

Part B-

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Begins: 9/1/80  
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PO -CH /GH/0049



PART B

*Chairs (G. Howe)*

CHANCELLORS MORNING  
MEETINGS

PO -CH /GH/0049

PART B

PART B

Disposal Directions: 25 years

*J. Fisher*

25/7/95.

*A*

CHANCELLOR'S MORNING MEETING, 9 JANUARY 1980

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

Mr Wakeham

1. Mr Wakeham, Treasury Whip, would be invited to attend Morning Meetings whenever he chose.

Indexation of benefits

2. It was thought that the Prime Minister's pledge on the "Weekend World" programme reduced the room for manoeuvre on the problem of indexation of the old age pension. Mr Kemp would be asked to seek any admissible ways of shading down the pension increase which might be made compatible with the Prime Minister's pledge.

3. The Minister of State (Lords) commented that the right long-term answer was to pay the pension selectively, limiting the entitlement to state pensions of those who had enjoyed tax relief on contributions to private schemes. In the case of many poor people, it was the only benefit and source of income on which they could at present rely.

VAT on Children's Clothes

4. The Chancellor stated that buying out the VAT exemption for children's clothing by increasing child benefit seemed to be ruled out for the lifetime of the present Parliament by his own statement during the election <sup>and</sup> in the Budget. Recent notes from Mr Cropper and Mr Ridley (January 4, 7,8) made clear the nature of these commitments.

Taxation of short-term benefits

5. The Chancellor requested a further meeting in the near future in the light of Mr Kemp's latest observations on the different approaches which might be used, and their relation to the forthcoming Bilateral with Mr Jenkin.

H Committee discussion of Housing

6. It was agreed that if the Treasury should lose the argument in H Committee today, about whether council house purchasers should first have to seek a loan from a building society before becoming eligible for a local authority loan, the Chairman of the Committee would be asked to minute the Prime Minister describing the damaging public expenditure consequences of such a decision.



GEORGE CARDONA  
9 January 1980

Distribution: Those present  
Mr Battishill  
Sir Douglas Wass  
Sir Kenneth Couzens  
Sir Anthony Rawlinson  
Mr Burns  
Sir Lawrence Airey  
Sir Douglas Lovelock

NOTE FOR THE RECORD



64TH MEETING

PWP

A handwritten signature in pink ink, possibly 'PWP', located to the right of the seal.

CHANCELLOR'S MORNING MEETING, 11 JANUARY 1980

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

VAT: late payment

The Chancellor said that this was becoming a matter of greater concern, and the issue should be pursued vigorously. /A submission from Customs and Excise is on its way - G. C.7

DLT

There was a discussion of the Government's position on this tax. It was agreed that the complexity of the administration of the tax was, in effect, the price developers now paid<sup>for not paying</sup> on such a steep scale. There were occasions when those who were complaining about its structure might be reminded of this.

Backbenchers

Mr Ridley would send Research Department a copy of a press release from Mr Hooson, as an example of what backbenchers should be saying about the Government's economic strategy.

Finance Committee

Mr Cropper would arrange tea and biscuits at No 11 for the Conservative Finance Committee.

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### Substitution Account

Mr Ridley would obtain and study a copy of Mrs Hedley-Miller's submission of 10 January and report to the Chancellor.

### Monetary issues

The Financial Secretary reported the progress being made on the forthcoming consultative document on monetary base control. The Chancellor mentioned the Prime Minister's continuing interest in this and also in methods of gilt sales, bank profits and consumer credit. The Financial Secretary would, as soon as possible, arrange for the Chancellor to have a paper on the subject of gilt sales.

### Meeting of H Committee January 9th

H Committee had found in the Treasury's favour on 9 January, on the issue of local authority versus building society mortgages, but the minutes did not reflect this clearly enough. The Financial Secretary would continue to press the Department of Environment on this. The Chancellor said that if necessary he would speak to the Chairman of H.

### Bilaterals on expenditure

It was accepted that the Secretaries of State for Scotland and Wales could attend the bilaterals for which they had a locus standi - but (in the case of DHSS) on the clear understanding that they were there to discuss Health matters only, and not Social Security.

### Exchange Control Act

The future of the Act would be discussed at a Morning Meeting.

### Lord Thorneycroft and party publicity

Mr Ridley's minute of 4 January 1980 would be discussed at the next Morning Meeting.

Cost of Clegg

It was reported that some local authorities had not properly understood the Government's undertaking about meeting part of the cost of Clegg awards (particularly teachers) and might therefore plan to raise rates more than was necessary. The Financial Secretary would have this looked into.



GEORGE CARDONA  
11 January 1980

- Distribution:
- Those present
  - Chief Secretary
  - Minister of State (C)
  - Mr Battishill
  - Sir Douglas Wass
  - Sir Kenneth Couzens
  - Sir Anthony Rawlinson
  - Mr Burns
  - Sir Lawrence Airey
  - Sir Douglas Lovelock

Chancellor

No 10 accept that  
the announcement <sup>shd</sup> be made on  
Thurs 17.

PWP 6

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NOTE FOR THE RECORD



65TH MEETING

JW  
16/1CHANCELLOR'S MORNING MEETING, 15 JANUARY 1980

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

So far PM & I have  
agreed in No. 10  
to announce this  
Monday at Business  
Qm: is there a  
con - whether to  
No. 10 - for half hour  
to "one" day?

Meeting with financial journalists

1. Dinner, or some other occasion, would be organised for certain economic and financial journalists before the Budget. Mr Cropper and Mr Hall would liaise.

Budget date

2. The Budget date of March 25th clashed with the installation of the new Archbishop of Canterbury. The date would be announced at Treasury questions on 24 January so that it would become clear why some members of the Government would not be present at the installation.

Pre-budget decisions

3. The Chancellor requested an early discussion of the timetabling of the pre-Budget discussions in the light of the important issues raised in Mr Folger's minute of 10 January.

FSBR

4. The Financial Secretary had received a submission from Miss Brown (11 January) recommending improvements in the FSBR. He favoured most of the proposed changes, but was anxious that the time for taking Budget decisions should not in any way be curtailed.

5. It was agreed that work on the FSBR text should be started quickly, so as to leave as much time as possible for Ministers to consider the issues of substance and presentation to which it would give rise.

Treasury and subordinate departments Spring Supplementary Estimate

6. Miss Court's submission of 11 January was given to Mr Ridley for comment.

Sunningdale

7. The Chancellor asked for impressions of the meeting. It was thought that the discussion of deindustrialisation and firms in difficulties had been important. The question was raised whether the Treasury's monitoring of this trend was adequate.



GEORGE CARDONA  
15 January 1980

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



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NOTE FOR THE RECORD

66TH MEETING

CHANCELLOR'S MORNING MEETING, 18 JANUARY 1980

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

Budget broadcast

1. Mr Cropper would contact Mr Anthony Jay and liaise with Mr Davies and Mr Unwin.

Simplified income and corporation tax

2. The Prime Minister and Mr Nott had expressed renewed interest in the possibility of a flat income tax rate of 15%. Mr Cropper would prepare a minute for the Chancellor to send to the Prime Minister drawing on the discussions of the proposal held in opposition, expressing sympathy with this objective but explaining that it was more realistic to raise allowances and thresholds rather than impose a 15% tax on the low-paid.

3. The Minister of State, Lords would investigate the analogous proposal for a flat rate of corporation tax of 10%, to which current work by officials was believed to be relevant.

Customs and Excise

4. Mr Cropper had been asked for suggestions for improving the Customs public image which he might put forward at a lunch with the Press which Customs were organising. The Minister of State, Commons would take the lead in co-ordinating proposals.

Central Office Publicity

5. Mr Ridley reported that Lord Thorneycroft was determined to make Central Office's publicity more forceful and coherent. There was a discussion of the means by which this could be achieved. It was agreed that Mr Ridley would submit further recommendations to the Chancellor; and the Chancellor would speak to Lord Thorneycroft.

Major issues likely to concern Treasury Ministers

6. Mr Broadbent's minute of 11 January on this topic would be fully considered at a Morning Meeting.

Rate support grant

7. The Financial Secretary reported that he was now satisfied that enough had been done to inform local authorities of Central Government's financial undertakings to them when setting the RSG.

GEORGE CARDONA  
18 January 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Ridley  
Mr Cropper  
Sir Douglas Wass  
Sir Anthony Rawlinson  
Sir Kenneth Couzens  
Mr Burns  
Mr Ryrie  
Sir Lawrence Airey  
Sir Douglas Lovelock

1. MH  
2. JW  
3. C.  
PWP  
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NOTE FOR THE RECORD

67TH MEETING

CHANCELLOR'S MORNING MEETING, 22 JANUARY 1980

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Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Wakeham  
Mr Cropper

Budget Date

1. The Chancellor reported that the Prime Minister would be informing the House of Commons, at Question Time, that the Budget was being transferred to Wednesday 26th March. The Chancellor would write to the Archbishop-elect (or appropriate ecclesiastical official) and that letter would be released at 3.30pm.

Cash Limits

2. It was agreed that it would be unwise to allow allocations of money within cash limits to be transferred between one nationalised industry and another.

Private Members Motion

3. The Whips would seek to have talked out the first Private Members Motion on Friday 24th January "Development of a Leisure Service", so that no debate would be reached on the second "Need for Economic, Industrial and Social Advance".

Gas Prices

4. The Chancellor asked for immediate action to bring the

details of a Gas Tax forward in a state of readiness. This would involve an immediate enquiry into the progress of Mr Lamont's Committee.

5. Mr Wakeham warned that the debate on the Competition Bill later in the day would be likely to develop into a discussion of gas prices and that past statements of Mrs Oppenheim might be recalled.

6. The Minister of State (Lords) raised the advantages, for presentational purposes, of the hypothecation principle, under which the yield of particular new taxes and tax increases might be associated directly with specific tax reliefs, eg on the allowances.

#### Civil List

7. The Chief Secretary would advise the Chancellor of the position reached in respect of cash limits for the Civil List.

#### MPs Pay

8. The Chancellor would ask Mr Wiggins to obtain a situation report on MPs' pay, including precise commitments on staging and on indexation and/or analogue relationships.

#### Institute of Locusts

9. The Chancellor would ask Mr Wiggins to obtain background details on British Government grants to the Institute of Locusts.



PETER CROPPER  
22 January 1980

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Distribution: Chancellor ←  
 Chief Secretary  
 Financial Secretary  
 Minister of State (C)  
 Minister of State (L)  
 Mr Ridley (or)  
 Mr Cardona (or)  
 Sir Douglas Wass  
 Sir Anthony Rawlinson  
 Sir Kenneth Couzens  
 Mr Burns  
 Mr Ryrle  
 Sir Lawrence Airey  
 Sir Douglas Lovelock

NOTE FOR THE RECORD

68TH MEETING

CHANCELLOR'S MORNING MEETING, 23 JANUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Wakeham  
Mr Cropper

Civil List

1. The Chief Secretary reported that the Estimate for the Civil List appeared to be up quite substantially but that when the new item "Cost of Stationery" was stripped out the increase emerged at around 14%.

Child Benefit

2. The Chancellor requested a costing of the option of linking Child Benefit increases to pension increases, set out in the Financial Secretary's minute of 21 January.

European Community

3. Mr Wakeham reported on Mr Tugendhat's very successful presentation on the Community Budget at the previous evening's Parliamentary Finance Committee. [Mr Cropper would be circulating a record.]

4. Mr Wakeham would obtain a record of Mr Heath's recent address to backbenchers in which he spoke favourably of EMS and of the Brandt Report.

South Wales

5. The General Secretary of the TUC had contacted the Chancellor

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CONFIDENTIAL

to express his concern that the South Wales Day of Action on Monday 28th January might escalate. The Chancellor sought the opinion of colleagues as to his position in the event of an approach by Trade Union leaders to himself and, for example, the Secretaries of State for Industry and Employment, for a meeting to discuss the steel industry strike. Ministers felt that if people asked to see them then they should not in general refuse.

Political Attitudes

6. Ministers recognised the need for a humane attitude towards the hardships of those suffering from unemployment and the effects of industrial decline, even while sticking to realistic economic policies.

7. Ministers were reminded of the important role of backbenchers in putting across Government policy in difficult areas, and of their own responsibility for emphasising the creative aspect of policies.

8. The Minister of State (Commons) continued to emphasise the need for fiscal nuggets in the forthcoming Budget.



PETER CROPPER

23rd January 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Ridley (or)  
Mr Cardona (or)  
Sir Douglas Wass  
Sir Anthony Rawlinson  
Sir Kenneth Couzens  
Mr Burns  
Mr Ryrie  
Sir Lawrence Airey  
Sir Douglas Lovelock

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CL/ST  
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NOTE FOR THE RECORD

69TH MEETING

CHANCELLOR'S MORNING MEETING, 25TH JANUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State, Commons  
Minister of State, Lords  
Mr Cropper  
Mr Cardona

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Meetings with Spending Ministers

1. The Chief Secretary would consider the question of whether Treasury Ministers should hold bilateral meetings with spending Ministers, or whether spending departments should be taken in groups.

Tax treatment of strike pay

2. No further action would be taken on this issue.

Marcus Fox on litterbins, waste, etc

3. Surprise was expressed at Mr Fox' letter to the Minister of State, Commons.

Treasury Estimate

4. The Chancellor asked for an analysis of the possibility of reductions. Mr Cardona was also asked to write a note for the meeting on Monday 28 January.

Correspondence with MP s and public

5. Mr Hall was arranging a meeting on this subject. Mr Cardona's idea for an inspired article on "The Cost of Democracy" was a convenient hook on which to hang the research that was required.



Corporation Tax

6. The Chancellor expressed concern that the UK appeared to the left to be a tax haven for companies, but few entrepreneurs saw it this way, with the result that we had the worst of both worlds. The Minister of State, Lords, would consider this problem.

Treasury Select Committee

7. The Chancellor asked Ministers and Advisers for comments on the Treasury reply to Mr du Cann's letter of 12 December.



GEORGE CARDONA  
25 January 1980

- Distribution: Those present
- Mr Ridley (o.r.)
  - Sir Douglas Wass
  - Sir Kenneth Couzens
  - Sir Anthony Rawlinson
  - Mr Burns
  - Mr Ryrie
  - Sir Lawrence Airey
  - Sir Douglas Lovelock

NOTE FOR THE RECORD70TH MEETINGCHANCELLOR'S MORNING MEETING, 30 JANUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham  
Mr Cropper  
Mr Cardona

National Heritage Bill

1. It was agreed that, unless Treasury officials had some technical objection, the Treasury would assent to the provision of a power to pay the Chairman of the Trustees of the National Heritage Memorial Fund. The Minister of State, Commons, would take the matter forward.

Budget

2. The Chancellor expressed the hope that there would soon be a meeting about the possibilities for the Budget.

Revenue submission on 15% income tax rate

3. The submission would be sent to the Prime Minister and Mr Nott. Mr Cropper would draft a covering note.

Honours

4. There was a discussion of procedures and names. The Chancellor asked for more suggestions by the end of the day.

Parliamentary Party

Concern was expressed about whether all backbenchers fully appreciated the need for public expenditure cuts. It was thought desirable that PPSs should attend party committees, other than the Finance

Committee, in order to put the case for reductions. The Chancellor would arrange to have a drink with the Executive of the 1977 Committee.



GEORGE CARDONA

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

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NOTE FOR THE RECORD

71ST MEETINGCHANCELLOR'S MORNING MEETING, 1ST FEBRUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State, Lords  
Mr Wakeham, MP  
Mr Cropper  
Mr Cardona

Money market and special deposits

1. A meeting on this would be arranged later in the day.
2. There was a discussion of the level of bank lending. It was thought that a high level of stocks was one of the principal reasons. People might also be borrowing to buy gilts or to pay wages.

Backbench delegation

3. Three backbenchers had come to see the Chancellor on 30 January about charges for school transport. The Chancellor felt it was probably not a good idea for him to see such delegations in future.

FASE

4. The Chancellor reported on the unsatisfactory meeting the previous evening on a 1980 Budget tax relief scheme for "start ups". Mr Heseltine had handed round a paper outlining a scheme under which the difficulties of framing legislation would be short circuited by putting the administration in the hands of Chartered Accountants, to whom a code of guidance would be given.
5. Ministers were agreed that <sup>an</sup>imaginative small business package was desirable, although aware that the previous administration had

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already introduced the easiest proposals. But they were very unwilling to sacrifice other Budget proposals to make room for the heavy demands a Starters scheme would make on the time of draftsmen and legislators.

6. Mr Isaac was preparing an urgent note on logistical difficulties; Mr Cropper would prepare a draft note for the Chancellor to send to the Prime Minister. On receipt of this the Chancellor would decide how to advise the Prime Minister in regard to the E Committee meeting on February 6 at which this subject was to have been taken.



GEORGE CARDONA

1 February 1980

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

CHANCELLOR'S MORNING MEETING, 8TH FEBRUARY 1980

Present: Chancellor  
 Chief Secretary  
 Minister of State, Commons  
 Minister of State, Lords  
 Mr Wakeham  
 Mr Cropper  
 Mr Cardona

Bank lending

1. There was a further brief discussion of the problem and of possible fiscal action.
2. The Minister of State, Lords, mentioned that the banks were campaigning to be given tax relief on the fall in the value of the money they held. This could not be taken seriously.

Budget.

3. The Chancellor asked for a preliminary meeting, later in the morning, with Ministers and Messrs Battishill and Cropper.

Public Sector Pensions

4. Mr Cropper would re-examine statements made in Opposition.

Employment Bill

5. Mr Wakeham reported on the 1922 Committee's discussion with Mr Prior the day before.

Local Authority Staffs

6. The Chancellor had figures to show that his district council had the highest ratio of population to staff in the whole of Surrey. He

wondered whether any lesson could be drawn from this.

*sl.*

GEORGE CARDONA  
8 February 1980

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



NOTE FOR THE RECORD

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74TH MEETING

CHANCELLOR'S MORNING MEETING, 12 FEBRUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham  
Mr Ridley  
Mr Cropper  
Mr Cardona

EEC Finance Ministers

The Chancellor reported briefly on the meeting the day before. The attitude of the French had been less than helpful.

Letter to Austin Mitchell

2. The Financial Secretary was writing to Mr Mitchell about the cost of the latter's PQs. He would refer to his own experience in Opposition.

1922 Executive

3. The Chief Secretary was available to see the Executive if this was necessary.

Public Sector Pensions

4. Mr Cropper would continue to search for statements made in Opposition by the Prime Minister, and then circulate the relevant statements.



Intervention

5. There was a brief discussion.

Civil Service pay and cash limits

6. The Minister of State, Lords, would prepare a response to Mr Channon's letter.

FASE: Small Businesses

7. The Financial Secretary said he had reached the conclusion that probably the most important thing to do in this area was to exempt the shares of small trading companies from CGT and CTT. The Chancellor asked for this to be pursued as a matter of urgency.

Backbench feeling

8. Mr Wakeham reported that:

- (a) trouble was brewing again over BBC overseas services cuts (the Financial Secretary thought this was being well handled by Mr Nicholas Ridley);
- (b) the new members wanted child benefit to be increased;
- (c) members felt there should not be too many concessions in the Budget in the area of capital taxation.

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

*gl.*

GEORGE CARDONA  
12 February 1980

Sir L Airey  
Sir D Lovelock

NOTE FOR THE RECORD76TH MEETINGCHANCELLOR'S MORNING MEETING, 15 FEBRUARY 1980

Present: Chancellor  
Chief Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham  
Mr Ridley  
Mr Cropper  
Mr Cardona

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Public Sector Pensions

1. The Chancellor asked Mr Cropper for a note to the Prime Minister, setting out the pledges made in Opposition on the indexation of public sector pensions. Mr Ridley suggested that the politics of this question would become a good deal easier if the Select Committee on the Treasury and Civil Service could be persuaded to take the initiative. However it was accepted there would not be enough time for this approach to be developed, should it be decided to take powers to de-index in the Social Security Bill.

Monetary Policy

2. Sir Keith Joseph had spoken to Mr Tapsell about monetary policy. The latter believe that the recent £500m sale and repurchase arrangement was a contradiction of the Government's policy. Mr Ridley reported that friendly City critics of the Government to whom he had spoken thought the £500m sale and repurchase was proper and sensible.

3. Some of the friendly critics were worried, however, about the scale and nature of intervention by the Bank. Such intervention provided the foreign exchange market with a consistent pattern of behaviour, of which they could take advantage. This would tend to exacerbate the inflows and their effects on liquidity and the monetary statistics. It could be argued that, in the face of a sudden burst of enthusiasm for Sterling, it was sometimes right to intervene little. The rate would go up higher, but could well come down sooner. The Chancellor stressed that, whatever the force of This argument it was inconceivable that one could accept the case for a policy of almost zero market intervention.

Committee on tax enforcement powers

4. There was a discussion of possible candidates for the Chairmanship. The Chancellor invited the Minister of State, Commons, to consider the matter over the weekend.

Rural Post Offices

5. The 1922 Committee was up in arms over the possibility that the Rayner proposals for payment of benefits might lead to the closure of rural post offices, because it was felt that the new methods of payment would have serious consequences for their income. The Chancellor commented that greater consideration should have been given to the presentation of this idea, which was not even a firm proposal yet. Mr Wakeham believed the most awkward issue to present would be the fortnightly payment of benefit. The Chief Secretary was also concerned about the Post Office's response.

Manpower savings

6. The Chancellor believe there had to be further consideration before the Budget of the wider issues raised by proposed savings in the Treasury's depts.

FCS Plaque

7. The Federation of Conservative Students wished to present the Chancellor on Budget day with a plaque exhorting him to avoid U-turns. The Chancellor wished Mr Davies' advice to be sought.

Finance Bill

8. The Minister of State (Lords) warned that the House of Lords were restive about propoasls being tacked on to the Finance Bill. The Chancellor asked for an up to date report on the Finance Bill from officials.

Financial Secretary

Distribution:	Chancellor	Mr Cropper	GEORGE CARDONA
Sir L Airey	Chief Secretary	Mr Cardona	15 February 1980
Sir D Lovelock	Minister of State L	Sir D Wass	
	Minister of State C	Sir K Couzens	Mr Burns
	Mr Ridley	Sir A Rawlinson	Mr Ryrie



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NOTE FOR THE RECORD



77TH MEETING

CHANCELLOR'S MORNING MEETING, 22 FEBRUARY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Mr Wakeham, MP  
Mr Ridley  
Mr Cropper  
Mr Cardona

Conserve motion

The Chancellor asked Ministers and Advisers to consider over the weekend material for his speech winding up the censure debate.

Rippon on gold

2. The Chief Secretary's office would let Mr Ridley have some papers on Geoffrey Rippon MP's views on gold.

Backbench concerns

3. There was a brief discussion of the issues that worried backbenchers. Child benefit and the threat to rural post offices were the principal concerns.

Timing of Expenditure White Paper

4. There was a discussion of whether the PEWP should be published on Budget day as the Prime Minister proposed. It was observed that the inconsistency between PEWP and Budget price-bases might well be scarcely less troublesome even if the two were separated by one week. It was also pointed out that the relatively modest scale of the cuts for 1980-81 would be less likely to attract attention or cause anxiety if they were announced at the same time as the PSBR for 1980-81. Publishing the PEWP before the Budget would mean that the detailed proposals in the White Paper would attract more public attention.

If they were included in the Budget, the Budget speech could draw attention to them in a broadway which would focus public attention mainly on the aggregates, which would be helpful.

5. The Chancellor concluded that the balance of opinion pointed in the direction of having PEWP and Budget on the same day.

Bank profits

6. Mr Cropper would consider and amend the brief on bank profits prepared for the Paymaster General to circulate to Ministers.

Leasing

7. In a brief discussion it was noted that a considered submission on this issue was still awaited Mr Cropper would find out what the position was.

NEDC

8. Mr Ridley would offer the Chancellor comments on the discussion paper prepared by NEDO for an NEDC meeting on 5 March.

Iran

9. There was a brief discussion of the possibility that Iran might move assets out of the dollar if the US freeze of Iranian assets ended. The point was forcefully made that any intervention to support the dollar must be by other countries.

GEORGE CARDONA

22 February 1980

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 - I/R  
Sir D Lovelock - C/E

1. JN  
2. KMH  
3. pwl

NOTE FOR THE RECORD



78TH MEETING

CHANCELLOR'S MORNING MEETING, 25 FEBRUARY 1980

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

PSBR in 1980-81

There was a discussion of the desirable size of PSBR in 1980-81. The Financial Secretary believed it was important not to lead the markets to expect too large a reduction in the PSBR, so that they would be pleasantly surprised by the figure presented in the Budget. He also thought it was important that we should announce a PSBR slightly higher than we eventually expected, as in these circumstances the development of the outturn figures, against the targets, in the course of the year would be good for confidence. The Chancellor agreed with both these principles.

2. The Chancellor asked for bids for the size of the PSBR. Mr Ridley thought that, taking the original NIF as it stood, one should opt for a PSBR nearer £8bn than £9bn for the reasons re-emphasised in his minute of February 22nd. The PSD was in any case a better indication of the fiscal balance than the PSBR.

3. The Minister of State, Lords, also had difficulty with taking the NIF's figures as a starting point. Why believe the PSBR forecast, if one had doubts about the forecast of output and much else as well?

4. The Financial Secretary said that we should also pay attention to how the PSBR was arrived at. The markets would give greater

credit for a PSBR achieved by means of a tax increase rather than a PSBR of the same size achieved by leaving tax rates as they were.

5. The Chief Secretary agreed that a PSBR achieved after a tax increase would impress the markets more. He was also wary of relying too much on asset disposals. 9% was probably inevitable as the target for monetary growth.

6. The Minister of State, Commons, thought that a PSBR of £8.75bn would be about right, taking into consideration the possible margins of error on either side.

7. Mr Cropper said that it would be wrong to choose a figure for the PSBR by wondering how much we thought we could get away with.

8. The Chancellor commented that £8.5bn - which seemed to be emerging as the central figure - would require £1bn of net tax increases. How great was our tolerance of increases in the RPI as a result of raising the specific duties? The Chief Secretary, very reluctantly, thought we should limit the RPI rise to 1½%. The Financial Secretary believed, even more reluctantly, that 1% was the limit. The Minister of State, Lords agreed: the RPI's rate if increase should be seen to fall. Mr Ridley commented that the problem could be eased by six-monthly changes.

GEORGE CARDONA  
25 February 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State, Commons  
Minister of State, Lords  
Sir D Wass  
Sir A Rawlinson  
Sir K Couzens  
Mr Ryrie  
Mr Burns  
Mr Ridley  
Mr Cropper  
Sir Douglas Lovelock - C/E  
Sir Lawrence Airey - I/R

15  
NOTE FOR THE RECORD



79TH MEETING

CHANCELLOR'S MORNING MEETING, 26 FEBRUARY 1980

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

Censure motion

The Special Advisers were asked for more material for the Chancellor's speech. Mr Ridley undertook to co-ordinate this.

Budget

2. The Chancellor said he saw on the face of it no escape from increasing personal taxes, by about £1 billion, probably by abolishing the reduced rate band. It was pointed out that this was a difficult change to present. The Minister of State, Lords, however felt that we could argue that those at the bottom of the income scale would above all be advantaged by the maximum possible lift in the personal allowances.

3. The Chancellor expressed concern about the extent to which it would be wise to implement the capital taxes package. The Financial Secretary thought the best course might be to make changes which would have no PSBR cost in 1980-81. The Minister of State, Lords, said this meant changing CGT, which was probably the least important reform that was required. He thought that, even if we did nothing else, we should raise the CTT threshold: the cost in 1980-81 would be £60m.

4. The Chancellor said there should certainly be some capital tax change, as an earnest of further reforms. The Minister of State, Commons, thought that where nothing was being done in this Budget



some indication of our future plans should be given.

5. Mr Wakeham believed that the Parliamentary Party considered CTT the tax most in need of reform.
6. Mr Ridley drew attention to the unsolved problem of industrial liquidity. Until Ministers had decided what approach to adopt, it would be very difficult to make much progress with decisions on other tax changes.



GEORGE CARDONA

26 February 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Sir D Wass                      Sir K Couzens  
Sir A Rawlins on  
Mr Ryrie  
Mr Burns  
Mr Ridley  
Mr Cropper  
Sir L Airey                      - I/R  
Sir D Lovelock                  - C/E

NOTE FOR THE RECORD80TH MEETINGCHANCELLOR'S MORNING MEETING, 4 MARCH 1980 2

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Ridley  
Mr Cropper  
Mr Cardona

Child Benefit, Backbench Groups

1. The Chancellor reported he had decided to see backbench MPs who wanted to discuss the Government's economic policy and, in particular, child benefit. Whenever possible, he would see restricted groups rather than individuals.
  2. It was emphasised that the line on child benefit should be held. The Financial Secretary argued that the changes now proposed in income tax allowances, taken with the abolition of the reduced rate band, were more favourable to married couples than single people, making the <sup>agreed</sup> increase in child benefit easier to defend once the Budget was announced.
  3. There was a brief discussion about whether the full Rooker-Wise indexation of allowances could be reopened. The Chancellor decided that it would be sensible to consider this matter further, and that it should be taken up at the meeting arranged on capital taxes later in the day.
- Budget debate: Mr Pirie's minute of March 3rd
4. The business managers had decided that 2nd April was not available for an extension of the Budget debate to include an extra day set aside for the White Paper on Expenditure, ironically because of Treasury pressure to pass the Education Bill before the Recess.

It was recognised that the Select Committee on the Treasury would in any case demand a day's debate on the report on the Expenditure White Paper. It was therefore both sensible and defensible to wait for the report before putting aside a day to debate the White Paper.

5. Mr Ridley asked whether Mr Jenkin would be announcing social security changes on Thursday 27 March. The Chancellor invited Mr Wakeham to investigate this. It was thought probable that Mr Jenkin would make an announcement on 27 March and then speak sometime in the course of the Budget debate. Mr Healey would open on the 27th, followed by the Chief Secretary. The Financial Secretary would probably open on the last day of the debate, and the Chancellor would wind up. Mr Hesletine might wish to speak during the debate; and Sir Keith Joseph probably should speak on the enterprise packages.

EEC and Expenditure White Paper

6. The Prime Minister had suggested that the UK's net contribution to the Community should be taken out of the White Paper. It was thought that this point could only be met in small measure, if at all, for example by some device such as printing the net contribution figures in italics.

GEORGE CARDONA

4 March 1980

- Distribution: Chancellor
- Chief Secretary
- Financial Secretary
- Minister of State C
- Minister of State L
- Sir D Wass
- Sir A Rawlinson
- Sir K Couzens
- Mr Ryrie
- Mr Burns
- Mr Ridley
- Mr Cropper
- Sir D Lovelock - C/E
- Sir L Airey - I/R

NOTE FOR THE RECORD81ST MEETINGCHANCELLOR'S MORNING MEETING, 7TH MARCH 1980

Present: Chancellor  
 Financial Secretary  
 Minister of State, Commons  
 Minister of State, Lords  
 Mr Wakeham, MP  
 Mr Cropper  
 Mr Cardona

DLT

Mr Heseltine had asked whether he could be told our plans for DLT. The Minister of State, Lords, would follow this up.

Medium-term Financial Strategy

2. There was a brief discussion of Mr Cropper's note of 6 March. The Financial Secretary thought the 4-8% monetary target for 1983-84 could be left as it was, but should be clarified in oral statements to show that we really meant 6% growth and that we would not tolerate base drift.
3. Mr Cropper reported that Morgan Grenfell were putting out the view that the PSBR should be negative in the mid-80's: this could colour the City's view.
4. The Minister of State, Lords made the general comment that wherever there was undershooting in public expenditure, the amounts unspent should be saved rather than used.

Strikers' benefits

5. The Chancellor had received a paper from Sir Robert Armstrong, which had been given a very restricted circulation. He asked recipients to scrutinize it carefully and the Minister of State,

Lords, to take the lead in commenting on it.

School Transport

- 6. It was thought that the suggestion that no more than two children per family should be charged for travel to school would not satisfy the House/Lords. The Chancellor would ask Treasury officials to look at other possible compromises.
- 7. It was thought that if Mr Carlisle were defeated on this particular saving, he could nevertheless be held to the total agreed education savings and would have to find compensating cuts elsewhere in his programme.

Budget

- 8. It was agreed that the child benefit decision could not be reopened. New distribution tables showed that married couples with children would do better out of the Budget than other groups.
- 9. The Minister of State, Lords, reported that he had asked the Revenue to assume a 5% threshold for "dips". The relief would be subject to a clog to ensure that it was reduced to the extent that the stocks were financed by trade credit. So far as <sup>the</sup> general question of abuse of the stock relief scheme itself was concerned (the Tesco problem) it had not so far been possible to find a solution but he would look at the matter once again.
- 10. There was a brief discussion of whether the Budget should be presented in real or conventional terms. The former, by expressing an actual increase in income tax in real terms, would look tougher and so would please the markets, but would be less welcome to the Government's supporters. The Minister of State, Commons, thought the Government had done enough for the markets, and should now think of its supporters.
- 11. The Chancellor decided that both VAT-blocking and VAT on imports should be studied for next year's budget.

- 12. It was thought that there was good <sup>a</sup>case for accelerating PRT, but the tax was becoming increasingly untidy. It would need restructuring next year. Whether some sort of PRT surcharge should be imposed might depend on whether there was a levy on banks' sight deposits. If such a levy were introduced, it was essential to present it as an alternative to the banks paying interest on current accounts. Mr Wakeham reported that the parliamentary party would probably accept a levy on sight deposits. There would be a meeting on this subject later in the day.
  
- 13. It was agreed that, given the need for revenue, an indirect tax package giving rise to an RPI increase of 1.1% was right. An increase in petrol duty equivalent to 10p a gallon was also right: the PM's preferred increase of 8p a gallon would be just as difficult to defend as 10p. Rural areas would be pacified by pointing out that one might have abolished VED and put its cost on petrol.
  
- 14. It was agreed that stamp duty thresholds should be raised,

Estimates

- 15. The Chancellor said a Treasury Minister should be present for Monday's debate on the Estimates, though strictly speaking the debate would be about what might be debated.

*K. Sykes.*  
 PP GEORGE CARDONA  
 7 March 1980

Distribution: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Sir D Wass  
 Sir A Rawlinson  
 Sir K Couzens  
 Mr Ryrie  
 Mr Burns  
 Mr Ridley  
 Mr Cropper  
  
 Sir D Lovelock - C/E  
 Sir L Airey - I/R

NOTE FOR THE RECORD82nd MEETINGCHANCELLOR'S MORNING MEETING, 11TH MARCH 1980

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

Backbenchers

1. The Chancellor had agreed to see Mr Bottomley, MP after the Budget. Other groups of backbenchers were also coming to see him.

Expenditure White Paper press conference

2. There was a discussion of whether a time could be found which would allow the Chief Secretary to attend both the press conference and Cabinet on Thursday 27 March. The Chief Secretary was happy not to attend the whole of the press conference. The Chancellor would be guided by Mr Davies' advice.

*He is consulting ACR & will recommend - probably 10 am for a split performance. MMY*

British Council

3. There was a discussion of the threatened Parliamentary row over cuts in the British Council. It was pointed out that it might matter little if the Council resigned in protest: there were more deserving candidates for exemption from cuts. The important question was whether there was a risk of a defeat in Parliament, and this was a matter for the Whips to judge. The Chancellor would consult the Prime Minister about the best way forward.

4. The Chancellor said he would like to receive more early warnings from Parliamentary Section of politically significant motions appearing on the Order Paper. Parliamentary Section would be asked to establish a routine for regular liaison with Mr Cardona about this. Mr Cardona for his part would receive and study Order Papers.

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for Thurswill  
come

Child benefit

5. It was suggested that/<sup>a</sup> compromise that might satisfy the lobby for increased child benefit would be to advance the date of the 1981 increase in the benefit to April of that year. In the meantime the 75p increase would be defended. The Chancellor would speak to the Prime Minister, in case it was still both possible and appropriate, as a precaution, to remove the reference to 75p in the White Paper text.

Consolidated Fund Bill

1/5  
include  
to this  
box.

6. The Chief Whip was insisting on the Financial Secretary's presence on Thursday, in case there was a Committee stage to the Consolidated Fund Bill. The Chancellor would look again at the correspondence on this matter.

USSR Trade Commission

7. The Minister of State (Commons), reported that the Trade Commission refused to pay its rates to Camden Council, even though the Commission did not enjoy diplomatic immunity. Camden had asked the Treasury for the amount owed, but the Treasury was refusing.

GEORGE CARDONA  
11 March 1980

Distribution:

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

Mr Ridley  
Mr Cropper  
  
Sir D Lovelock C/E  
Sir L Airey I/R




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CHANCELLOR'S MORNING MEETING, 12 MARCH 1980

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State, Commons  
 Minister of State, Lords  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona  
 Mr P G Davies (items 7 to 9)

Industrial Intelligence - Major Takeover

There was a discussion provoked by the news that Dupont were possibly interested in taking<sup>over</sup> Courtaulds. It was observed that officials already had a remit<sup>to</sup> put in hand procedures to report on developments in firms and industries in financial difficulty; and that the Department of Trade and Bank of England would be monitoring takeover developments as a matter of course as part of their normal duties. The Chancellor asked that in major cases such as Dupont/Courtaulds the Treasury's industrial monitoring should ensure that Ministers were kept informed.

Whips' proposal for debates on PEWP and EEC contribution

2. It was argued that it would be undesirable to have a 2-day debate on both the PEWP and the net contribution to the Community. When the Chancellor next saw the PM he would try to reopen the decision to have a debate of any kind before the summit meeting on the net contribution.

Manpower

3. The Chancellor asked the Minister of State, Lords to take the lead on the further cuts required, and to see what could be learnt from Mr Heseltine's management of his department. The Minister of State,

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Lords, reported that he had staked a claim to count the savings in prospect from the Inland Revenue attributable to the Budget against the 2½% cuts that were now required.

4. Mr Cropper reported that Mr Channon had singled out for favourable mention the Customs and Excise recent Rayner exercise to reduce VAT collection centres in the London area, in the course of an address to the Conservative Finance Committee.

#### Budget

5. The Chancellor asked for Mr Shepherd's minute of 10 March on "State of play on the forecast" to be circulated to other Ministers, advisers and all officials due to attend that afternoon's meeting on the forecast.
6. There was a brief discussion of whether one should keep a margin of £130m or so in hand for the PSBR as reported in Mr Unwin's recent minute on the State of play of March 11th. The Minister of State, Commons, pointed out that the precise concessions in the package for charities and relief for retirement annuities for the self-employed had still to be decided. The Chief Secretary thought it might be prudent to keep a safety margin in case concessions were unavoidable during the Committee stage of the Finance Bill.

#### PEWP press conference

7. The Financial Secretary would definitely take the press conference alone.

#### Monetary base consultative document

8. It was agreed that the Financial Secretary should take a press conference on the MBC paper, followed by an official briefing for the press, which should definitely be a joint Treasury-Bank briefing.

#### Pre-Budget briefing

9. Mr Davies reported that, as was customary during the pre-Budget

period, the press office would be briefing overseas and provincial journalists on the background. The Chancellor said it was important that the press should not be led to expect too low a PSBR.

Construction industry

- 10. The Chief Secretary reported that he had not been able to reach agreement with Mr Heseltine on whether he should attend a meeting between Mr Heseltine and representatives of the construction industry. Mr Heseltine might refer the matter to the PM.

Bank profits

- 11. Mr Ridley observed that, whatever the merits of the issue, it would be highly unlikely that a levy or excess profits tax on the banks could be worked up properly in time for announcement in the Budget Speech or implementation in the Finance Bill. Early Voluntary action by the banks was greatly to be preferred. However it was important that officials should proceed as rapidly as possible with examination of the technicalities. The Chancellor agreed that they should be investigated as rapidly as possible.
- 12. The Financial Secretary pointed out that lifting the corset would remove an existing financial penalty on the banks, and thus reinforce the case for action.

GEORGE CARDONA

12 March 1980

Distribution:	Chancellor	Mr P Davies
	Chief Secretary	Mr Ridley
	Financial Secretary	Mr Cropper
	Minister of State, Commons	Sir D Lovelock - C/E
	Minister of State, Lords	Sir L Airey - I/R
	Sir D Wass	
	Sir A Rawlinson	
	Sir K Couzens	
	Mr Ryrie	
	Mr Burns	

84TH MEETING

NOTE FOR THE RECORD

A large handwritten pink checkmark is present on the right side of the page.

CHANCELLOR'S MORNING MEETING 14TH MARCH 1980

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

EC Debate

1. It was possible that the Opposition might refuse to debate the European Budget as part of the debate on agriculture, on Thursday 20th March. If there were a separate debate on the Budget, an FCO minister should be present rather than a Treasury minister.

BL

2. Sir Michael Edwardes had written to complain about alleged official briefing on the firm's future. It was agreed that, subject to Mr P G Davies' investigations, the Chancellor would reply to Sir Michael.

Sale of Assets

3. The Chancellor said the shortfall in asset sales by the Department of the Environment would have to be chased up quickly. He would write to Mr Heseltine.



### British Aerospace

4. There was a discussion of the proposal that £50 of shares should be given free to each BAe employee on flotation. It was an expensive precedent. On the other hand it might make renationalisation more difficult. The Chancellor said that his instinct was to favour the free distribution, but he would examine the arithmetic involved.

### Demergers

5. The Minister of State (Commons) reported that Mr Nott wanted the Treasury to prepare a demergers scheme in time for the 1980 Finance Bill. He doubted whether this would be possible. It was a highly technical field. He would pursue the matter.

### CGT

6. The threshold for CGT liability was discussed, in the light of the Prime Minister's feeling that £5,000 was too high. It was agreed that, if a change was to be made, £3,000 was a better level than the £2,000 suggested by the Prime Minister. The presentation of the change would have to be different. It could no longer be claimed that adequate relief from tax on inflationary gains was being given.

### Covent Garden

7. The Chief Secretary reported that he had attended a meeting at No 10 to consider a bid for £300,000 for the opera house. It had been agreed that the funds would come from next year's allocation.

A handwritten signature in dark ink, appearing to read 'G.C.' or similar initials.

GEORGE CARDONA  
14th March 1980



Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Sir D Wass  
Sir A Rawlinson  
Sir K Couzens  
Mr Ryrie  
Mr Burns  
Mr P Davies  
Mr Ridley  
Mr Cropper  
Sir D Lovelock - C/E  
Sir L Airey - I/R

NOTE FOR THE RECORD



85TH MEETING

CHANCELLOR'S MORNING MEETING, 18 MARCH 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Ridley  
Mr Cropper  
Mr Cardona

EC debate on 20 March

1. There was a brief discussion of the forthcoming debate on agriculture and the European budget. It was still not clear how the Opposition would wish to play it. The Financial Secretary reported that officials were drafting a motion on a contingency basis.

CTT on gifts to political parties

2. It was decided that the limit for the exemption from CTT on bequests to political parties should not be raised with the limit for charities.

Select Committee and manpower

3. It was noted that evidence on cuts in the Treasury would probably have to be given to the Treasury Select Committee.

Retirement annuity relief

4. The Minister of State, Commons, would look again at the outstanding issues for decision and report back to the Chancellor later in the day.

FSBR forecast

5. It was decided to use the longer of the two versions of the forecast submitted by Mr Shepherd. The Chancellor also wished to see a reference to the PSD, as Mr Ridley had suggested.

MTFS

6. There was a discussion whether the MTFS should refer to EMS. No decision was taken.

Depletion policy

7. The Financial Secretary reported dissatisfaction with E Committee's decision on North Sea depletion. The Chancellor asked him to reexamine the matter, with revenue as the primary consideration.

Budget speech

8. Parts of the speech were allocated for detailed scrutiny. The Ministers of State and Mr Cropper would look at the sections on taxation. The Financial Secretary, Mr Ridley, Mr Burns and Mr Middleton would look at the opening section. Mr Cardona would look at the section on public expenditure and social security.

Budget debate

9. The Chancellor's office would discover when Mr Jenkin would like to speak. It was agreed that Sir Keith Joseph should also be invited to speak in the debate.

*GC*

Distribution:	Chancellor	GEORGE CARDONA	
	Chief Secretary	18 March 1980	
	Financial Secretary		
	Minister of State C	Sir K Couzens	Mr Cropper
	Minister of State L	Mr Ryrie	Sir D Lovelock C/E
	Sir D Wass	Mr Burns	Sir L Airey I/R
	Sir A Rawlinson	Mr Ridley	



NOTE FOR THE RECORD

86TH MEETING

CHANCELLOR'S MORNING MEETING, 28 MARCH 1980

Present: Chancellor  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Mr Wakeham MP  
 Mr Ridley  
 Mr Cropper

Budget Debate

1. There was a brief discussion of the previous day's debate. It was pointed out that the Labour Opposition had given up opposing the Government's strategy in Parliament with rational argument, and were now looking to the trade unions to oppose the Government by industrial action.

BNOC

2. Mr Neville Beale had written to the Chancellor about BNOC and privatisation. The Financial Secretary would pursue this matter, and Mr Cardona would speak to Mr Portillo in the Department of Energy.

Disposals

3. Anxiety was expressed about the need to keep up the pressure to ensure the progress of disposals. The Department of Industry appeared to be dragging their feet over Cable and Wireless.

R WE PASSING THIS? LTR?

Child Benefit

4. The Chancellor wished to see an analysis of whether "children's costs" had been rising less rapidly than the RPI, particularly over the periods marked by the Child Benefit upratings of November 1978, April 1979 and November 1980\_7

Major General Wyldbore-Smith

5. Conservative business supporters had sent their comments on the Budget to Central Office. The Special Advisers would prepare a reply to Major General Wyldbore-Smith at Central Office.

"Talking points on Britain's Economy"

6. The Financial Secretary would review critically the future of this publication.

Earnings-related supplement

7. The Chancellor asked for a brief on ERS, similar to that prepared by Mr Kemp and Mr Ridley on Child Benefit.

Royal Family

8. There was a brief discussion of the problem of timing the announcement of increases for the Royal Family. It was concluded it would always be difficult.



GEORGE CARDONA

28 March 1980

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



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NOTE FOR THE RECORD

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87th MEETING

2

CHANCELLOR'S MORNING MEETING, 15 APRIL 1980

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

SELECT COMMITTEE

1. The Chancellor reported on his appearance before the Treasury Select Committee. Some of the questioners had been less sympathetic than might have been expected. It was agreed that it would be wrong to allow feelings of hostility to develop between the Committee and the Treasury: the members of the Committee could become the Treasury's natural friends in Parliament. It was also agreed that as far as possible an effort should be made to identify newsworthy figures which the Committee would extract in cross-examination; and that it would often be wise to release them, as the Financial Secretary had suggested, before the Committee could ask about them.

Child Benefit

2. There was a discussion of Mr William Waldegrave's letter to the Chancellor. Mr Ridley reported that Mr Waldegrave was worried both that Treasury ministers might be questioning the principle of child benefit rather than tax allowances and about whether the real value of child benefit would be maintained in future. On the first worry, it was stressed that the abolition of overseas child tax allowances indicated there was no question of a return to the old system. But no assurances could be given about the future value of the benefit - not least because the matter was currently under examination by officials. However, given that it was most unlikely

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there would be a significant cut in the real value of child benefit in November 1981, it was important not to give Mr Waldegrave the impression there would be such a reduction.

#### Radio and TV appearances

3. There was a discussion of the merits of Treasury ministers appearing on "confrontational" programmes, such as Robin Day's Question Time. It was pointed out that the staff of this programme believed, rightly or wrongly, that ministers were following a concerted policy of steering clear of it for the most part. The Chancellor asked Mr Ridley to draft a note for him to send to the PMG suggesting the case for a slightly more positive response to the opportunities offered by this kind of programme; and Mr Davies would be asked to seek out more popular programmes for ministers to appear on.

#### Liquid milk costing

4. There was a discussion of Mr Nott's inquiry into milk distributors' profit margins. It was acknowledged that this raised delicate issues. Mr Ridley would speak to officials, in consultation with the Chief Secretary, <sup>/and</sup> <sup>/a</sup> note for the Chancellor to send to relevant colleagues.

#### CGT

5. There was a brief discussion of the problems of indexing CGT and the presentation of the Government's attitude to the future of the tax. The Chancellor decided to consider the issue at the meeting on capital taxation which was shortly due to take place.

#### Paper on pay for Select Committee

6. The Chancellor decided the Treasury should volunteer a short factual paper on public sector pay (including a section on public sector pensions) to the Treasury Select Committee. Officials should be asked to consider what this might cover, in the light both of issues raised by the Committee's detailed questioning and

the need to direct the Committee's attention to the most important questions.



GEORGE CARDONA  
15 April 1980

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

TE FOR THE RECORD88TH MEETINGCHANCELLOR'S MORNING MEETING, 18TH APRIL 1980

Present: Chancellor  
 Chief Secretary  
 Minister of State, Lords  
 Mr Wakeham, MP  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona

Finance Bill Standing Committee

Mr Wakeham reported that the Conservative membership of the committee was effectively settled.

Child Benefit

2. There was a discussion of the reply to be sent to Mr Waldegrave. It was thought that Mr Waldegrave and his colleagues might be satisfied with a commitment to the principle of the child benefit system (as opposed to a reversion to something like tax allowances) and were no longer so determinedly seeking guidance about its future value.

PEWP debate

3. Mr Wakeham reported that the Whips were unclear why Mr Callaghan had pressed for the PEWP debate before Second Reading of the Finance Bill. The matter would be resolved as soon as possible.

Tax and expenditure: bringing together of decisions and presentation

4. The Chancellor asked for a special meeting of Ministers and Advisers to discuss these issues.

Worker Participation

5. There was a brief discussion of the Financial Secretary's

minute of 17 April. It was thought it might be difficult to move in the direction the Financial Secretary recommended at present. Mr Ridley was asked to pursue the matter further with the Financial Secretary.

Public sector pay

6. There was a discussion of the problems of public sector pay. The Minister of State, Lords, believed that the Clegg Commission (and any possible successors) merely reflected a basic flaw in the principles of public sector pay-determination. By and large public sector pay was lifting to levels designed to catch up with levels of analogous private sector pay established in the previous wage round; thus when private sector settlements would otherwise be falling they had the example of the public sector receiving high settlements. The Chancellor said that there nevertheless had to be some way of reflecting market-based private sector pay rates in the non-market public sector. There was now a danger of an overwhelming pressure for an unthinking and hasty rejection of the principle of the fact finding function of the Clegg commission, arising from anxiety about the large pay increases associated with his earlier recommendations.

7. The Chancellor wished work on the problems of public sector pay to be speeded up. Mr Ridley should involve himself, in particular in the reactivation of the analysis of the factual position as regards the pattern of recent increases and their historical context. The matter was also urgent because of the paper to be sent to the Treasury Select Committee.

Wall Street Journal

8. The Chancellor asked for a reply to the critical article in the Wall Street Journal of 28 March.

*sl.*

GEORGE CARDONA  
18 April 1980

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

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NOTE FOR THE RECORD

89TH MEETINGCHANCELLOR'S MORNING MEETING, 22 APRIL 1980

Present : Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Ridley  
Mr Cropper  
Mr Cardona

EC Meetings

1. The Chancellor reported on his meetings with EC Finance Ministers. *AM*  
It was important at this stage not to raise public expectations.

Select Committee

2. Mr Ridley had been present at the Governor's appearance before the Select Committee, and reported that the Governor had done well. Patterns of questioning by the Committee were now beginning to emerge. Mr Ridley had been approached by some members of the Committee and asked whether the Chancellor would find it helpful to be asked about the RPI at his next appearance before the Committee. The Chancellor thought such questions would be a helpful way of inviting the Committee to share his anxiety about the dilemmas described in the "cost-plus society" section of the Budget speech (Cols 1449-50).

3. There was a discussion of whether the Chancellor should meet the Conservative members of the Committee. It was agreed he should aim to talk to them informally and socially, rather than at a special meeting.

Child Benefit

4. It was thought that the Chancellor's letter to Mr Waldegrave had defused the potential revolt.



Work programme

5. The Chancellor asked whether all were satisfied with the work programme set out with Sir Douglas Wass' minute of 18 April. The only comment so far was that consideration of some of the issues of Study No 4 (medium term options for fiscal and monetary policy) could not wait till July, in particular the issues raised in John Forsyth's recent "Monthly Review" article about the PSBR and North Sea oil.

Finance Bill Second Reading

6. Mr Wakeham reported that Mr du Cann had agreed that the Select Committee would prepare at least its preliminary report on the PEWP in time for a debate on 7th May. The 8th May was the last practical date for the Second Reading of the Finance Bill. This would meet Mr Callaghan's demand for the PEWP debate to precede the Second Reading.

7. It was agreed the Chancellor should open the PEWP debate and FST should wind up; and the Chief Secretary should open the Finance Bill debate and the Minister of State (C) should wind up.

TUC's Request for Review of Limits on Friendly Societies

8. The Minister of State (C) and Mr Cropper would look at the Revenue submission on statutory limits fixed in nominal amounts, and would report to the Chancellor.

GEORGE CARDONA

22 April 1980

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

NOTE FOR THE RECORD90TH MEETINGCHANCELLOR'S MORNING MEETING, 30 APRIL 1980

Present : Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Ridley  
Mr Cropper  
Mr Cardona

A handwritten mark in pink ink, resembling a stylized '2' or a similar symbol.

Select Committee

1. There was a discussion of the Treasury Select Committee. It was thought that the Committee was perhaps accepting the advice of its Special Advisers rather unquestioningly.

Iran Sanctions

2. Mr Wakeham reported that although there appeared to be a good deal of support in the Commons for sanctions against Iran, this was because most backbenchers had not thought the matter through. Their support could rapidly disappear if the economic case against sanctions were more fully explained and understood.

EC Contribution

3. It was thought the Luxembourg meeting had gone well. Any deal better than the one offered at Luxembourg should be acceptable to the public.

BSC

4. There was a brief discussion of Mr Monck's minute of 21 April, which gave warning of the threat to BSC's EFL for 1980-81.

A handwritten signature in black ink, appearing to be 'G.C.'.

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

NOTE FOR THE RECORD



91st Meeting

CHANCELLOR'S MORNING MEETING, 6 MAY 1980

Present: Chancellor  
 Chief Secretary  
 Minister of State, Lords  
 Mr Wakeham MP  
 Mr Cropper  
 Mr Cardona

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BBC Chairman

1. There was a discussion of the presentation of the terms of Mr MacGregor's appointment. It was thought that public support from Mr Whitelaw or Mr Prior would be helpful. Examples should be found of other people who had been drawn into the public sector in a similar way; it was thought Mr Ibbs and Sir Michael Edwardes might have been appointed on arrangements resembling Mr MacGregor's.

PEWP debate

2. The Chief Secretary said the Chancellor's speech in this debate should be a reasoned reply to the Select Committee. It was odd that the Select Committee should argue as if Clegg's awards need not have been honoured. The Chancellor asked for information about Clegg's alleged mistake over teachers' pay. Mr Wakeham urged the Chancellor to say something forthcoming about the Treasury's desire to give the Select Committee as much information as possible.

Finance Bill debate

3. The Chief Secretary intended to refer in the debate to the problems of the excise duties and the RPI. The Chancellor drew his attention to a recent Parliamentary Answer from the Department of Employment, which re-affirmed the inviolability of the RPI.

A handwritten signature in black ink, appearing to be 'GC'.

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

GEORGE CARDONA  
 6 May 1980

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



NOTE FOR THE RECORD

92ND MEETING

CHANCELLOR'S MORNING MEETING, 14 MAY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Cropper  
Mr Cardona  
Mr P G Davies (items 4-8)

Civil Defence

1. This was to be discussed in OD Committee the next day. The Chancellor said the Treasury briefing on this should be strong, and he asked for the arguments against more expenditure to be put on one sheet of paper for him to give the Prime Minister on Thursday morning. The Chief Secretary added that one solution was for expenditure on civil defence to be borne by the Ministry of Defence.

Civil Service: international comparisions of numbers

2. The CSO was preparing an article on this. The Chief Secretary would make a speech about it. The Chancellor would write to Mr du Cann.

Select Committee

3. There was a discussion of the approach to be adopted. It was agreed that the Financial Secretary would make a speech replying to the Committee.

Conservative Women's Conference

4. All Treasury Ministers had been invited to reply to questions at this conference. The Chancellor would issue a short press release of his opening remarks: Mr Cropper would draft it. If necessary, the Chief Secretary would attend OD(E) that morning.

Exchange Control

5. It was agreed that the announcement of the Government's intentions for exchange control legislation should be made soon, and if possible this Friday when the RPI was being announced. Failing which, the announcement should be on Thursday 22 May. Mr Davies would carry this matter forward.

Whitsun Holiday

6. The Chancellor endorsed Ministers' plans to be away during the Whitsun recess.

Public Sector Pay

7. It was agreed that the paper for the Prime Minister's meeting next week should be very brief. The draft should go to all Treasury Minister today, so that comments could be incorporated on Thursday.

BSC

8. Sir Keith Joseph had intended to publish all the correspondence about Mr MacGregor's appointment. This was thought to be an undesirable precedent.

GEORGE CARDONA

14 May 1980

Distribution: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Ridley  
Mr Cropper

Sir D Wass  
Sir A Rawlinson  
Sir K Couzens  
Mr Ryrie  
Mr Burns  
Mr P G Davies

Sir D Lovelock  
Sir L Airey

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NOTE FOR THE RECORD



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93RD MEETING

CHANCELLOR'S MORNING MEETING, 20 MAY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Wakeham, MP  
Mr Cropper  
Mr Cardona

Iran sanctions

There was a discussion of what had gone wrong the previous day in Parliament. It appeared that the Treasury had not been consulted about backdating sanctions to November.

Women's conference

2. There was a discussion of the subjects that might be covered at the conference the next day. Mr Cropper was asked to arrange for a press release to be prepared on the subject of "Prospects for Prices", to go out from Central Office.

MEPs

3. The Chancellor said he broadly agreed with the views of Mr Hancock and Mr Cropper as expressed in their notes of 19 May, suggesting that European MPs might be wiser to notify their questions ahead of meetings with Ministers.

Public sector pay

4. The Chancellor said that his paper for E Committee should set out the sequence in which new pay awards would come up. He wanted the best estimates of the out-turn on each next year.

5. There was a discussion of MPs' pay. The Chancellor wanted the facts about this included in his briefing on the paper.



GEORGE CARDONA

- Distribution: Chancellor
- Chief Secretary
- Financial Secretary
- Minister of State (C)
- Minister of State (L)
- Sir D Wass
- Sir A Rawlinson
- Sir F Atkinson
- Mr Ryrie
- Mr Burns
- Mr Ridley
- Mr Cropper
  
- Sir L Airey - I/R
- Sir D Lovelock - C/E





CHANCELLOR'S MORNING MEETING, 3 JUNE 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State - Commons  
Minister of State - Lords  
Mr Wakeham, MP  
Mr Cropper  
Mr Cardona

British Council

There was a brief discussion of the Council's campaign against cuts. Mr Wakeham would keep the Chancellor informed of developments on the backbenches.

International comparisons of taxation

2. Mr Cropper's submission of 2 June to the Minister of State (Commons), pointing out the weaknesses and inconsistencies in an Inland Revenue draft on International comparisons of taxation, was discussed. It was felt that Ministers needed to reassess their position on tax policy, deciding whether the emphasis should fall more on the cuts already achieved or on the need to go further. Mr Cropper was asked to prepare a paper setting out, in the International Context, a view on the present burden of taxation in the UK and how the Government should present its next objectives. The Minister of State (Commons) would also pursue discussions with the Inland Revenue on the statistical presentation of International comparisons of personal tax.

3. The Minister of State (Commons) felt that the tax position of large international companies should also be examined. The Chancellor agreed.

Party conference

4. There had been a suggestion that the next Party conference

should include a Question and Answer session modelled on the recent Women's Conference. It was decided that it was essential to have a set-piece speech by the Chancellor, but that it might be sensible to have a Question and Answer session at a less formal lunchtime meeting. Mr Cropper would draft a reply for the Chancellor to send to Angela Hooper.

Nationalised industries chairmen

5. The Financial Secretary had suggested that civil servants should be appointed to head nationalised industries. The Chancellor would ask Mr Ryrie to talk to the present Chairmen about the problem of finding suitable people and about the possibility of finding candidates inside the industries. The Minister of State (Commons) suggested that candidates for chairmanships should first be tried out as non-executive Board members.

Treasury and CSD

6. There was a brief discussion of re-unification. Mr Cardona was asked to supply the Opposition papers on this subject.

Matters for Ministerial attention

7. The Central Unit's note of 29 April should be considered at a future Morning Meeting.

GEORGE CARDONA

3 June 1980

Distribution:	Chancellor	
	Chief Secretary	Financial Secretary
	Minister of State (Commons)	
	Minister of State (Lords)	
	Sir D Wass	
	Sir K Couzens	
	Sir A Rawlinson	
	Mr Ryrie	
	Mr Burns	Sir L Airey - Inland Revenue
	Mr Ridley	Sir D Lovelock - Customs and Excise
	Mr Cropper	



NOTE FOR THE RECORD

95TH MEETING

CHANCELLOR'S MORNING MEETING, 13 JUNE 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State C  
Minister of State L  
Mr Wakeham MP  
Mr Cropper  
Mr Cardona

MPs' Pay

1. There was a discussion of MPs' pay. The Chancellor said that it was most important in public presentation to distinguish between the staged payment made today and the uprating to be recommended shortly by Boyle. The two payments should be as far apart in time as possible; but if there was any question of a trade-off between an abatement of the increase and a delay in payment, abatement was preferable.

Ferranti

2. Mr Wakeham reported that some backbenchers, particularly in the North West, were becoming concerned about the possibility that Ferranti might be sold to GEC. It was agreed that the Treasury should keep a low profile in discussions about the future of Ferranti.

Disposals

3. The Financial Secretary said there would be little chance of achieving this year's target for disposals unless the Department of Energy were made to contribute. Mr Howell should be pressed again to dispose of Wytch Farm.

Schedule D consultative document

4. It was agreed that there was a strong case for amending the law in respect of partnership cessations and commencements, but

that because the general switch to current year assessment of Schedule D cases could not be implemented for some ten years it would be unwise to unsettle the self employed sector by publishing a consultation paper on the subject.

Potato imports

5. Mr Walker had banned the import of potatoes from certain countries, thus raising the RPI by 0.2%, without consulting the Treasury. The Chief Secretary would write to Mr Walker to complain about not being consulted and about the increase in the RPI.

Forecasts for EC Commission

6. It was agreed that the Commission could not be supplied with more material than was given to Parliament.

Matters for Ministerial Attention

7. The Central Unit's paper, taking stock of matters for attention, would be discussed at a special Morning Meeting between the Committee and Report stages of the Finance Bill.

PAC

8. There were fears that the PAC's activities were becoming increasingly politicised. Officials would be asked for a note on this.

Product liability

9. The Chief Secretary believed the initiative proposed by the Department of Trade was politically dangerous. The Chancellor asked for a new brief on this.

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Homesteading scheme

10. The Financial Secretary reported that he was still in disagreement with Mr Heseltine over whether the latter's power to waive interest on mortgages should apply only to the GLC Homesteading scheme. The Prime Minister supported the Treasury line. The Chancellor asked for a note by Monday.



GEORGE CARDONA

13 June 1980

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  
Mr Ridley  
Mr Cropper  
Sir L Airey - Inland Revenue  
Sir D Lovelock - Customs and Excise

NOTE FOR THE RECORD

96TH MEETINGCHANCELLOR'S MORNING MEETING, 17 JUNE 1980

Present: Chancellor  
 Chief Secretary  
 Minister of State C  
 Minister of State L  
 Mr Wakeham  
 Mr Cropper  
 Mr Cardona

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1. There were general discussions of the review of revenue enforcement powers, Ferranti, MPs' pay and the Chancellor's meeting with Conservative Finance Committee officers.

N Sea taxation

2. There was a discussion of Mr Battishill's submission of 13 June. There was broad agreement with its conclusion, that we should rely, for further bringing forward of revenue, on the order-making power already in the Finance Bill. The Minister of State, Lords, commented that the term "barrelage" was unfortunate, as some of the options it covered were not barrelage at all.

3. The Chancellor had asked for the review of PRT to be completed in time for the 1981 Finance Bill. The oil companies would be consulted after the review.

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GEORGE CARDONA

17 June 1980

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  
 Mr Ridley  
 Mr Cropper  
 Sir L Airey - Inland Revenue  
 Sir D Lovelock - Customs and Excise

NOTE FOR THE RECORD97TH MEETINGCHANCELLOR'S MORNING MEETING, 18 JUNE 1980

Present: Chancellor  
Mr Ridley  
Mr Cropper  
Mr Cardona

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Visit to France

1. Mr Ridley reported on his visit to France, on which he would shortly be preparing a note. He had been able to speak to a large number of senior officials. Many problems were common to France and the UK. However the French (the Press in particular) appeared to be still obsessed with and to misunderstand, the importance of North Sea oil. They were also beginning to find agricultural spending a problem. The Chancellor concluded that there would be advantages in developing contacts with the French Ministry of Finance to expedite work and the development of a common view on the problems of EC expenditure and agricultural expenditure in particular.

Pay and comparability

2. The draft of Lord Soames' speech in the afternoon's Lords debate was unsatisfactory. Treasury officials would be asked to suggest amendments to it.

MLR

3. There was a discussion of the right strategy.

Machinge tool industry

4. Mr Ridley would look at the issues raised in Mr Prescott's submission of 16 June, and suggest possible ways in which action could be stimulated.

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Conservative Research Dept

5. A possible visit to CRD by the Chancellor was discussed.

Tax on perks

6. A separate meeting would be held on this.

BNOC and BGC

7. The future of BGC's oil interests and the "disposals exercise" paper discussing possible ways ahead should be considered at the meeting that would discuss the options for BNOC.

*ll*  
GEORGE CARDONA

18 June 1980

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  
Mr Ridley  
Mr Cropper  
Sir L Airey - Inland Revenue  
Sir D Lovelock - Customs and Excise

Amendment to minutes of 95th Morning Meeting

The first sentence of paragraph 10 should read: "The Financial Secretary reported that he was still in disagreement with Mr Heseltine over whether the latter's power to waive interest on mortgages should apply only to the GLC Homesteading scheme and other schemes of this nature."



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NOTE FOR THE RECORD



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98TH MEETING

CHANCELLOR'S MORNING MEETING, 27 JUNE 1980

Present: Chancellor  
Minister of State (C)  
Minister of State (L)  
Mr Wakeham  
Mr Ridley  
Mr Cropper  
Mr Cardona

*W*

Debate on EC budget

The Chancellor asked for suggestions for his opening speech on Wednesday of next week.

Incomes Policy PQs

2. The Minister of State, Lords reported that PQs on pay policy were being put to him for reply thus making the Treasury the responsible department. The Chancellor expressed himself content with this.

Inland Revenue management

3. The Chancellor said that he had been able to persuade Mr Channon to re-examine certain conclusions of a review of the grades structure of Inland Revenue inspectors. This seemed likely to help put relations with the Revenue trade unions on a friendly footing.
4. There was a discussion of the criticisms of the PAYE system made by Leslie Chapman in the previous day's Daily Mail, and of the wisdom of retaining separate groups of collectors and inspectors. The Chancellor asked those present, and particularly the Ministers of State, to consider the issues raised.

Enterprise zones

- 5. There was a brief discussion of the administrative co-ordination between the Chancellor and Mr Heseltine. It was thought the arrangements were working well.

Tax Reform Committee

- 6. The Chancellor said the Committee had a useful role and should not be disbanded. He would speak to Sir Lawrence Airey about this, and would write to the members of the Committee to say that the Committee would become more active, so that those who did not wish to commit more time could withdraw.

Oral Questions

- 7. There was a discussion of briefing for Oral Questions. The Special Advisers were asked to make recommendations.

Public Sector pay

- 8. This would be discussed at the Morning Meeting on 1st July.

*GC*

GEORGE CARDONA  
27 June 1980

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 Ryrie  
 Mr Ridley  
 Mr Cropper  
  
 Sir L Airey - I/R  
 Sir D Lovelock - C/E



CHANCELLOR'S MORNING MEETING, 1 JULY 1980

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

Staff savings

1. The Chancellor asked Mr Cardona to draw together a summary of the data on staff savings in his departments. He reported that at a recent meeting Mr Littlewood had said that the Government's attitude to reducing waste had greatly helped him in his management of the DNS and that <sup>he</sup> particularly appreciated the support of the Financial Secretary.

Public sector pay

2. The Chancellor reported on the discussions in E Committee. There was then a discussion of the findings of the Top Salaries Review Board. The following points were made:

- the percentage increase for Ministers (at all levels) should be the same as that for MPs;
- it was possible that MPs might accept less than 12% (say 10%), but it was better to win 12% than to be defeated trying for 10%;
- it would not be wise to try to settle next year's increase for the TSRB groups now;

- quixotic gestures by Ministers on their own salaries were of very doubtful validity and probably had very little impact on public opinion; nevertheless great care should be taken over the presentation of increases.

Mr Burns' presentation to Cabinet

3. It was thought that Mr Burns' paper was very good. Care would be needed however about presenting the argument over the desirable size of the PSBR. The Chancellor said that Mr Burns should rest on his earlier analysis of the effect of the economic cycle on the PSBR; while the observed PSBR could rise in recession when the underlying PSBR was diminishing the present underlying PSBR was too high, hence there was no scope for an extra element of relaxation. The adjustment for recession had in effect already been made.

Economic Progress Report

4. The Chancellor agreed with the Financial Secretary's minute of 30 June. Another readership survey would be pointless. The Progress Report should be retained.

Space policy, Satellites, etc

5. Mr Whitelaw had sent a paper on this. Mr Cropper was asked to look into the matter.

*ll.*  
GEORGE CARDONA  
1 July 1980

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 - I/R  
Sir D Lovelock - C/E

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NOTE FOR THE RECORD100TH MEETINGCHANCELLOR'S MORNING MEETING, 2 JULY 1980

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona  
 Mr P G Davies (items 4-5)

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100th Meeting

1. The Chancellor's 100th Morning Meeting was celebrated.

Public Sector Pay

2. The Chancellor reported the Cabinet discussions and the findings of the Chief Whip.
3. There was a discussion of the Post Office Engineering Union claim, the PO's proposals for higher prices<sup>and</sup>/capital spending, and the role of the Government. It was suggested that Post Office Telecommunications might be investigated by the MMC and be told there could be no price-increase until the MMC had investigated and reported. Mr Ridley was asked to examine the issue in time for the Chancellor's meeting with the Prime Minister on Thursday.

Public Relations

4. It was agreed that with the likely abatement of inflation over the next few months, publicity should be concentrated on the link between pay increases and jobs lost. There were encouraging signs that this message was reaching the public, for example the unilateral imposition - reported today - of about 10% pay increases for Lucas workers; and the East Midlands busmen's acceptance of an effective cut in pay. There were also encouraging signs of rising productivity in recessionary conditions.

5. The Chancellor suggested that the Government should receive credit for using Party Political Broadcasts for Governmental rather than Party purposes.



GEORGE CARDONA

2 July 1980

- 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 Ryrie
  - Mr P G Davies
  - Mr Ridley
  - Mr Cropper
  - Sir L Airey
  - Sir D Lovelock

Chancellor  
Mr Burns suggested that his presentation might be turned into an NEDC paper which could then be circulated on the PMG's net.

NOTE FOR THE RECORD



CHANCELLOR'S MORNING MEETING 4 JULY 1980

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

Cabinet on 3 July

1. The Chancellor reported that the economic presentation by Mr Burns had gone very well. Arrangements should be made for Mr Burns' paper to be circulated to Ministers by the Paymaster-General.

Economic debate, 10 July

2. There was a discussion of the themes the Chancellor might use in his speech for this debate. Themes mentioned were:

- (a) the exposition in Mr Burns' paper for Cabinet;
- (b) the warnings the Government (and Mr Healey before the change of Government) had given about high wage claims and unemployment;
- (c) the connexion between rising youth unemployment and trade union pressures - eg minimum wages and high pay for the young;
- (d) signs of success;
- (e) the improbable arithmetic of Mr Healey's alternative policy.

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by him  
the denials  
of Dy. Sr.*

*2nd thoughts: it was an  
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extensive public/house interest  
in the text. It  
could be  
unwise*

*it seems  
without  
further thought.*

*JW in report  
ad 11. on  
JW 7/7*

Mr Cardona was asked to co-ordinate material for the speech.



GEORGE CARDONA

4 July 1980

- 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 Ryrie
  
  - Mr Ridley
  - Mr Cropper
  - Sir L Airey
  - Sir D Lovelock



3/30

NOTE FOR THE RECORD102ND MEETINGCHANCELLOR'S MORNING MEETING, 8 JULY 1980

Present: Chancellor  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Mr Wakeham  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona

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TCSC

1. There was a brief discussion of the Committee's latest request for information about the results of experimental simulations being undertaken with the Treasury Model. It was agreed that it should no longer be possible for someone to be both a member of the Treasury Academic Panel and a Special Adviser to the Committee.

Changes in Parliamentary Procedure

2. It was reported that Mr St John Stevas would shortly be proposing further procedural change: that a Standing Committee should begin work on public Bills by holding preliminary sessions on Select Committee lines, taking evidence from outsiders. Treasury Ministers were not opposed in principle to this proposal. But <sup>it</sup> raised many awkward issues which had not yet been resolved, and could well prove very onerous. It might be no less appropriate for the existing Select Committees to undertake this role.

Shipbuilding nationalisation: Sir Keith Joseph's proposals for compensation

3. The subject was raised and the Chancellor invited colleagues to study Sir Keith Joseph's minute to the Prime Minister of 2 July, especially the Chief Secretary's proposal to let the original owners buy back nationalised assets.

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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

NOTE FOR THE RECORD103RD MEETINGCHANCELLOR'S MORNING MEETING, 11 JULY 1980

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Mr Wakeham  
 Mr Cropper  
 Mr Cardona

Inflation forecast

1. There was a brief discussion of the forecast of 16½% inflation in November, repeated by the Chancellor in the Commons on the previous day. It was agreed that the forecast was entirely realistic.

ECOFIN Meeting

2. The Minister of State, Commons, would go to the meeting on 15 July.

Public expenditure control

3. There was a brief discussion. Considerable concern was expressed about overspending by both local authorities and Central Government. The subject would be discussed at a future Morning Meeting.

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 Ryrie  
 Mr Ridley  
 Mr Cropper  
 Sir L Airey  
 Sir D Lovelock

*GC*  
 GEORGE CARDONA  
 11 July 1980

NOTE FOR THE RECORD



104TH MEETING

CHANCELLOR'S MORNING MEETING, 16 JULY 1980

Present: Chancellor  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Wakeham  
Mr Ridley  
Mr Cropper  
Mr Cardona  
Mr Mower (items 13-14)

Brussels meeting

1. The Minister of State (Commons) reported on the meeting of Finance ministers the previous day.

Party conference speech

2. The Chancellor asked Ministers and Advisers for suggestions for themes for his conference speech, and asked Mr Cropper to contact Central office to ensure that it was scheduled for Thursday October 9 if possible. A question and answer session at a fringe meeting should follow the Chancellor's speech, on the same day.

Public expenditure

3. There was a discussion of the problems of control. Concern was expressed about central Government overspending and local authority overborrowing. The Chancellor asked the Financial Secretary to pursue with officials the problems of local authority borrowing referred to in his minute of July 8. [addressed to the Chancellor, headed "Local Authority Borrowing".]\_7

4. It was observed that there were disturbing timelags before financial information about local authority spending and nationalised industry borrowing reached the Treasury.

Institute of Development Studies, Sussex

5. Lord Carrington had minuted the Chancellor to suggest a reprieve for Government funding of the Institute. Mr Cardona would prepare a note for the Chancellor.

Space policy

6. The Chancellor felt there was room for more energetic private sector involvement. Mr Cropper would examine the issue.

TV license fee

7. Mr Cardona was asked to consider the problems of the future level of the license with particular reference to the possibility of helping the old.

Tax allowances for ministers and MPs

8. The Minister of State (Lords) was asked to look at this issue by the Chancellor, though he felt the solution put forward by the Minister of State (Commons) was almost certainly the right one.

Tax reform committee

9. The Ministers of State and Mr Cropper were asked to consider the future of this committee.

Public expenditure

10. The Financial Secretary reported that two issues for decision were emerging from the bilateral discussions. Local authorities would overspend on Other Environmental Services. Mr Heseltine took the view that any compensating cutback should be shared out pro rata

among locally-administered programmes: this would mean Other Environmental Services would gain at the expense of Education, which was a large proportion of the total.

11. The second issue was that Mr Carlisle might be assisted in accepting cuts in education if he went on to say that "standards of provision" in Education would have to fall temporarily. This might require a Cabinet decision.

12. The Chancellor commented that both issues should be pursued as quickly as possible.

Computerisation of PAYE

13. There was a discussion of the attitude which the Government should adopt in the face of the campaign by ICL to obtain the COP contract. The difficulty was that it was impossible to put the case for not using ICL without destroying ICL's reputation. The Chancellor commented that Government should at least try to get the press to understand the facts and figures: ICL already had a thriving export order book and also a good flow of Government business. It should be emphasised that ministers would not lightly take a decision that ran counter to ICL's interests.

RPI figures

14. The Chancellor said that Treasury ministers should respond to requests for interviews on prices this coming weekend.



GEORGE CARDONA  
16 July 1980

- 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 Ryrie
  - Mr Ridley
  - Mr Cropper
  - Sir L Airey
  - Sir D Lovelock
  - Mr B Mower

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NOTE FOR THE RECORD86  
105TH MEETING

CHANCELLOR'S MORNING MEETING, 23 JULY 1980

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

Pary Political Broadcast

1. There was a brief discussion. It was agreed that the broadcast was a success but that the section on Top Salaries was unfortunate. Special Advisers would draft replies to the letters the Chancellor was receiving from the public.

DHSS expenditure: the RPI disregard as a solution to the problem of future economies

2. There was a discussion of the idea put forward in Mr Ridley's minute of 22 July on the CST's bilateral with Mr Jenkin later in the day, which suggested that the best solution to the problem of health cuts was not uprating a wide range of benefits by the amount of the likely increase in excise duties attributable to catching up with inflation (the "disregard" idea). The Chancellor concluded the idea had considerable potential and merited active consideration.

COP

3. It was thought that public enlightenment on the issues involved could be encouraged by an inspired PQ explaining the breakdown of the £150 million cost of COP.

4. It was agreed that Ministers would meet the backbench Finance Committee soon for an end of term discussion, at which COP could be raised as one of several issues.



GEORGE CARDONA

23 July 1980

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





NOTE FOR THE RECORD

106TH MEETING

CHANCELLOR'S MORNING MEETING, 29 JULY 1980

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

PQ on costs of Ministerial visits overseas

1. Sir Donald Kaberry's Written Question on the cost of ministerial visits abroad was discussed. The reply would be circulated to other Treasury ministers for comment. It was agreed that it would be desirable if the Treasury reply and the answers outstanding to Sir D Kaberry's comparable questions to other Departments could be published on the same day.

Fishing industry

2. Mr Thomas' submission of 28 July was discussed. The Chancellor asked for an assessment of the long-term implications of the proposed assistance to the industry and the industry's prospects; and that the CS/T should take the lead.

Censure debate

3. There was a discussion of arguments that could be used by the Chancellor in the debate. The cost of Labour's draft manifesto should be compared with N.Sea revenues and with the income tax yield.

Nationalised industries' EFLs

4. The Chancellor reported briefly on his talk with the industries' chairmen. He was concerned that nationalised industries' pay was possibly the weakest link in the area of public sector pay.

*ll.*

GEORGE CARDONA  
29 July 1980

<p>Distribution:</p> <p>Chancellor</p> <p>Chief Secretary</p> <p>Minister of State (L)</p> <p>Minister of State (C)</p> <p>Sir D Wass</p> <p>Sir K Couzens</p> <p>Sir A Rawlinson</p> <p>Mr Burns</p> <p>Mr Ryrie</p> <p>Mr Ridley</p> <p>Mr Cropper</p> <p>Sir L Airey</p> <p>Sir D Lovelock</p>	<p>Financial Secretary</p>
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NOTE FOR THE RECORD



107TH MEETING

CHANCELLOR'S MORNING MEETING, 30 JULY 1980

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Ridley  
Mr Cropper  
Mr Cardona  
Mr Mower (items 3-8)

Institute of Development Studies

1. The Chancellor asked Mr Cardona for more briefing on the IDS for his meeting with the PM the next morning.

Defence

2. It was thought that developments in the monetary situation might facilitate an offensive against overspending by Defence. Initially the matter would probably be dealt with by a meeting consisting of the PM, the Chancellor, the Chief Secretary and the Secretary of State for Defence.

Youth unemployment

3. There was a discussion of whether the previous seasonal pattern of absorption of school-leavers into work would be repeated this year. It was thought the absorption would be slower, but how much slower was unpredictable.

4. There was a discussion of the relative merits of concentrating attention on the young unemployed and middle-aged unemployed. It was probably more difficult for the middle-aged to find work, partly because they were less mobile; but on the other hand the young unemployed could drift into an undesirable way of life.

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5. The Chancellor asked for a fuller appraisal of the effect on unemployment of existing employment programmes, particularly those aimed at the young, on present plans; and for an assessment of the range of institutional obstacles to employment especially of the young (eg wages councils). The Chief Secretary added that he would like to see greater consciousness of the fact that this wave of unemployment appeared to be affecting England - particularly the Midlands - as well as Scotland and Wales.

6. There was a brief discussion of the Treasury's role in studies of unemployment. It would bring some relief to the Treasury's hard-pressed divisions if the Department of Employment could be invited to carry out the work. The Chancellor however rejected the notion of leaving the work entirely to Employment, though he thought there could be a role for the CPRS in the study of the attitudes to employment.

Select Committee and the press

7. There was a discussion of the various different reactions there had been to the Chancellor's appearance before the Select Committee. It was suggested that it might be wise to keep in reserve a "bone to throw at the press" for these occasions. Mr Ridley would circulate to officials the comments he had received.

Guardian story on public sector pay

8. The Chancellor said that the Guardian's frontpage headline to the effect that public sector pay would be held to 9.6% was absurd: one wanted to give the general impression of toughness; but to suggest that a Government committed to not having a norm had suddenly opted for a norm specified to one decimal place was ludicrous.

  
GEORGE CARDONA  
30 July 1980

Distribution:

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

NOTE FOR THE RECORD



108TH MEETING

Chancellor's Morning Meeting, 1 August 1980

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

Industrial recession

1. There was a brief discussion of the impressions Ministers had received from businessmen around the country. It was thought the West Midlands were suffering more than the East Midlands. The severity of the financial squeeze could be measured by the difference between monetary growth and the rate of inflation, and this margin would soon be contracting.

Teachers' and university teachers' pay

2. The Chancellor and Chief Secretary gave an account of the previous day's Cabinet discussion. The Cabinet eventually appeared convinced that the arbitration award should be set aside but there were doubts about the ease with which the necessary orders would be passed by both Houses of Parliament, The Lords would be especially difficult. Additional complications were created by the fact that the cash limit was large enough to accommodate the full arbitration award.

3. Ministers expressed some sympathy with Mr Carlisle's position on university teachers' pay. It was thought that a concession here could be reasonable and useful and would reinforce the case for being tougher on the teachers' pay claim.

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Public expenditure planning

4. The Chancellor pointed out the contrast between the sums at stake in teachers' pay and the relatively small volume cut for 1981-82<sup>for</sup> which the Chief Secretary was arguing at Cabinet. There followed a discussion of volume versus cash terms for public expenditure plans. There were serious weaknesses in the system of volume plans. Ministers awaited Mr Littler's IGSS report with interest.

Nationalised industries

5. There was an extended discussion of the problems created by the structure of the nationalised industries. The chairmen of the industries wanted to have the best of both worlds: the freedom of a private sector industrialist to speak out and act independently, and unlimited access to central Government funds. The chairmen's campaign for freedom from EFLs would, if successful, put them in the position of being able to give in to any wage-claim no matter how high and recover the cost from the taxpayer or from increased prices.

6. The Chief Secretary suggested that the best solution was either privatisation, where that was possible, or direct control by Government. There was no non-interventionist approach to the present structure which would work. However one would have to do one's best with the present system as there was no possibility of major privatising legislation in this Parliament.

Tax relief for health insurance: Mr Gerry Neale's 10 minute rule bill

7. Mr Neale, whose bill called for tax relief for employers' health-insurance, could, it was known, be 'bought-off' by a letter from the Chancellor. It was agreed that the letter should make no commitments; but the bill's sponsor had a strong case, because for many employees private health insurance was a condition of employment.

Distribution:

Chancellor

Chief Secretary

Minister of State (C)

Minister of State (L)

Sir D Wass

Sir K Couzens

Sir A Rawlinson

Mr Burns

Mr Ryrrie

*gl.*  
GEORGE CARDONA

1 August 1980

Mr Ridley

Mr Cropper

Sir L Airey

Sir D Lovelock

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NOTE FOR THE RECORD

109TH MEETINGCHANCELLOR'S MORNING MEETING, 5 AUGUST 1980

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

Stocktaking

The meeting was called to consider the workload on Ministers, the procedures used to deal with the workload, and the issues listed in the Central Unit's stocktaking note of 29 April 1980, brought up to date in a note by Mr MacAuslan, and revised by Mr Barton (note of 31 July).

Morning Meetings

2. Ministers agreed that:

(a) they would try to warn Mr Cardona or the Chancellor's Private Office well in advance of subjects they would be raising at Morning Meetings; Mr Cardona or the Chancellor's office would be responsible for informing those attending of such issues.

(b) there should be more Morning Meetings on particular issues, of greater length than the usual meetings;

(c) standard Morning Meetings should whenever possible last at least  $\frac{3}{4}$  of an hour.

Special Advisers

3. There was a brief discussion of the distribution of work between Special Advisers. Ministers decided no changes were necessary.

Internal Treasury Meetings

4. After a brief discussion, it was agreed that it would be right to aim for fewer meetings with a smaller attendance and more careful preparation. The Chancellor decided that :

- (a) whenever possible, the lead division on any subject should provide annotated agendas for meetings;
- (b) the need for meetings should be questioned before they were arranged, and the numbers of people attending should be kept down;
- (c) there should be two editions of the Chancellor's diary: one should carry the subject of meetings and should be narrowly-circulated (including to Ministers' Private Offices and Special Advisers), and the other edition should continue with the present content and a wider circulation.

Briefs for Meetings

5. After a discussion, the Chancellor decided that:

- (a) briefs for Cabinet, Ministerial Committees, etc should in general be more compact;
- (b) they should contain a short summary at the end, as some already do;
- (c) since it is sometimes helpful for officials to have a quick meeting with a Minister before writing a brief both Ministers and Officials should be prepared to seek such meetings;
- (d) Speaking Notes should in general be in note form rather than continuous prose.

Ministerial Responsibilities

6. It was agreed that no changes were necessary at this stage.



Parliamentary Private Secretaries

7. There was a discussion of how PPSs might be used to fuller advantage. It was agreed that they should be invited to a special Morning Meeting to discuss how they thought they might help.

Submissions to Ministers

8. It was thought that some papers submitted to Ministers could be shorter. It was agreed that Ministers' Private Offices would try to give officials submitting papers some indications about the length that was desirable.

Volume of Work

9. It was agreed that too many issues were under consideration. Work already started had, in general, to be finished; but Ministers would be selective about taking on new issues.

Stocktaking Note

10. Ministers considered the list of matters for Ministerial attention. The following comments were made on individual topics:

(i) Public sector pay There should be more official co-ordination at the inter-departmental level on the issues involved, and particularly the relationships between public sector pay settlements.

(ii) Economic Assumptions for NIF, Government actuary, etc, in 1980 The Chancellor asked for a clear timetable for decisions up to the end of the year, showing what economic assumptions would have to be made, and when.

(iii) Wilson Committee It was agreed that a Ministerial discussion of the Report was unnecessary.

(iv) Personal Taxation and incentives The Chancellor wished to see what work had been done so far on the question of the priorities as between raising personal allowances and reducing

tax rates, and he would then decide whether any further work was needed.

(v) Review of Public Expenditure Survey System This was identified as an area of high priority. The Prime Minister wanted a paper from the Treasury on cash versus volume expenditure plans by the end of September. An internal Ministerial meeting should be arranged for early September.

(vi) Local Authority Borrowing This was an important area, which the Financial Secretary was examining.

57/12/17  
7/8/17  
ONLY

(vii) Defence The Chancellor considered that the time had come to question the ~~continuation of the review bodies~~ <sup>sacrosanctity of the joint system</sup> for armed forces' pay. Officials should be asked to consider what changes might be desirable and report back by the end of September.

(viii) Housing It was agreed that more work should be done on the question of rented housing, but this was not a Treasury issue. It was probably better for it to be undertaken by the CPRS and perhaps, Mr Hoskyns' Policy Unit. In the first instance the issue would be best raised in MISC 14.

(ix) Health The general principle of recovering some of the cost of accidents to the NHS should not be regarded as abandoned, despite the cool reception which H Committee had given to such schemes.

(x) Social Security The question of incentives, already considered by Mr Kemp's group, should continue to be regarded as most important. A Morning Meeting should be devoted to the issue, so that the priorities for further work could be <sup>clearly</sup> established.

Conclusion

11. The Chancellor concluded the meeting by saying that in the year ahead the Department's <sup>io</sup> priority would increasingly be the control of public expenditure. This covered public sector pay, control of local authorities and nationalised industries, the indexation of social security expenditure and the question of cash versus volume planning of public expenditure.

Distribution:

- Chancellor
- Chief Secretary
- Financial Secretary
- Minister of State C
- Minister of State L
- Mr Ridley
- Mr Cropper
- Sir D Wass
- Mr Burns
- Sir K Couzens
- Mr Ryrie
- Sir A Rawlinson
- Mr Byatt
- Mr Hancock
- Mr Barratt
- Mr Middleton
- Mr Bailey
- Mr Littler
- Mr Cassell
- Mrs Hedley Miller
- Mr Britton
- Mr Lavelle
- Mr Mountfield
- Mr Unwin
- Mr France
- Mr Bridgeman
- Mr Battishill
- Mr Dixon
- Mr Lovell
- Mr Monck
- Mr Christie
- Mr Kemp
- Mr Kitcatt
- Miss Forsyth
- Mr Hansford
- Mr Butler
- Miss Brown
- Mr Carey
- PS/Inland Revenue
- PS/Customs and Excise

- Sir L Airey
- Sir D Lovelock

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pwp  
(stocktaking pps)

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CHANCELLOR

cc Chief Secretary  
Financial Secretary  
Minister of State (C)  
Minister of State (L)  
Mr Cardona  
Mr Cropper

MORNING MEETING, WEDNESDAY 6 AUGUST

Could I raise two issues at tomorrow's meeting:

- (1) The NICG, EFLs and Pay, in particular follow-up to their meeting with you and their TSC appearance.
- (2) The incorporation (as companies) of NFC, BAe and BA; and the consequences for the PSBR control etc.

Mr Monck is, I gather, minuting on the latter overnight, and may also be putting up something to you through Mr Ryrle on the former, too.

ADAM RIDLEY  
5 August 1980

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NOTE FOR THE RECORD

110TH MEETING C

Chancellor's Morning Meeting, 6 August 1980

Present: Chancellor  
 Chief Secretary  
 Financial Secretary  
 Minister of State C  
 Minister of State L  
 Mr Wakeham  
 Mr Ridley  
 Mr Cropper  
 Mr Cardona

NFC, BA, BAe

1. There was a discussion of the incorporation of NFC which Mr Fowler had requested, and of the consequences for BA and BAe. It was thought that, as officials suggested, Mr Fowler would not accelerate the progress of privatisation by incorporation, and there was some danger of losing control of a company that would still be in the public sector. On the other hand, whatever the substance of the issue, it was politically very difficult for the Treasury to be in the position of appearing to argue for slowing down privatisation.
2. It was decided that the Treasury should no longer obstruct incorporation.

Honours

3. The Chancellor asked Ministers and Advisers for early recommendations for the New Year's Honours list, in time for the August 22nd deadline.

*GC*  
 GEORGE CARDONA  
 6 August 1980

Distribution:

Chancellor  
 Chief 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



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 Ryrrie
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

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For: ROBY\*

IRENE RIPLEY

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