

NOTE FOR THE RECORD



111th MEETING

✓
File
D12Chancellor's Meeting, 17 September 1980

Present: Chancellor
Chief Secretary
Financial Secretary
Minister of State (L)
Mr Ridley
Mr Cropper
Mr Cardona

Inflow controls

1. There was a discussion of the desirability of exchange controls on inflows of capital. The Chancellor found the argument that, once imposed, such controls would be difficult to remove a persuasive one. The Financial Secretary was less persuaded of the difficulty of removing controls: other countries (eg the Swiss) had abolished them. However he was uncertain of the monetary consequence of inflow controls. The Chancellor concluded that the underlying monetary and fiscal situation was what mattered.

Monetary situation, PSBR, etc.

2. There was an extended discussion of the present and prospective conditions of the PSBR and the money supply. The underlying situation was disturbing; but on the other hand the PSBR was heavily front-end loaded. It was of the highest importance that the Government should not appear to panic.

3. Further public expenditure cuts were greatly to be desired; but on the other hand it was doubtful whether significant savings could be found in the current financial year, particularly if certain expenditure programmes continued to be protected against cuts. Further increases in nationalised industry prices should be avoided.

4. It was agreed that in principle, if a package of fiscal measures were required it would be greatly preferable if it could be announced before the Party Conference. Against this it was thought that so early an announcement would be operationally out of the question.

5. It was pointed out that there was a further problem for next financial year: what should the Government's reaction be if the PSBR for 1980-81 turned out to be £10 billion or more? It was argued that the correct response should be to find out what had caused the problem and to try to rectify that before seeking other expenditure reductions.

6. It was agreed that the Chief Secretary would take opportunities to pursue every possible expenditure cut in the forthcoming bilateral discussions. Where he judged appropriate questions that appeared closed (for example police and army pay) should be re-opened. The bias should be in favour of reductions in current expenditure, in order not to appear to be causing even more problems for the private sector by reducing public purchasing. Absolutely no bids for additional expenditure should be accepted at this stage not even from Mr Prior. Central and local Government pay should bear the brunt of reductions. In this context, it was important that the Government should not appear to be buying off a dock strike - such a strike was nowadays not as damaging as it might once have been.

7. It was agreed that there was a reasonable chance that fiscal measures would not be required before the Budget. But meanwhile contingency planning should continue. If there were a fiscal package, it would probably be sensible to include some action on consumer credit.



GEORGE CARDONA

18 September 1980

Distribution:

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

Sir L Airey
Sir D Lovelock