

part A

SECRET

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*Begins: 20/1/81
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PO -CH /GH/0034

PART A

Chancellor's (Howe) Papers:

CHANCELLORS MORNING
MEETINGS 1981

Disposal Directions: 25 Years

[Signature]
24/7/95

PO -CH /GH/0034

PART A

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NOTE FOR THE RECORD126th meetingChancellor's Morning Meeting, 20 January 1981

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

Junior Ministers in House of Lords

1. Their remuneration was discussed. It was pointed out that the peers' attendance allowance had been reduced, so Lord Soames' proposed solution was inadequate. The Chief Secretary would pursue this matter.

EC Budget contribution

2. The Financial Secretary raised the question of the net Budgetary contribution for 1980, which looked low because most of the payments came in 1981. Mr Teddy Taylor was however asking PQs about the 1980 contribution. After a brief discussion, it was agreed that the figure for 1980 should be released, with appropriate explanations.

CPS Policy Group

3. The Centre for Policy Studies had a policy group on wider share-ownership. The Minister of State (C) undertook to contact them.

Outside tax advisers

4. Mr Cropper would organise drinks with the advisers sometime before the Budget.

Finance Committee

5. The Chancellor was attending a Finance Committee meeting later in the day. For most of the time he would just listen, but he would start by reassuring backbenchers that the Government was fully in control and that there was light at the end of the tunnel; and he would try to clarify the criteria for changes in MLR.

Stock relief

6. It was agreed that the Minister of State (L) would brief the press off the record.

Presentation of economic policy

7. The Chancellor, Chief and Financial Secretaries were to attend a meeting about this with the Prime Minister and Lord Thorneycroft the next day. There were no papers or agenda for the meeting. Mr Ridley would pursue.

TCSC

8. Mr Newton reported that there was a possibility that Mr Bruce-Gardyne might join the Committee.

No 10 reception

9. Ministers and Advisers were asked to suggest to Mr Cardona the names of academics who had helped the Party in Opposition, for a reception at No 10.

Mortgage interest relief

10. There was a discussion about whether the Financial Secretary should announce on Friday in the debate on the Wilson Report that the Government was studying the possibility of changing the administrative arrangements for giving mortgage interest relief to bring them into line with insurance premium relief. It was agreed that he should announce the study on Friday.

Expenditure control

11. There was a brief general discussion of the problems of expenditure control and of the timing of the announcement of cash limit conversion factors. It was argued that cash limits should not be set after pay-bargaining was over in order to validate the results of bargaining. The Chancellor asked the Chief Secretary to speak to Sir Anthony Rawlinson.



GEORGE CARDONA
20 January 1981

- Distribution: Chancellor
- Chief Secretary
- Financial Secretary
- Minister of State (C)
- Minister of State (L)
- Sir D Wass
- Sir K Couzens
- Sir A Rawlinson
- Mr Ryrrie
- Mr Burns
- Sir L Airey
- Sir D Lovelock
- Mr Ridley
- Mr Cropper

SEVENTH MEETING WITH MPs, 4 FEBRUARY 1981, AT 11 DOWNING STREET

Present: Chancellor
E. Gardner, MP
B Henderson, MP
T Jessel, MP
M Lennox-Boyd, MP
D Mellor, MP
M Parris, MP
W Shelton, MP
M Shersby, MP
J Spicer, MP
I Stewart, MP
D Williams, MP
B Wells, MP
A Newton, MP
G Cardona

John Stokes said that one quarter of the electors in his constituency were in some way dependent on BL, but three-quarters were not. The latter group regarded the former as layabouts, and it was very difficult to justify to them the Government's decision to continue funding BL. Duport was also in his constituency: how could he justify the BL decision to them?

Jim Spicer said this constituency was largely agricultural with some light industry. Farms and small companies would soon be in great trouble.

David Mellor said there was a lot of back bench support for the BL decision. The company appeared to be reviving under Sir Michael Edwards. Also there were signs of new and growing businesses in his constituency. Industry beefed about the high pound; but the German and Japanese economic miracles had taken place with a rising currency. In any case the Government could do nothing about the level of the pound. However the Government should try to respond to the CBI's plea for reductions in NIS and energy prices. Finally, sacrifices were being made by the private sector but not the public sector. The reduction in Civil Service numbers was quite an achievement, but was insignificant compared to reductions in the private sector.

William Shelton took up the theme of inadequate public spending cuts. Half the increase in the PSBR was due to excessive spending. DHSS had taken on 25,000 more staff. There should be a ceiling on LA rate increases.

Bowen Wells said the Government's credibility was in danger. The public were justified in seeing the decisions on BL and BSC, and the failure to control £M3, as defeats for the Government. Ministers' confidence was being sapped. There had to be a campaign to tell the shopfloor that there was still hope.

William Shelton added that that this was the least monetarist Government for perhaps 10 years. He feared a resurgence of inflation in 18 months' time.

Michael Shersby listed some of the problems facing industry and consumers: energy prices, rates, etc.

Toby Jessel asked how the Government would control the speed of the economic upturn in order to prevent the trade unions becoming too militant.

Delwyn Williams was concerned about his agricultural constituency. Costs were rising. Land values were dropping, which worried the banks. He asked the Chancellor to persuade the Inland Revenue to allow more latitude in payment for companies - especially small ones - who were in difficulties. He had a large postbag on this subject. The Chancellor asked to see the postbag, and reminded those present that evidence on enforcement practices could be given to the Keith Committee.

Edward Gardner asked whether the CBI Budget representations were valid.

Barry Henderson asked: (i) whether the correlation between low profits and high unemployment, now becoming evident, could be used to attack Labour's anti-profit attitude;

(ii) whether N. Sea revenues would now roll in on a large scale; and said that:

(iii) he was struck by the fact that lower wages

would help industry as much as, or more than, a lower pound.

Mark Lennox-Boyd thought the pressure ⁱⁿ the country on the Government's economic policy had started to decline. The worst time had been in September and October. But Party morale could sink lower this year: there would have to be a tough Budget. It was important not to announce in the Budget anything unpleasant that was not already expected: people had discounted those measures, whereas unforeseen unpleasantness would have a disproportionate impact.



GEORGE CARDONA
5 February 1981

Circulation: Ministers
Advisers
I Stewart MP
A Newton MP

NOTE FOR THE RECORD133rd MeetingChancellor's Morning Meeting, 24 February 1981

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

Ln

Monetary Policy and the Exchange rate

1. The Chancellor asked for a compact account of the Niehans study, based on a condensation of the assessment recently provided by Mr Middleton.

Finance Bill

2. The proposed distribution of briefing material was wider than last year. The Chancellor expressed concern about the burden of work on officials, and said that proposals from officials for cutting down the quantity of material would be well received.

TCSC

3. The Chancellor asked for a short note on the summary and conclusions of the Committee's Report.

Budget broadcast

4. A meeting on this would be required: perhaps on Thursday. Mr Cropper was asked to see to the visuals.

Budget speech

5. The Chancellor asked for his notes and comments on the text to be circulated as soon as possible, and for the Minister of State (L) to look at the tax sections except for North Sea taxes which should be looked at by the Minister of State (C); the Financial Secretary should work on the monetary section; and the Chief Secretary should work on the later public expenditure sections in the light of the Cabinet discussions later that day.



GEORGE CARDONA

24 February 1981

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

c. pl 12 Mr AJC Edwards
 Mr Fitchew 25/2
 to see 2 & 3
 respectively 9

FILE FOR THE RECORD



134th Meeting

JW

25/2

Chancellor's Morning Meeting, 25 February 1981

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

Mr Goldsmith

1. Mr Newton reported on the address given by Mr Goldsmith to the Conservative Finance Committee the previous day. Mr Goldsmith had repeated the views expressed in his recent Sunday Times article.
2. There followed a general discussion of the issues raised by Mr Goldsmith.

EC funds

2. Mr Newton warned that backbenchers were disturbed by reports that the EC Commission was trying to give a grant of £100m to Belfast, but was prevented by the doctrine of additionality.

Forestry

3. Mr Newton said there was concern about the treatment of proceeds from disposals by the Forestry Commission. The Chancellor asked for a report on the position.

GC

GEORGE CARDONA
 25 February 1981

Distribution:

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

1. JW o/r 10
2. 15NOTE FOR THE RECORD135th MeetingChancellor's Morning Meeting, 27 February 1981

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

2

Taxation of free petrol

1. There was a discussion of the proposal to increase the scale of tax on company cars whose beneficiaries also received free petrol.

2. No final decision was taken, but the consensus was that a declaratory provision in the Finance Bill was probably the best solution, confirming that free petrol was equivalent to other benefits for tax purposes.

Child benefit

3. It was agreed that the increase should remain 50p.

Capital taxes

4. It was agreed that there need be no change in the proposals to raise the annual CTT exemption to £3,000; to change the lifetime scales; and to introduce 10-year cummulation. The agricultural package should also stand.

Heritage

5. It was argued that defects in the previous Budget's maintenance funds provisions should be repaired. No final decision was taken.

DLT

6. The MST (Lords) proposals were agreed to.

Business donations to enterprise trusts: Mr Bryce (IR's) minute of February 25

7. The Chancellor asked the Ministers of State to examine the Inland Revenue's submission recommending against fiscal exemption for such donations.

Prince Charles

8. The Royal Mint proposed minting a Crown to commemorate the Prince's wedding, but the clearing banks objected to the extra handling costs. Ministers proposed that either a £1 coin or £5 coin should be issued rather than one of 25p.

NCB

9. The Chancellor said he intended to minute the PM before the weekend. There was a worrying tendency to concede every demand in full.

Season tickets

10. Mr Newton reported nervousness in the Whip's office about proposals to tax season tickets. If the tickets were taxed, the Whips preferred that it should come into effect in 1982, in order to avoid taxing people on something they had received under the impression there would be no tax. The Chancellor said this concern to avoid retrospection should be accommodated.

Privatisation

11. The Chancellor asked Mr Ridley to prepare an agenda for the meeting on Monday.



GEORGE CARDONA
27 February 1981

Distribution:

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

NOTE FOR THE RECORD136th MeetingChancellor's Morning Meeting, 3 ^{MARCH} ~~February~~ 1981

Present; Chancellor
 Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Ridley
 Mr Cropper
 Mr Cardona
 Mrs Gilmore (item 1)

Press briefing after Budget

1. Arrangements for briefing the press were discussed. It was agreed the Chancellor would lunch with The Economist on the Wednesday, but would lunch with no other journalists. There would not be a cocktail party for journalists this year. Mrs Gilmore would endeavour to group financial journalists into the smallest useful groups for meetings with ministers in the course of Thursday and Friday. Some journalists would be seen alone.

Budget debate

2. It was agreed that the CST would open for the Government on Wednesday, and the FST would close; non-Treasury ministers would open on Thursday and Monday; the MST(C) would close on Thursday, and the Chancellor on Monday.

3. It was thought the Chancellor would have to attend the special ECOFIN meeting on Monday 16th.

Exchange control

4. It was agreed that provisions giving power to control inflows should be in the Finance Bill, but no reference to this would be made in

the Budget speech, in order to make it clear that this was a technical tidying-up operation.

PSBR

5. It was decided that the PSBR figures for 1981-82 in the Budget Speech and the Red Book must be identical. The Chancellor would discuss this with Mr Evans. Meanwhile he inclined towards £10.5 billion.

Water authorities

6. There was a discussion of their waste and extravagance. No final conclusions were reached.

TCSC

7. The Chancellor would speak to the Chief Whip about the Select Committee.

8. Special Advisers would brief journalists about the forthcoming report on monetary policy.

gc.

GEORGE CARDONA

3 March 1981

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



NOTE FOR THE RECORD

137th Meeting

Chancellor's Morning Meeting, 6 March 1981

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

Welsh Office

1. It was revealed that pot-plants for an extension to the Welsh Office had cost £93,800.

TCSC and Finance Bill Standing Committee

2. There was a discussion of the membership of these committees.

Civil Service Pay

3. The Chancellor said that the next stage of Treasury work on this should be brought forward as soon as possible after the Budget.

Industrial relations

4. It was argued that there was a strong political case for making the European Declaration of Human Rights a part of UK law; the Chancellor said he would welcome the Chief Secretary's view on this. There was also a good case for following the immunities Green Paper initially by outlawing the closed shop in public authorities. The

Special Advisers were asked for a draft minute to the Prime Minister arguing these points.

Business Opportunities Programme (BOP)

5. It was decided that both name and acronym were satisfactory.

ICL

6. In discussion, it was argued that in the event of there having to be Government assistance to ICL, it was desirable that the successful part of the company should be hived-off and left in the private sector. Mr Ridley was asked to look critically at case for assistance.

Fraud in Franchising

7. The MST (Lords) warned that the business start-ups scheme doubled the scope for fraud in franchising operations.

Inland Revenue tolerances

8. Ministers wished to have a Speaking Note and full briefing on the precedent for not taxing the old age pension when it became liable to tax.

Heavy fuel oil

9. It was decided that there should be a very veiled reference in the Budget speech to complex international contractual arrangements which prevented HFO being reduced. The wording would have to be cleared quickly with Mr Howell.

Interchange of personnel between Civil Service and other employers.

10. There was a brief discussion. Such interchange should be encouraged.

Manpower reductions: the Lord Presidents exercise

11. The MST(Lords) argued that some other departments were reducing numbers by converting establishments into quangos or research bodies. This was not consistent with the spirit of the exercise, nor was it fair on Departments such as the Chancellor's, who sought genuine reductions in manning.

*You wrote Lord Soames a letter about this,
on the basis of a considered submission from SS.*



GEORGE CARDONA

9 March 1981

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

NOTE FOR THE RECORD138th MeetingChancellor's Morning Meeting, 11 March 1981

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Newton
 Mr Ridley
 Mr Cropper
 Mr Cardona
 Mrs Gilmore (items 1-9)

Budget

1. There was a discussion of the response to the Budget. The increase in petrol duty was probably the specific measure causing the greatest difficulty with the Parliamentary Party, in relation both to industry and the rural impact; some were anxious about deflation.
2. Mr Cropper was asked to arrange an early meeting between the Chancellor and the officers of the Finance Committee.
3. The Chancellor would want to meet the CBI, the Institute of Directors and the ABCC in the near future.
4. Mr Ridley would speak to certain backbench members.
5. Mr Newton was asked whether he would organise a meeting of ministers outside the Cabinet, to be addressed by the Chancellor.

Revenue

6. The Minister of State (Lords) argued that having abandoned funny money for public expenditure, it should no longer be used in the presentation of revenue changes. It caused a great deal of confusion. There followed a brief discussion. The Chancellor concluded that the issue could not be resolved now, but that an analysis by officials would be sought at some point in the future.

Chief Secretary's speech

7. The CST sought guidance for his speech later in the day. It was agreed that he should deal with the questions of the regressivity of the Budget and anxieties about petrol duty as well as with expenditure.

8. It was also agreed that the Government should take the credit for the increases that had been made in public expenditure.

Gordon Pepper

9. It was reported that Mr Pepper had concluded, by looking at the PSFD, that the fiscal stance was excessively tight. But unallocated items made the PSFD look unduly small: Mr Ridley would speak to Mr Pepper about this. Mr Pepper also had other concerns, which Mr Cardona would try to discover.

Cabinet

10. There was a brief discussion of the possible fora there were for economic discussions with other members of the Cabinet. The matter would be considered further. In the meantime, Mr Ridley was asked for a note on the arguments for and against reflation.

Royal Wedding

11. Possible names for the commemorative 50p piece were suggested. No conclusion was reached.

ICC

12. There was a discussion of the note of 10 March by the Minister of State (L).



GEORGE CARDONA
11 March 1981

Distribution: Chancellor
Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir D Wass
Sir K Couzens

Sir A Rawlinson
Mr Ryrrie
Mr Burns
Sir L Airey
Sir D Lovelock
Mr Ridley

Mr Cropper

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

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

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.

22

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 BNOC bill meant nothing could be done about denationalisation of BNOC 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 ^{us in} 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

Record of meeting with Backbenchers at No. 11 Downing Street on
30 March 1981 at 5.30pm

Present:

Chancellor
Ian Stewart MP
Tony Newton MP
Mr Cardona

Jill Knight MP
John Loveridge MP
Sir Brandon Rhys Williams MP
Keith Stainton MP
John Hannam MP
Ray Mawby MP
George Gardiner MP
Elaine Kellett-Bowman MP
Trevor Skeet MP
David Crouch MP
John Lee MP
Dudley Smith MP

John Loveridge began by saying he was grateful for the Budget. He was particularly grateful for the concessions for small businesses. However he was worried about Sir Jeremy Morse's argument that the bank profits tax would curtail bank lending.

Keith Stainton said it would be very useful to have a publicity dossier to send out to small business constituents showing what the Government had done and would do for such businesses.

Jill Knight thought the Government's public relations were bad. However she wished to congratulate the Chancellor on his appearance on the programme Question Time. It was not easy to get across the reasons for the rise in petrol duty; and derv was a problem. What about an airport tax?

Elaine Kellett-Bowman asked why gambling taxes could not be increased.

Sir Brandon Rhys Williams said that the trouble with the economy as a whole was that we were spending too much on consumption and not enough on investment.

John Hannam suggested imposing VAT on overseas holidays.

Trevor Skeet said that the contract between British Gas and the Norwegians which prevented the reducing of heavy fuel oil duty must have been a very silly contract.

David Crouch remarked that the Chancellor was showing a more appreciative ear on energy prices than the Department of Energy. But the concessions so far on energy prices had not been enough.

Trevor Skeet asked why we could not use the North Sea to give British industry a competitive edge over European industries.

Keith Stainton said that he thought the central point in the Budget arguments was whether the Treasury could hold the PSBR at $10\frac{1}{2}$ billion pounds.

John Loveridge said current^{and} capital expenditure should be separated in Government accounts.

George Gardiner was worried about statements made by the CBI, especially that the economic upturn would only be momentary.

David Crouch said that the chemical divisions of ICI, BP and Shell were all running at a loss. They could weather the storm for another 6 months. But would the upturn come in time?

Dudley Smith said there were some encouraging anecdotal signs of the economic upturn.

Jill Knight said that employers had to pay out a great deal before they could even start employing more people: at least 30% of the wage had to be paid out on top of the wage. Also the private sector was suffering instead of the public sector.

Sir Brandon Rhys Williams asked why nationalised industries could not go to the market to raise capital and investment without Government guarantee (Hear Hears).

John Lee said that all hoped and assumed that things would work out right. But what if something went wrong? Was it not a risk to spotlight the $\text{£}10\frac{1}{2}$ billion PSBR figure? Also he believed that the increase in derv and transport costs was making companies think of

moving their factories from the north of the country to the south. Finally there should be taxes on caravans and holidays abroad (some Hear Hears).

Keith Stainton asked whether the Chancellor was going to abandon MLR and move to monetary base control.

John Loveridge asked whether it was possible to help companies that did not have large enough profits to take advantage of capital allowances.

Trevor Skeet said that taking money from the oil companies meant there would be less investment by them.

John Hannam said there had to be better ways to evaluate competing nationalised industry investment projects.

David Crouch asked what the Government would do if the timing of the upturn was wrong.

Dudley Smith urged the Government to stand firm on the civil service pay claim (Hear Hears).

John Hannam asked whether the problem of personal tax allowances overlapping with the pension was going to be resolved.



GEORGE CARDONA

31 March 1971

Distribution

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



Note for the Record

143rd Meeting

Chancellor's Meeting at the House of Commons on 1 April 1981, at 6.30pm

Present: Chancellor
Chief Secretary
Financial Secretary
Minister of State (C)
Mr Newton
Mr Stewart
Mr Butcher
Mr Lennox-Boyd
Mr Cropper
Mr Cardona

A handwritten pink mark, possibly initials or a signature, consisting of a vertical line with a hook at the top and a horizontal line at the bottom.

Finance Bill

1. It was agreed that unless there were totally unforeseen developments the Chief Secretary would open the debates on both the PEWP and the Finance Bill; the Chancellor would speak on the petrol clause in the Committee of the whole House.

Petrol

2. There was a discussion of how to deal with the possibility of a Government defeat. It was thought that a concession on derv alone might not be enough. A tax on overseas holidays would cause immense political difficulties if imposed just before the holiday season, and would yield little revenue for 1981-82 if imposed later. VED was best left alone. It was not possible to give a guarantee that petrol duty would not be raised next year. Cigarette manufacturers were adept at showing that their factories were in areas of high unemployment, but nevertheless higher duties on drink and tobacco might be the best solution if the Government were defeated.

Current and capital expenditure

3. It was argued that a clearer differentiation between current and capital account in the public sector was becoming an important issue in the Parliamentary Party.

C & AG

4. It was agreed that on the whole ministers favoured the C&AG having power to investigate commercial and contractual questions.

Industrial expenditure

5. Mr Stewart argued for a more confident exposition of expenditure on industrial support. The Government should be able to get more credit for the large expenditure that was in fact being undertaken.



GEORGE CARDONA
2 April 1981

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



1. JW
2. LS
3. MP
29

NOTE FOR THE RECORD

144th Meeting

Chancellor's Morning Meeting, 7 April 1981

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

Tax on overseas holidays

1. It was agreed that a letter from the Association of British Travel Agents about Press rumours of this should be replied to, saying that relevant suggestions of such a tax by a backbench MP at Treasury Questions on 25 March had been considered and was impracticable. This reply should be released to the Press. Care should be taken in the drafting to make it clear that the Government's consideration of this issue was a response to outside questioning rather than the outcome of a search for solutions to the problems of petrol duty.

Petrol duty and energy prices.

2. There was a discussion of the proposal that some of the pressure to reduce petrol duty could be headed off by more concessions on energy prices for industry. The next step was to investigate the implications of such concessions for the Contingency Reserve.

First order questions

3. There was a discussion of the form of briefs for Treasury Questions.

The Chief Secretary had made arrangements that were satisfactory to him. The Financial Secretary argued that more figures were required in the economic briefs: it was easy for ministers to supply words, but they had to have the figures. The Chancellor would speak to Mr Unwin and EB about briefing arrangements.

Farm prices

4. It was reported that the French press were describing ^{the} farm prices settlement as a victory for France. The generosity of the settlement, together with the fiscal concessions to farmers, should be pointed out to farming communities by Central Office in their briefing material.

5. Sir Kenneth Couzens was conducting an investigation into whether MAFF had adequately consulted the Treasury. He should be asked to take into account the report of 3 April by Sir Robert Armstrong to the PM, about MAFF's consultation of the Treasury.

CPRS study of nationalised industries

6. The Chancellor asked Mr Ridley to look at the issues involved, with a view to influencing the study at an early stage.

Cabinet

7. It was probable that the Cabinet discussion of cash planning for public expenditure would precede a discussion of general economic policy.

Revenue departments: industrial action

8. The Chancellor asked for greater co-ordination of briefing for Cabinet on these issues.



GEORGE CARDONA
7 April 1981

Distribution: Chancellor
Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)
Sir D Wass

Sir K Couzens
Sir A Rawlinson
Mr Burns
Mr Ryrrie
Mr Ridley
Mr Cropper

Sir L Airey
Sir D Lovelock



Shedrick Collins 11
When go to
Tom Newton

NOTE FOR THE RECORD

145th Meeting

Chancellor's Morning Meeting, 8 April 1981

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Newton
 Mr Stewart)
 Mr Butcher) (items 1-7)
 Mr Lennox-Boyd)
 Mr Ridley
 Mr Cropper
 Mr Cardona

Petrol duty and the Finance Bill Timetable

1. There was a discussion of the continuing Parliamentary difficulties over petrol duty. It was thought that some members had not realised how difficult it would be to raise the revenue in other ways. The Chancellor would make a statement on Friday about this, and about the benefits to farmers from the farm price settlement and CTT changes.
2. It was argued that it would help loyal members who were under constituency pressure to vote against the Government if they could have a private meeting with the Chancellor before the petrol vote.
3. There was a discussion about the best time for the petrol clause to be taken in the Committee of the Whole House. The provisional conclusion was that the best day would be the second day of the second week after the recess.
4. It was agreed that it would be very difficult to reach a conclusion about the right course of action for the Government to take over petrol until after Easter. Meanwhile the relevant arguments should be deployed with vigour, and the Chancellor's planned statement might be circulated to MPs and the party in the country through the

normal briefing channels shortly before Easter.

TCSC

5. There was a discussion of the problems.

Belgian economy

6. The Chancellor said that the report in the previous day's FT was another example of how other countries' economic problems were similar to ours. Such material should be collected for circulation to ministers generally.

SDP

7. After a brief discussion, the Chancellor asked the Special Advisers to continue their research into SDP policies with a view to drawing up a questionnaire for their candidates.

Civil Service industrial dispute

8. The Chancellor said three thoughts should be injected into consideration of the dispute: producing a formula for negotiation; improving dispute management; the need to disseminate information to both civil servants and the public. He asked the MST(Lords) to look at the issues and make proposals urgently in time for a briefing meeting with officials later in the day in advance of his discussion with the PM in the evening.

Budgets: distributional effects

9. It was agreed that families with children could not be left out of the distributional tables to be given to the Treasury Select Committee (Mr Battishill's submission of 7 April).

GC

GEORGE CARDONA

8 April 1981

Distribution: Chancellor
Chief Secretary
Financial Secretary
Minister of State (C)
Minister of State (L)

Sir D Wass
Sir K Couzens
Sir A Rawlinson
Mr Ryrrie
Mr Burns

Sir L Airey
Sir D Lovelock
Mr Ridley
Mr Cropper



See continuation

NOTE FOR THE RECORD146th MeetingChancellor's Morning Meeting, 10 April 1981

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

5h could well;
 10h would
 - 1 hope

Water industry

1. It was argued that the water industry should be considered a serious candidate for privatisation. On the other hand there was no prospect of legislating for this for the time being.

CST's speech

2. It was agreed that extracts from the section on capital expenditure in the Chief Secretary's speech in the PEWP debate should be reprinted in the Economic Progress Report, and commended to the Conservative Research Department/^{for} inclusion in "Politics Today".

Derv and petrol

3. It was agreed that there should be no hint of any concessions in the Second Reading of the Finance Bill.

4. It was thought that if concessions were ultimately needed, while one could of course not be certain, it was probable that a concession of 10p off derv plus a subsidy of £5m for horticultural fuel might enable the petrol duty increase to be carried. It was possible that MAFF might be persuaded to contribute half of the horticultural subsidy. This package should be seriously considered.

34

Foreign diesel cars

⊖ The Chancellor asked for fuller analysis of, and briefing about, the industrial argument against a differential in favour of derv, about which considerable scepticism was expressed. It was not a case which could be put with great effect in public. In particular, the plausible argument that ~~diesel engines~~ were bound to take a growing share of the market in any case should be examined carefully.

6. The Chancellor also asked for fuller briefing on the arguments for and against a tax on caravans. There might be a case for action next year.

Lead in petrol

7. Mr Tom King was being pressed to make a statement on lead in petrol. If it were banned this would have the effect of raising the petrol price, even though the ban and price increase might not occur for several years. But the petrol position was so delicate that nothing should be done to upset it.

8. The possibility of a lower duty on lead-free petrol, as the MST (L) reported was the case in the USA, should however be examined by Customs and Excise.



GEORGE CARDONA

10 April 1981

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



ppp, LC 35

CHANCELLOR'S MORNING MEETING

187th Meeting

27 November 1981

A large, handwritten pink scribble or signature mark.

Note for the Record

Present: Chancellor
 Financial Secretary
 Economic Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Brooke
 Miss Rutter
 Mr Ridley
 Mr Cropper
 Mr Harris

1. Tax on Advertising

There was discussion of the issue (raised in the PS/Chief Secretary's minute to Mr Harris of 12 November 1981) of a Tax on Advertising. The Minister of State (L) noted past and present difficulties in applying such a tax. The Chancellor doubted whether a new tax would lie easily with the Government's policy of reducing real incomes in the personal sector and helping the corporate sector. Mr Cropper noted that it would be easier to extend VAT to advertising but this would have little point unless it could be "blocked". The Chancellor concluded that while it might have been sensible to extend VAT to advertising in the 1960's, it was difficult now and the proposal should not be pursued further.

Full minute

2. European Summit

The Chancellor reported briefly on the European Summit and the Financial Secretary on the EEC Budget Council and his appearance before the European Parliament's Budget Committee.

36

3. Cabinet: Public Expenditure Decision

The Chief Secretary reported that Thursday 26 November's Cabinet meeting had resulted in a wholly satisfactory resolution of discussions concerning Mr Heseltine's spending programme.

The Chancellor and Chief Secretary felt that the outcome should be presented as a reasonable compromise. On the one hand spending in 1982-3 would be higher than the Treasury had wished: on the other, planned spending for 1982-3, compared with 1981-2 spending, would be flat in volume and down in 'real' terms (deflated by the GDP deflator) and as share of GDP.

4. Savings and the Public Sector: International Comparison

The Chancellor said that he wished to see worked up for use in public the point ^{continued} in a Philips and Drew note circulated by Mr Ridley (25 November 1981) - that the share of total savings in the economy flowing into the public sector was very high in the UK; but on a downward path in Britain and Germany and an upward one in France.

5. Burden of Debt and Interest Payments

The Financial Secretary requested defensive briefing to answer the point made by John Watson MP in the debate on Interest Rates on Thursday, 26 November that the national debt and interest payments on it were lower as a % age of GDP now than in the past. The Chancellor also asked to be reminded of the arguments. Mr Ridley undertook to pursue the matter with Mr Burns.

6. PSBR Definitions

The Article in today's (Friday's) 'Times' by Ronald Butt prompted the Chancellor to call for a re-examination of the question of the PSBR definition. The Chief Secretary was requested by the Chancellor to consider the issue as well as how presentation of the national accounts - in the Public Expenditure White Paper, the FSBR and by other means - could be improved. The Chancellor felt that, even allowing

JRE
minuted

for the fact that a rigorous examination of the issue might lead to more rather than less appearing in the PSBR, this was an untidy area which could not be allowed to continue in its present form .

7. Letter from Mr R Halstead (Times, 26 November)

The Chancellor asked for the widest circulation among Ministers to be given to the letter by Mr Halstead and other industrialists in Thursday's 'Times', particularly through the Conservative Research Department.

8. Defence Spending.

The Chief Secretary reported that it was clear that although the MoD's claims for special treatment as a result of the Relative Price Effect were unsustainable, there was a real problem stemming from the fact that the estimates of what could be afforded published in the last Defence Review appeared to have been inaccurate.

The Chancellor and Chief Secretary noted that the Treasury should be closely involved from the earliest stage in the next Defence Review. The Chancellor had suggested that Mr Nott might need the assistance of an outsider with extensive business experience (cf McGregor) in the further development of a properly planned and controlled defence Budget.

10. Briefing for statement

The Chancellor asked for Special Advisers to be closely involved in the preparation of offensive and defensive briefing on the financial statement. Arguments ad hominem (on the SDP etc) should be included.

11. Scott Report

The Chancellor said that he would need to mention index-linked pensions

in his statement. He asked Mr Harris to request that his Private Office convey this to No.10.

12. Appearance before Finance Committee

- Chancellor -*
 a) We have to let them accept first to be draft & paper, set over today.
 b) What you'd say in the statement will be - since its before E - pretty short & general.

Mr Brooke had arranged privately for a Conservative Back-bench Finance Committee Meeting to be addressed by the Chancellor on the Wednesday (2nd December) of the Financial Statement. Mr Harris would check that this time was kept free in the Chancellor's diary.

govt = 6.30 pm

RH

ROBIN HARRIS

27 November 1981

Circulation:

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



CHANCELLOR'S MORNING MEETING

188th Meeting

30 November 1981

Note for the Record

Present: Chancellor
 Chief Secretary
 Economic Secretary
 Minister of State (C)
 Minister of State (L)
 Mr Cropper
 Mr Harris

1. VAT: Compulsory De-Registration of Small Trades

Ministers discussed the compulsory de-registration of small trades below £15,000.

2. NICIT and Payroll Taxes

Ministers briefly discussed the various NICIT papers and the two recent papers of 26 November 1981 on the issue of a payroll tax.

A handwritten signature in blue ink, appearing to read 'RH' with a long horizontal stroke extending to the right.

ROBIN HARRIS

30 November 1981

Circulation:

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



CHANCELLOR'S MORNING MEETING
NOTE FOR THE RECORD

188th Meeting
4 December 1981

Present: Chancellor
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)
Mr Brooke
Mr Ridley
Mr Cropper



1. Comptroller and Auditor General

The Financial Secretary reported on Parliamentary pressure to change the role of Comptroller and Auditor General which had surfaced in the recent debate. He said that he would be sending the Chancellor a detailed note early next week.

2. Free Petrol

It was agreed that it would be difficult to go ahead with the proposal to bring free petrol into PAYE this year. If current negotiations with business representatives yielded early agreement it might still be possible to prepare measures for the next financial year; but this was unlikely.

3. Commons Debate: 8 December 1981

The Financial Secretary and Mr Ridley were asked to draft a motion for Tuesday's debate. It should be long and be put down on Monday morning.

4. Prompt Cards: Key Facts on the Economy

The Chancellor asked Mr Harris to see that the 'Key fact' material already included in his regular briefing should be placed on prompt cards.

5. Party Political Broadcast

The recording of the PPB would be done on Wednesday morning (9 December). Tony Jay's draft would be circulated to Ministers by Mr Harris. A decision on revised graphics for the broadcast would be made in the course of Friday, 4 December.

6. Material for the Chancellor's Tuesday Commons Speech

The Chancellor asked Mr Harris to note the points suggested for his speech on Tuesday. These included:

- that it was wrong to describe the latest announcements as 'deflationary' or 'reflationary'.
- that it was up to people what balance between output and prices was achieved as the economy recovered.
- that the tone should be positive, building on the credible 'good points' of the IAF.
- that a sector/company should be found (not Hirwann) which showed how volume of output and jobs could increase when labour costs were cut and innovation pressed forward.



ROBIN HARRIS

7 December

Circulation: Chancellor
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State (C)
 Minister of State (L)
 Sir D Wass
 Sir K Couzens
 Sir A Rawlinson
 Mr Ryrrie
 Mr Burns
 Sir L Airey
 Sir D Lovelock
 Mr Ridley
 Mr Cropper

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fwp

A large, stylized handwritten signature in blue ink, possibly reading 'M' or 'J'.

CHANCELLOR'S MORNING MEETING

190th Meeting

NOTE FOR THE RECORD

9 December 1981

Present: Chancellor
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (L)
Mr Brooke
Mr Ridley
Mr Cropper
Mr Harris

1. Comptroller and Auditor General

The Chancellor stressed the urgency of clarifying the Government's position on the role of the Comptroller and Auditor General. The Financial Secretary would shortly be presenting a paper to the Chancellor on this after consulting Mr Ryrrie and Mr Ibbs.

2. Civil Service Pay Movements

Done

The Chancellor said that he would talk to the Prime Minister to establish that she wanted the Government's position on civil service pay comparability set out clearly to the Megaw Committee. Further meetings with Ministerial colleagues would be necessary to establish a collective view.

3. Taxation of Husband and Wife

The Chancellor said that there should be a further look at the submissions on the Green Paper on the taxation of husband and wife.

4. Meeting with Conservative Finance Committee Officers

All Ministers would be invited to be present at the meeting.

5. Presentation of Policy

The Chancellor enquired about progress on the report on Presentation of Policy which he was expecting from the Economic Secretary's working committee.

The Chief Secretary's speech of 8 December on Private Finance for Nationalised Industries was noted with strong approval. The Chancellor would wish to have copies sent to Ministerial colleagues beyond the Treasury, to certain backbenchers and critics, and other interested parties. Mr Ridley would arrange for copies to be sent directly to the Backbench Finance Committee, the TCSC and a number of MPs who had expressed interest in the subject. Mr Brooke would arrange for copies of the speech to be distributed from the Whips Office and given suitable publicity.

IDT, with Mr Cropper, would in future provide Ministers with a regularly up-dated list of key Treasury speech releases.

It was felt that the clarity of the Treasury message had recently suffered from the unavoidable uncertainties about the monetary target, the determination of interest rates and the EMS issue; and that it would be particularly important to bear this in mind in future work on presentation.

6. Security and Confidentiality

Ministers registered continuing anxiety about security. The Chancellor said he would raise the matter again with Sir Douglas Wass.

7. Pay in the Financial Sector

In offering advice to the financial sector about the size of pay awards,

The Government needed to tread a careful path between permissiveness and involvement in an incomes policy.

8. Meetings of Backbench MPs

It was noted that all but a dozen Conservative backbenchers had been seen by the Chancellor during the past twelve months; that the meetings were useful and would continue; and that Mr Ian Stewart and Mr Ian Gow would co-operate to ensure that invitations to individual MPs from the Prime Minister and the Chancellor were well spread during the year.

PP Mr Felstead

ROBIN HARRIS

10 December 1981

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

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IRENE RIPLEY

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