.

On ITN's *News at One* he was asked if he could have remained in the Cabinet after this Budget. He replied: "What I ask myself is can other people remain in the Cabinet who may have similar views to my own. That is a much more relevant question." Mr St John-Stevas, however, said he would vote to support the Budget "whatever reservations I may have".

That statement shook Conservative business managers, and in Whitehall it was acknowledged that the party had not been in such a state since Mrs Thatcher herself deposed Mr Heath for the leadership. However, Mr Peter Tapsell, an influential City backbencher, and a former member of Sir Geoffrey Howe's shadow ministerial team, called flatly for his dismissal.

In a stinging statement he said: "Sir Geoffrey Howe has now lost the confidence of broad sections of the City, of industry, of the Cabinet and of the Conservative parliamentary party. His policies are damaging to the nation."

"The Prime Minister has a strong sense of duty and of patriotism. She owes it to the country and to the Conservative Party to find a Chancellor of the Exchequer who will command confidence and offer hope."

The Prime Minister was unaware of these two broadsides when she spoke at lunchtime, and concentrated most of her counterattack against the hostile press reaction and that of the more vocal critics.

Speaking at a ceremony on the award to *The Guardian* young businessman of the year, Continued on page 2, col 5

### Ministers prepare for new battle over public spending

By Melvyn Westlake

Government ministers are already preparing for another bitter and bruising battle over public spending. It is now evident that one more determined attempt will be made by the Treasury team, led by Sir Geoffrey Howe, the Chancellor of the Exchequer, to cut Government spending from the levels planned in the latest annual expenditure White Paper, published with the Budget on Tuesday.

The White Paper makes it clear that there is much dissatisfaction about the Cabinet's inability to prevent public spending rising. It is a development which requires the "most serious attention", it says, hinting strongly that an attempt will be made in the coming

months to cut spending programmes in next year's White Paper.

The reduction in the volume of spending which was originally expected to take place in 1980-81, has failed to materialize, and on present plans there will be no fall in Government expenditure before 1982-83.

Given the persistent tendency for spending to rise, there now seems every chance that a further increase will take place in the new financial year which starts next month. If that happens, it would open up the prospect of yet a further rise in taxation.

The desire to make substantial tax cuts before the next election is adding to the determination to bring public spending down.

The overall burden of taxation on the economy is rising extremely fast. In the coming financial year, the tax burden will be equivalent to about 47 per cent or 48 per cent of the nation's gross domestic product. This compares with about 44.5 per cent in 1980-81 and about 40 per cent when the Government took office and means that the tax burden will have risen by nearly a fifth over three years.

The Government will be hard-pressed to get taxes back to the level at which they stood in May, 1979, and this could be immensely damaging in electoral terms.

The core of the Government's strategy has been to get itself into a position of strength from which it could make tax cuts

in the final years of this Parliament, financed from North Sea oil revenues.

The possibility of making such reductions in tax is now fading fast. The financial statement published with Tuesday's budget still coyly refers to a "fiscal relief" in 1982-83 and 1983-84, which is a euphemism for tax cuts.

However, it also says that the higher levels of public expenditure now projected inevitably mean that the margin for fiscal relief is substantially smaller, and occurs later than in last year's projections.

In broad terms this fiscal relief will do no more than offset the increase in the personal tax burden in the coming year. This, the financial statement says, "is clearly unsatis-

factory in the context of the Government's wider economic objectives".

But any attempt to cut public spending is bound to be fought by the Cabinet "wets". In the two years since the Government came to office it has undertaken four expenditure-cutting exercises. The last, late last summer, effectively resulted in a defeat for those ministers who had wanted huge reductions in spending programmes.

Ministers at spending departments believe, however, that they have already pared many programmes back to the bone. Much of the increase that has taken place in government expenditure has resulted directly from the economic recession.



HOME NEWS

Extra £40m in fuel subsidy for needy and big rise in disabled allowance

By Frances Gibb The Government is to give an extra £40m to help more than two million people on supplementary benefit to pay their fuel bills, Mr Patrick Jenkin, Secretary of State for Social Services, announced yesterday.

Mr Hugh Faulkner, director of Help the Aged, said it was disappointing that the bonus was to remain at £10. It had stood at that level since being introduced in 1972. A more reasonable figure was £35.

Table with columns: INCREASED BENEFIT RATES, SUPPLEMENTARY BENEFIT. Rows include: Child benefit, One parent benefit, Standard rate of retirement and widows' pensions, etc.

Mr du Cann calls for recovery programme

By Hugh Noyes Parliamentary Correspondent Westminster Mr Edward du Cann, chairman of the Conservative 1922 Committee and of the Treasury select committee that recently produced a report critical of the Government's economic strategy, said yesterday that the Government should mount a programme for national recovery.

TUC and industry united in attack on Budget failure to aid growth

By George Hill Association and the Royal Automobile Club made similar comments. But the NCG welcomed the increase in child benefits, the windfall tax on bank profits, and the lower age limit for "granny bonds".

Mrs Thatcher defends the 'moral' Budget

By Our Political Editor Mrs Margaret Thatcher, setting aside her prepared text, said in a speech at The Guardian Young Businessman of the Year award last night: "One of the reasons which led us not to increase the standard rates of tax and not to reduce, and not to alter, the top rates of tax was the counsel of one of your previous winners, though he won't know it."

Those who are most critical of the extra tax are those who were most vociferous in demanding the extra expenditures.

Industry and investment that we might have had... What they really meant was that they were unwilling to raise tax to pay for expenditure, and that money should be printed instead.

Unemployed will be worse affected, critics say More families 'face poverty trap'

By Robin Young Consumer Affairs Correspondent Those concerned for the low paid and unemployed were emphatic that the changes announced yesterday in family income supplement and other welfare benefits would only reinforce the regressive effects of Sir Geoffrey Howe's Budget.

Increases in excise duties have a highly regressive impact on those in low income groups. Although fewer poor people can afford products bearing excise duty, the Government's family expenditure survey shows that the lower the income, the higher the proportion of it that will be spent on drink, tobacco or petrol.

£900 a year on top of your grant if you join the Navy after University. You have to be accepted for at least a Short Career Commission in the Royal Navy, the Royal Marines or the Women's Royal Naval Service.

Unions seek CBI support in economic fight

By Paul Routledge Labour Editor Trade union leaders are to seek the support of the CBI in a fresh propaganda offensive against the Government's economic policies, after condemning the Budget as "one more desperate gamble with the British economy".

Water workers in two regions reject 13% deal

By Our Labour Staff Hopes of averting the renewed threat of official action in the water industry remained last night despite what seems certain to be a close vote by 32,000 workers on their 13 per cent pay offer.

Scathing attack on critics of Howe strategy

Continued from page 1 she denied Mr Michael Foot's charge that it was a "no-hope Budget".

Weather forecast and recordings

NOON TODAY Pressure is shown in millibars FRONTS Warm Cold Occluded (Symbols are an advancing edge) Map showing weather patterns over the UK and Europe.

ROYAL NAVY OFFICER John Traynor, aged 39, of Kirkcaldy, Fife, who killed his pregnant wife and hid her body for more than 15 years, was found not guilty of murder but guilty of culpable homicide at Perth High Court yesterday.

Wife killer convicted

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Overseas selling prices Australia \$2, Austria Sch 90, Bahrain Dhs 100, Canada Cdn 1.00, etc. Table listing exchange rates for various countries.