

PO/CH/NL/0017

PART A

SECRET

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PO -CH /NL/0017



PART A

1987 BUDGET BROADCAST

NL/0017

PO -CH

PART A

DD's 25 years 23-5-85. NAGLJ

STARTS: - 19-01-87

27-3-87

1987 Budget
Broadcast

Final
of work
for 10/2/87

PO/CH/NC/17

*pmf*

FROM: FINANCIAL SECRETARY
DATE: 19 January 1987

SIR T BURNS

cc Chancellor

PRODUCTIVITY AND EMPLOYMENT

1. In your Chevening paper (paragraph 7) you said that:
 - (i) Since 1979 whole economy productivity growth has exceeded the average of the major six economies.
 - (ii) Since 1979 manufacturing productivity growth has been "on a par with" that of the major six.
2. This is good news indeed. However, on point (ii) are you not under-selling the case? I, myself, prefer the TWEB version:

"Since 1979 (manufacturing) productivity increased by over 3½% a year - growth second only to Japan."
3. On a separate issue, you and I have discussed before, the role of manufacturing employment in current and forecast unemployment trends. I notice that in Mr Sedgwick's Autumn Forecast report (10 October), paragraph 20, that you were expecting to see a small increase in manufacturing employment in the next couple of years. Do you still think this likely?

NL

NORMAN LAMONT

CONFIDENTIAL

7. In the UK, by contrast, real earnings and productivity have grown faster since 1979 than between 1973 and 1979. The productivity gap between the UK and the other countries had widened significantly between 1973 and 1979. This provided plenty of scope for a major shake out of labour once the general economic climate changed in the early 1980s. Spurred on by the relatively higher rate of real earnings growth the result has been a much faster rate of productivity growth since 1979. Indeed since 1979 productivity growth in the economy as a whole has exceeded the average of the major six, and in manufacturing it has been on a par with that of the major six.

1979
1973

From: J ODLING-SMEE
29th January 1987

FINANCIAL SECRETARY

cc Chancellor
Sir Terence Burns
Mr Sedgwick
Mr S Davies
Mr S Matthews
Mr Riley
Mr Dolphin
Mr Hacche
Mr Hunt
Mr Kelly

Handwritten notes in red ink:
Budget B'cast
Charts meeting
X = Y
(no cost) -
for Budget
(Charts)

PRODUCTIVITY AND EMPLOYMENT

You asked Sir Terence Burns (minute attached) about:

- manufacturing productivity growth in the UK compared with other major OECD countries
- the forecast of manufacturing employment.

Productivity Growth in Other Major Countries

2. The claim in the Chevening paper that since 1979 manufacturing productivity growth in the UK has been "on a par with" that of the major six was based on OECD estimates of productivity growth for the period 1979-85, updated by our own estimates for 1986, together with our UK estimates. For the major six productivity was defined as total value added in manufacturing divided by total hours worked. UK productivity was defined as manufacturing output divided by ~~productivity~~ ^{employment}. They are therefore not strictly comparable, although the table below shows that the picture would be the same if the UK figures had been on the OECD basis.

3. The TWEB claim that "since 1979 (manufacturing) productivity increased by over 3% a year - growth second only to Japan" is based on our own calculations of productivity defined as manufacturing

output divided by manufacturing employment. Both definitions are frequently used as measures of productivity, though the latter is more common mainly because the data are more accessible and up-to-date.

4. Prompted by this enquiry we have updated our estimates of productivity growth over the period 1979-86 on both definitions:

Productivity growth in manufacturing, 1979-86
(at an annual rate, per cent)

| | Value-added per man-hour | Output per man |
|--------------------------|-----------------------------|-------------------|
| United States | 3.0 | 2.4 |
| Japan | 4.9 | 2.6 |
| Germany | 3.0 | 2.2 |
| France | 2.7 | 2.1 |
| United Kingdom | 3.6 | 3.3 |
| Italy | 3.7 | 2.8 |
| Canada | 1.4 | 3.0 |
| Major seven | 3.4 | 2.5 |
| Major six (excluding UK) | 3.3 | 2.5 |

5. Productivity growth in the UK, therefore, can still be said to be around the average of the major six when it is defined as value-added per man-hour. However, when defined as output per man the UK's productivity growth can now be said to have been the fastest among the seven Summit countries since 1979. This supports the claim made in the TWEB and is consistent with the latest published information. (The next EPR should include an article on productivity and employment growth which will show that the UK had the highest growth of manufacturing output per man from 1979 to 1986 H1.)

6. For completeness, we have also updated our estimates of whole economy productivity growth (defined as GDP per man) for the major seven and these figures are show below:

Whole economy productivity growth, 1979-86
(at an annual rate, per cent)

| | Productivity |
|--------------------------|--------------|
| United States | 0.8 |
| Japan | 2.9 |
| Germany | 1.6 |
| France | 1.6 |
| United Kingdom | 1.8 |
| Italy | 1.4 |
| Canada | 0.9 |
| Major seven | 1.4 |
| Major six (excluding UK) | 1.4 |

Y | On this basis the UK's productivity growth since 1979 has been slightly higher than the average of the major six, and second only to Japan.

Forecast of Manufacturing Employment

7. We no longer expect to see an increase in manufacturing employment in the next couple of years as stated in Mr Sedgwick's Autumn Forecast Report. The January forecast incorporates a lower rate of growth of manufacturing output, reflecting recent evidence that imports are meeting a higher proportion of domestic demand, and a higher trend rate of growth of manufacturing productivity in the light of upward revisions to estimates of productivity growth since 1981. These have both contributed to the downward revision of the Autumn employment growth forecast.

De 0.1

J ODLING-SMEE

101/1

c FOS:
 Can you arrange a
 brief reply please?
 T



FROM: FINANCIAL SECRETARY
 DATE: 19 January 1987

SIR T BURNS

cc Chancellor

PRODUCTIVITY AND EMPLOYMENT

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N.L.

NORMAN LAMONT

346/1/158

PWP

*Sustainable balance
Companies performance
MS Unemp.*

FROM: MISS M O'MARA
DATE: 6 February 1987

CHANCELLOR OF THE EXCHEQUER

cc

- Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir P Middleton
- Sir T Burns
- Mr H P Evans
- Mr Scholar
- Mr Sedgwick
- Mr Culpin Ms Evans
- Mr Hudson
- Mr Kerley
- Mr Cropper
- Mr Ross Goobey
- Mr Tyrie
- A/56

C.
At the risk of stating the obvious, I think it would be worth getting clear at the start of the meeting what the main messages of the Broadcast are, & then picking the charts accordingly. One theme might be the sustainability of this upswing, based on inflation being under control & the balance ~~is~~ between consumption & investment (chart at Annex B(i)).

AMH

*How many
what on page? 5?*

BUDGET BROADCAST CHARTS: 1987

You are holding a meeting next Tuesday to discuss possible charts for use in this year's Budget Broadcast. I attach a selection which Mr Kerley has prepared. They contain only information published to date. We will produce revised versions incorporating the Budget forecasts, where appropriate, once you have narrowed your choice.

Annex A

The charts at Annex A are updated versions of those used in last year's broadcast.

(i) European growth league tables: Last year, we compared 1973-1982 with 1983, 1984 and 1985. If you want to retain this table, we would suggest only the two columns at the top of the page, since you will see we were no longer first in the league in 1986.

Yes, though showing all 4 yrs shows a long spell with us consistently in 1st or 2nd places

(ii) GDP

- (iii) Inflation: The hiccup in 1985 and the forecast for 1987 (not yet shown) suggest that a comparison of average inflation over Parliaments (see Annex B) would provide a better chart.
- (iv) Manufacturing productivity - see league table approach below (Annex B (ii)).
- (v) UK and EC employment: The final version excluded the EC less the UK.

Annex B

(i) Consumption and investment growth

We have compared experience under the last two recoveries. Of the two versions of the chart, we think the first (comparing consumption growth under the two Governments, followed by investment) looks the more dramatic.

Yes, esp if we can unveil consumption first, then investment.

(ii) Manufacturing productivity league table

This would be an alternative to a chart on UK productivity growth alone. If you wanted to drop the European growth league table, manufacturing productivity could be another subject for an international league table. If you would like this chart worked up, we can do a more accurate inter-Government comparison. We do not think the UK will change its batting order.

(iii) Current balance

- (a) Manufacturing exports: to counter the charge of Government neglect.
- (b) Current balance as proportion of GDP: this is probably too complex for a TV audience to absorb.
- (c) Cumulative current account balance
- (d) Overseas assets as a percentage of GDP

Of these, we think (c) is probably the most useful and the easiest to comprehend if you want a defensive chart on the balance of payments.

Exports is a good one, too.

(iv) Fiscal position

(a) PSBR as a percentage of nominal GDP: the 1987-88 figure is based on your latest public pronouncement.

(b) Gross borrowing by sector: we would need to change the title!

(c) North Sea oil revenues

(v) Inflation: See above.

(vi) Employment

(a) Employment rates: another international comparison but the concept may not be an easy one for a TV audience.

(b) Employed labour force: this illustrates the steady growth since 1983.

You might like to discuss how to handle unemployment, whether the news is yet good enough to warrant a chart.

Last year's comparison with the EC probably remains the most striking but is now less newsworthy.

(vii) Net real rate of return: this covers non-North Sea ICCs. The story for manufacturing industry is better still but perhaps rather partial and could look defensive.

For the last three years, you have presented a selection of charts to the post-Budget NEDC. Annex B may prove a useful quarry for this too, if you decide to follow recent precedent.

MOM

MISS M O'MARA

EUROPEAN LEAGUE TABLES
OUTPUT GROWTH

| 1973-1982 | 1983-86 |
|--------------|--------------|
| FRANCE | UK |
| ITALY | WEST GERMANY |
| BELGIUM | ITALY |
| WEST GERMANY | NETHERLANDS |
| NETHERLANDS | FRANCE |
| UK | BELGIUM |

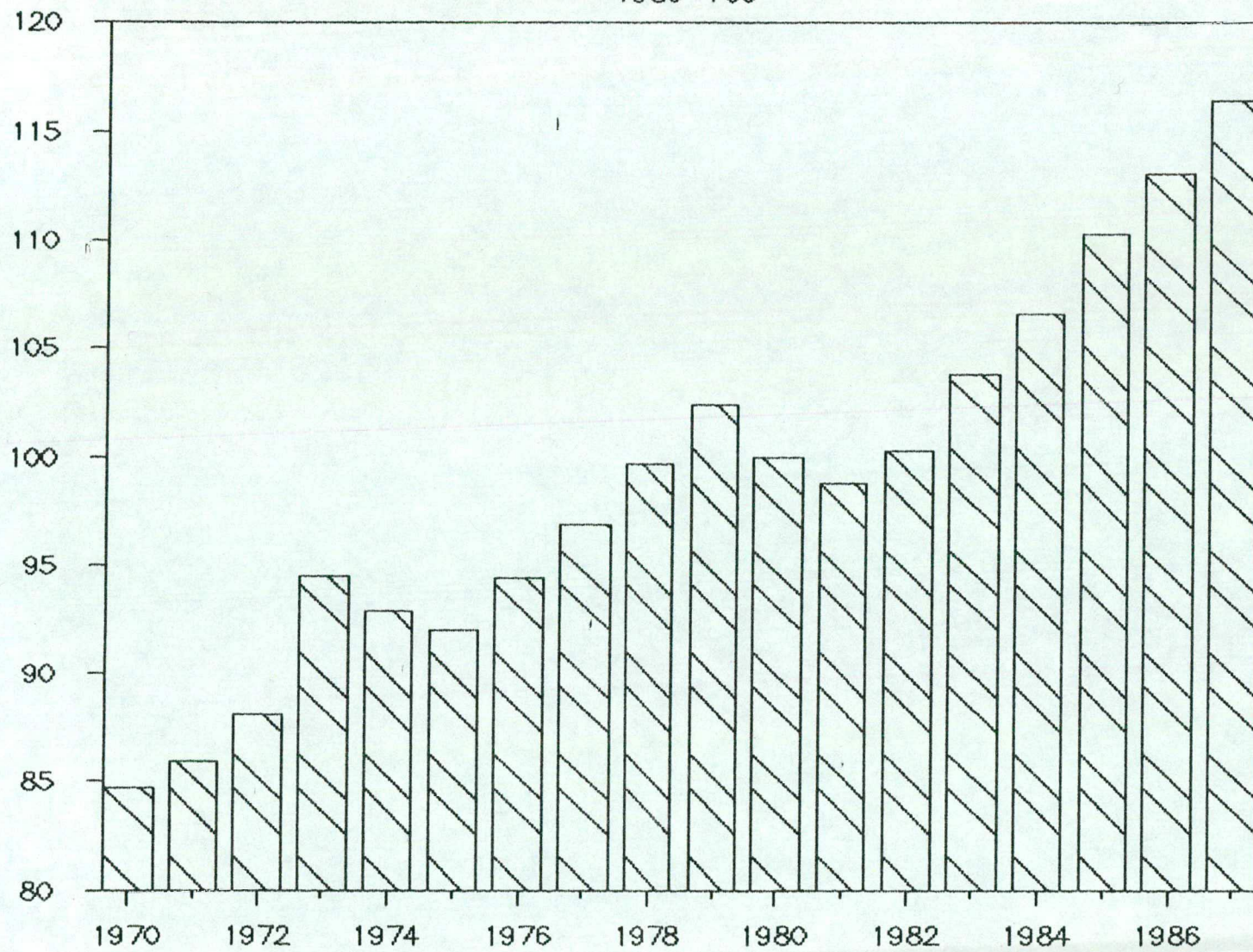
how for South UK 1982-86
1970-81

ANNEX A

| 1983 | 1984 | 1985 | 1986 |
|--------------|--------------|--------------|--------------|
| UK | WEST GERMANY | UK | WEST GERMANY |
| WEST GERMANY | UK | WEST GERMANY | { UK |
| NETHERLANDS | ITALY | ITALY | { ITALY |
| FRANCE | NETHERLANDS | NETHERLANDS | { BELGIUM |
| BELGIUM | FRANCE | FRANCE | { FRANCE |
| ITALY | BELGIUM | BELGIUM | NETHERLANDS |

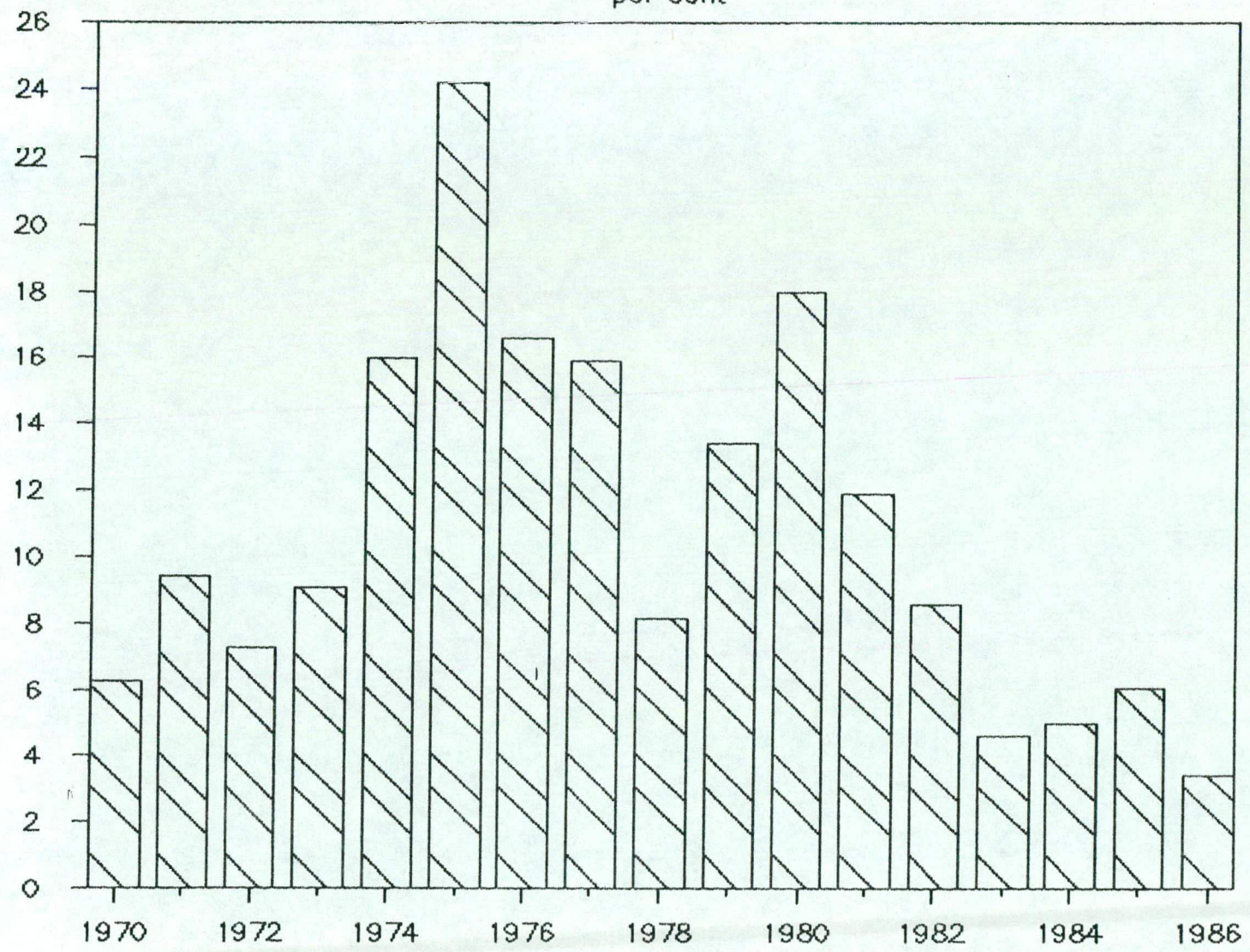
GDP (Average measure)

1980=100



INFLATION

per cent

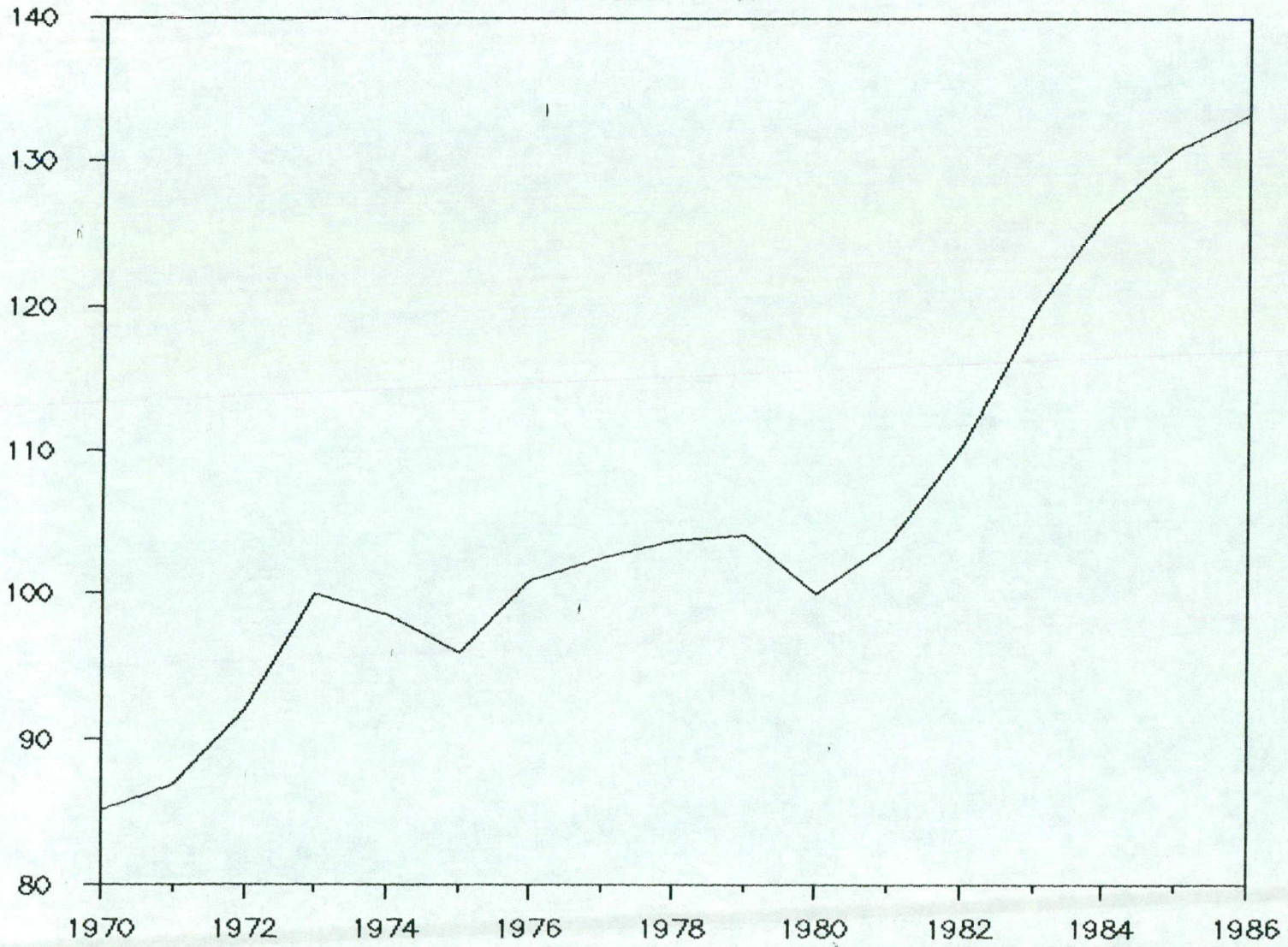


INFLATION

MANUFACTURING PRODUCTIVITY

USA
Compares
Japan

1980 = 100

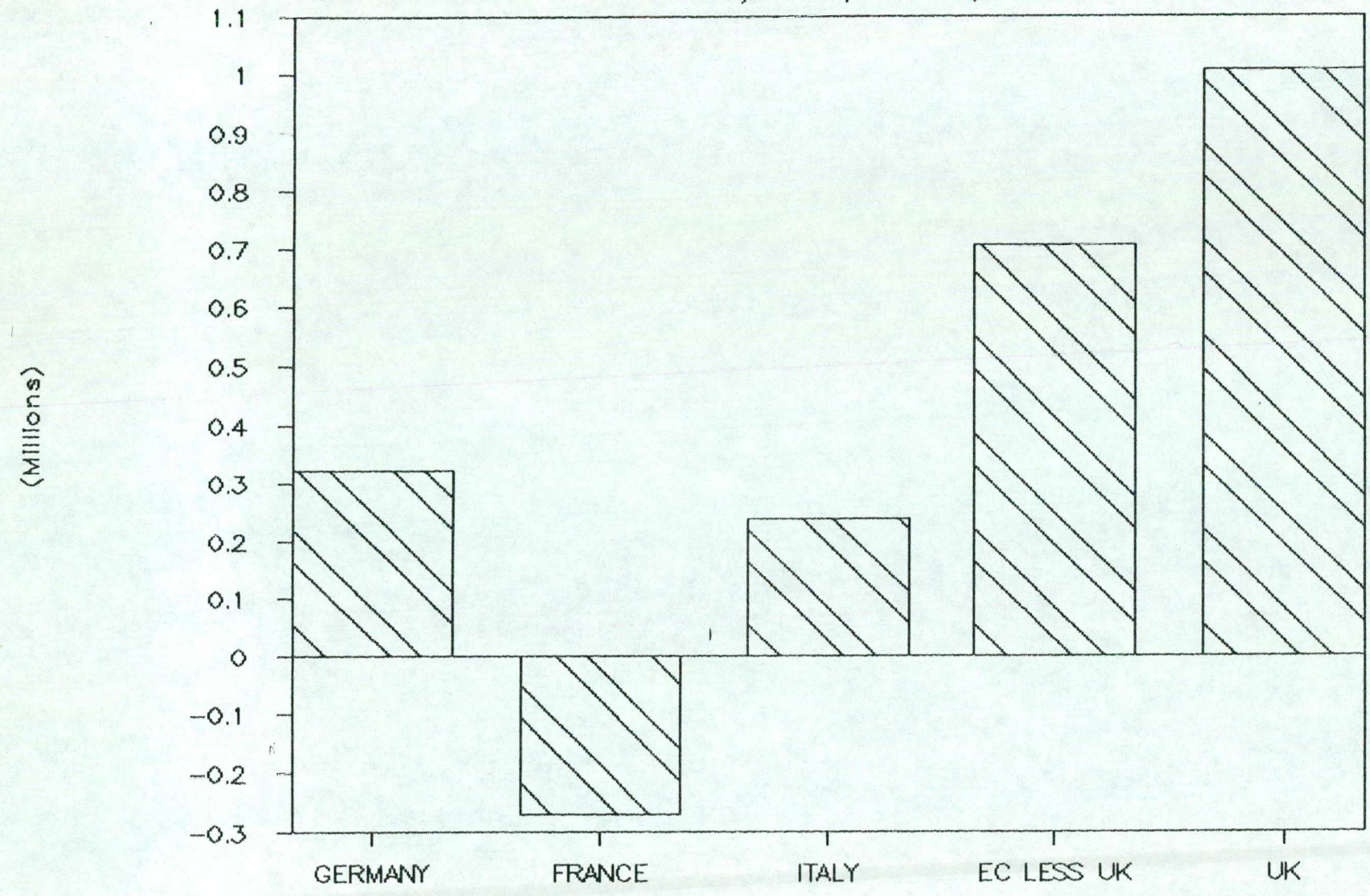


MANUFACTURING
PRODUCTIVITY

UK + EC
EMPLOYMENT

CHANGE IN EMPLOYMENT: 1983Q2-1986Q2

UK and major European competitors



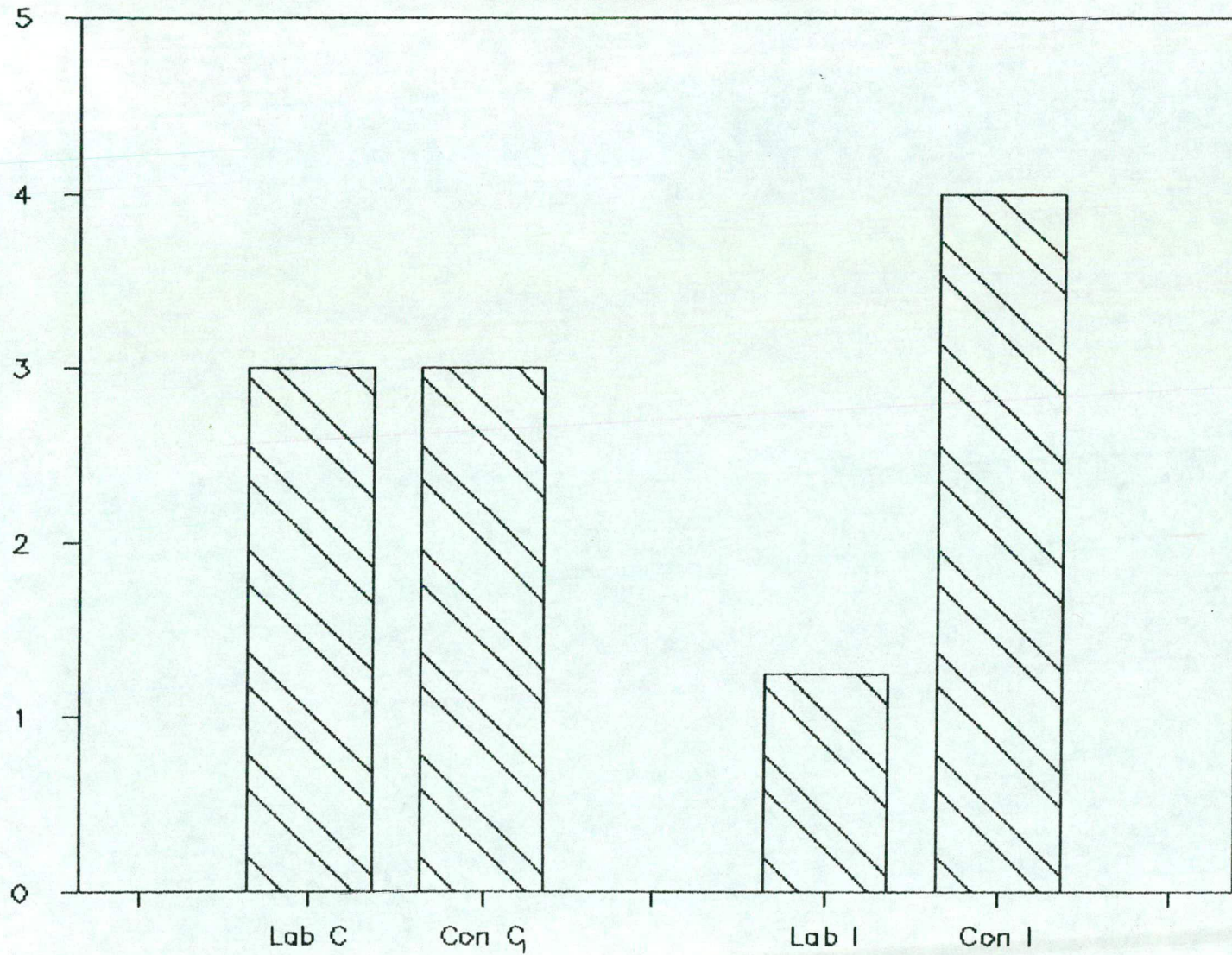
ANNEX

ANNEX B

CONSUMPTION AND INVESTMENT GROWTH

RECOVERIES COMPARED

PER CENT PER ANNUM

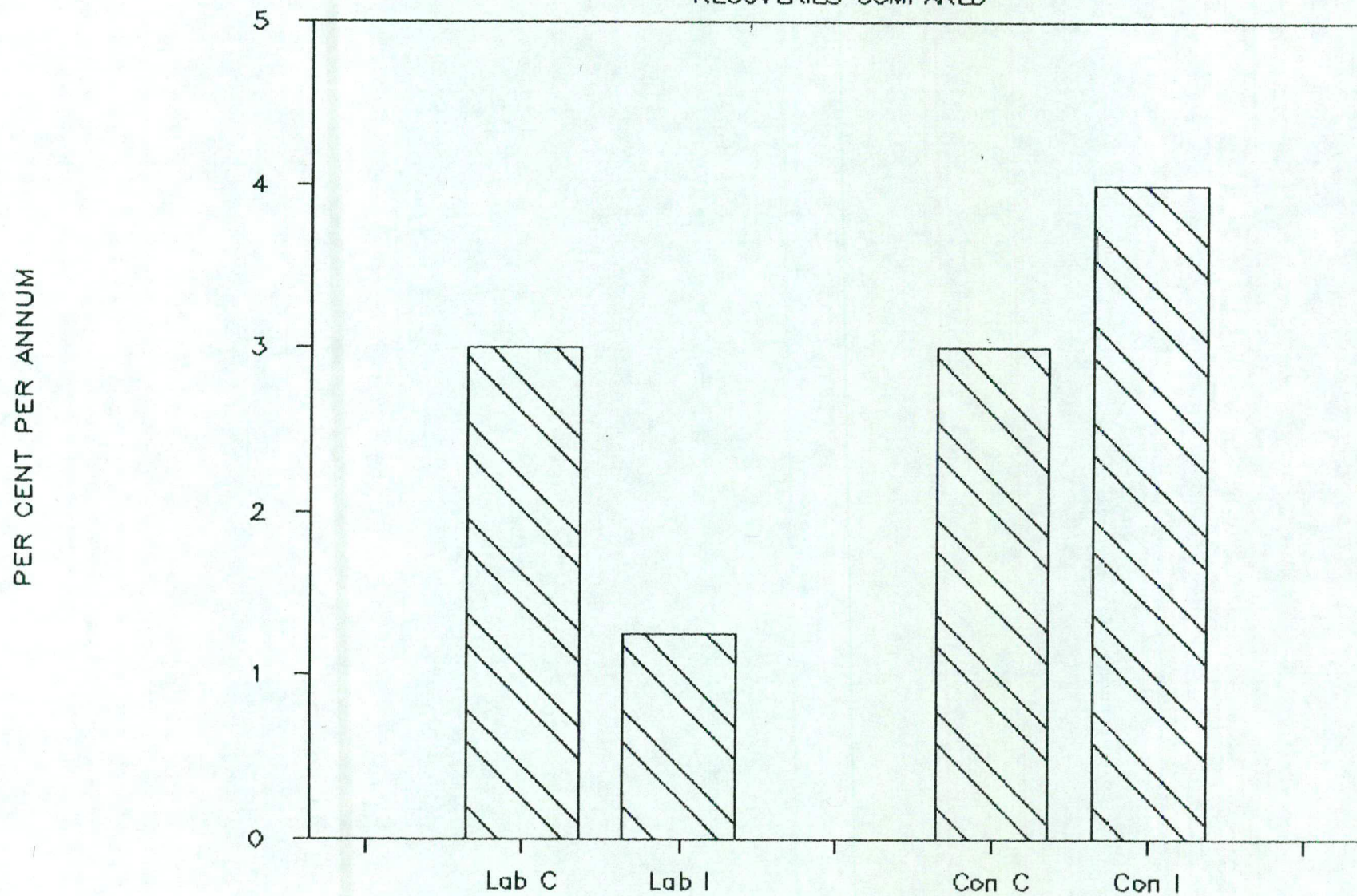


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CONSUMPTION +
INVESTMENT GROWTH

CONSUMPTION AND INVESTMENT GROWTH

RECOVERIES COMPARED



Manufacturing Productivity League Table

1973-79

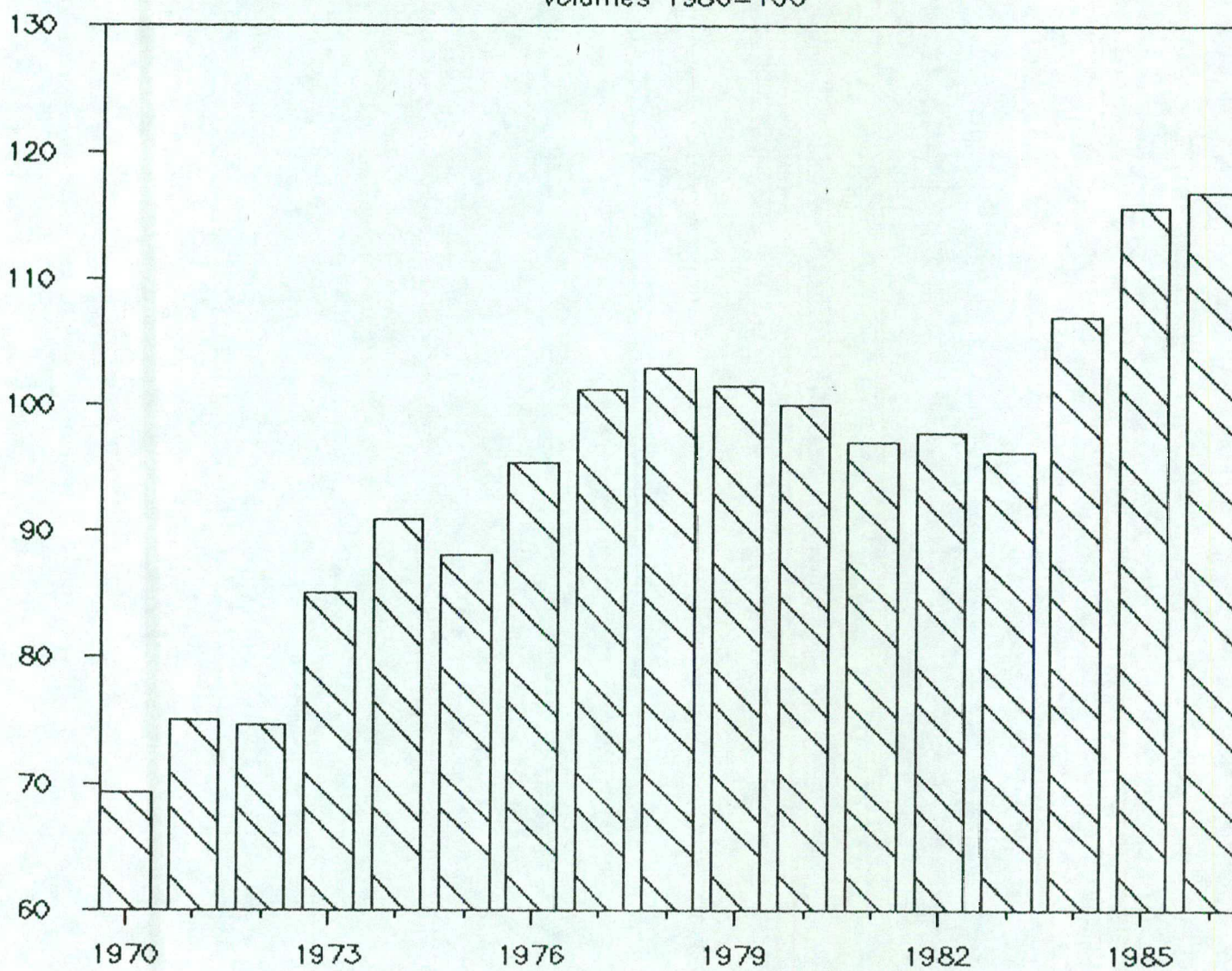
Japan
United States
Germany
France
Canada
Italy
UK

1979-86H1

UK
Canada
Japan
France
Italy
(Germany
(US

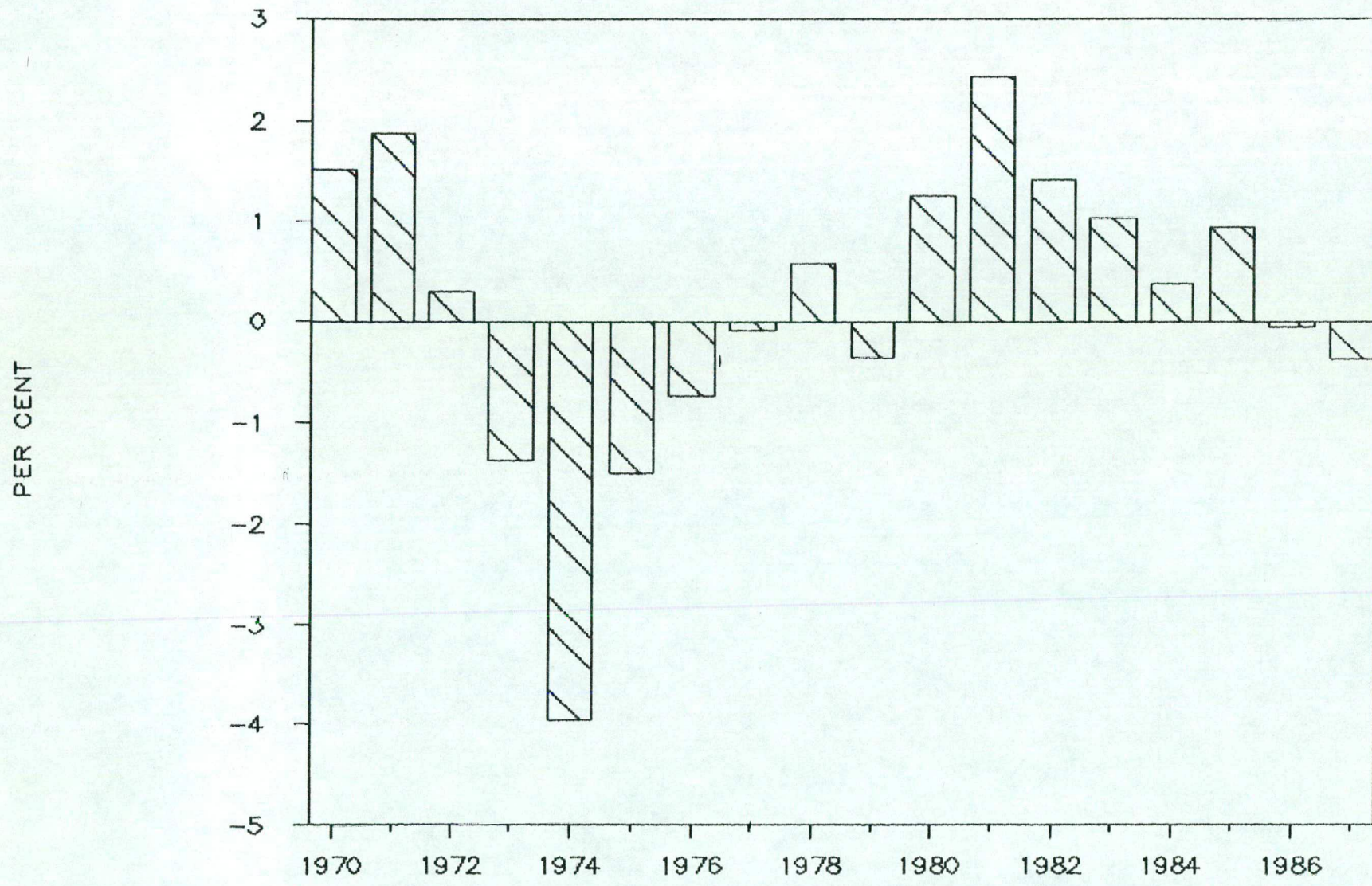
MANUFACTURING EXPORTS

volumes 1980=100



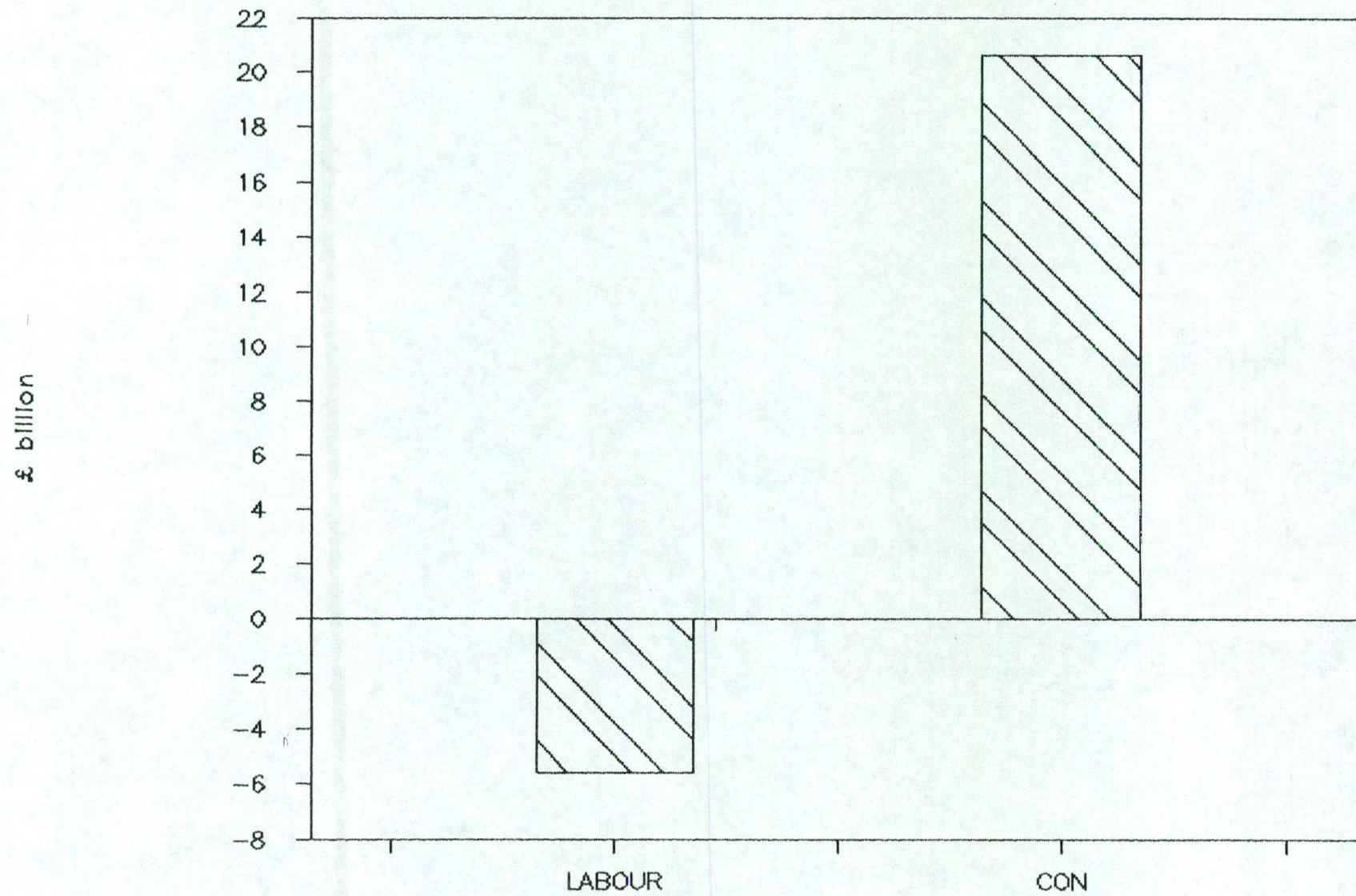
CURRENT BALANCE AS PROPORTION OF GDP

2



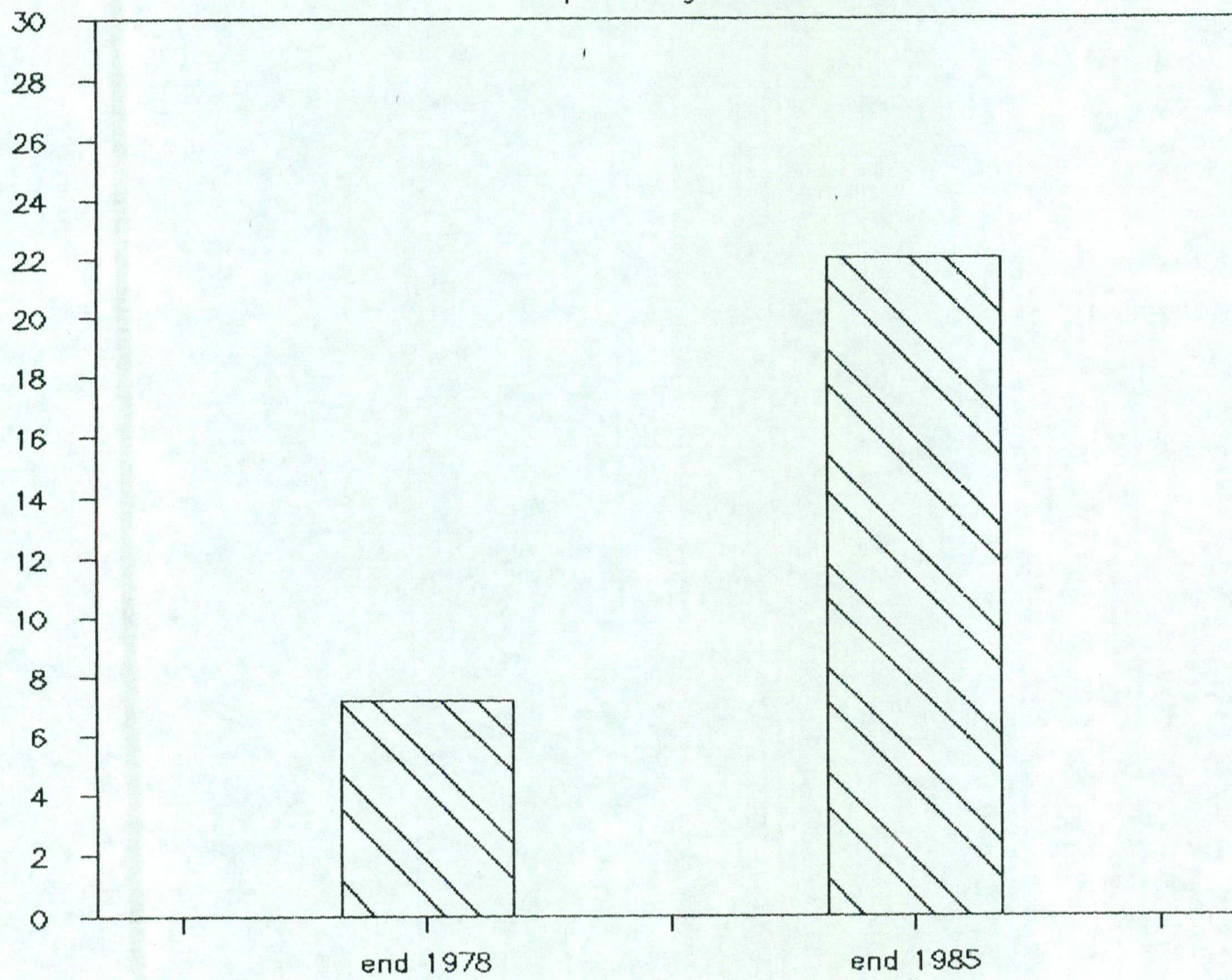
CURRENT BALANCE

CUMULATIVE CURRENT ACCOUNT BALANCE



OVERSEAS ASSETS

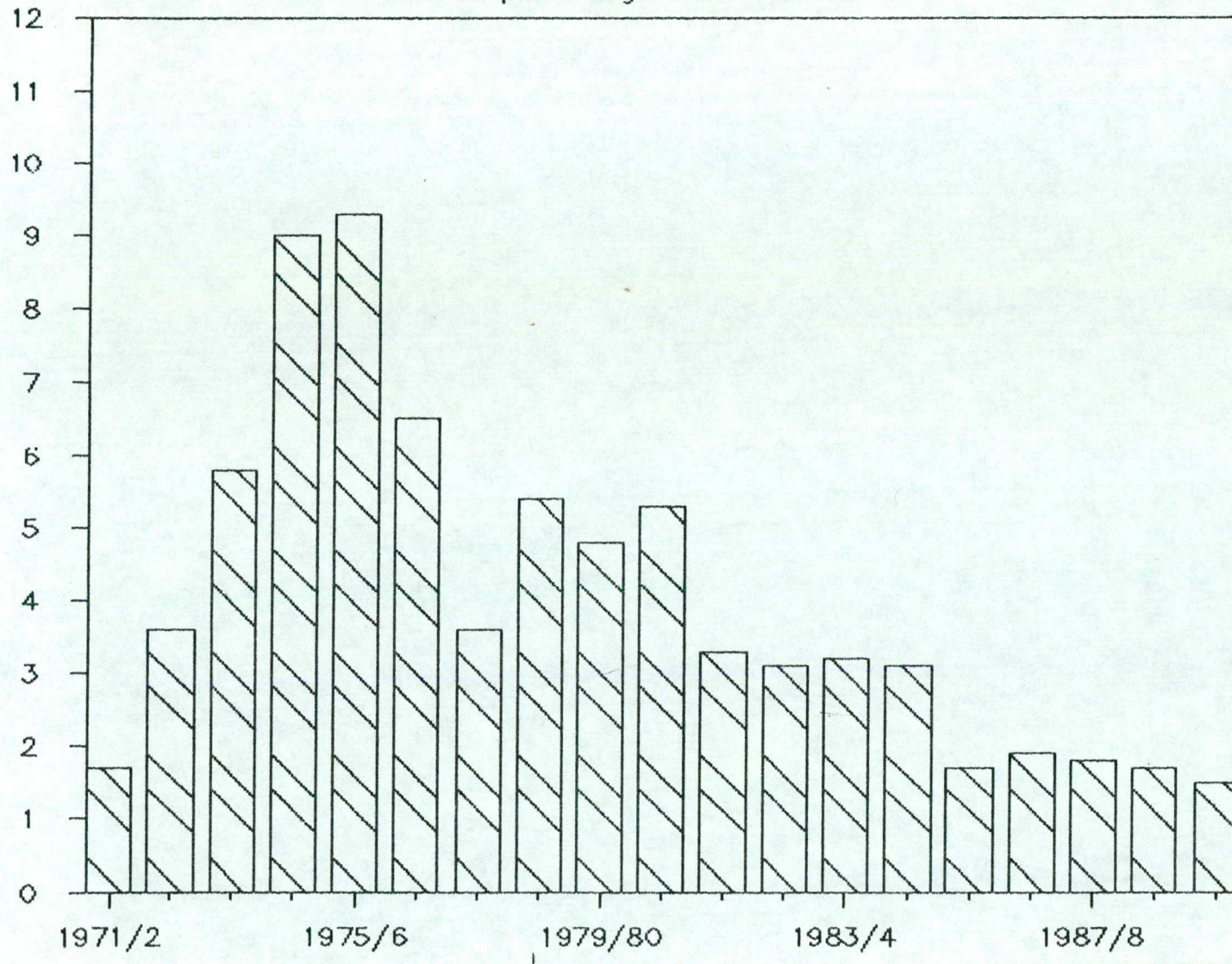
as percentage of GDP



FISCAL
POSITION

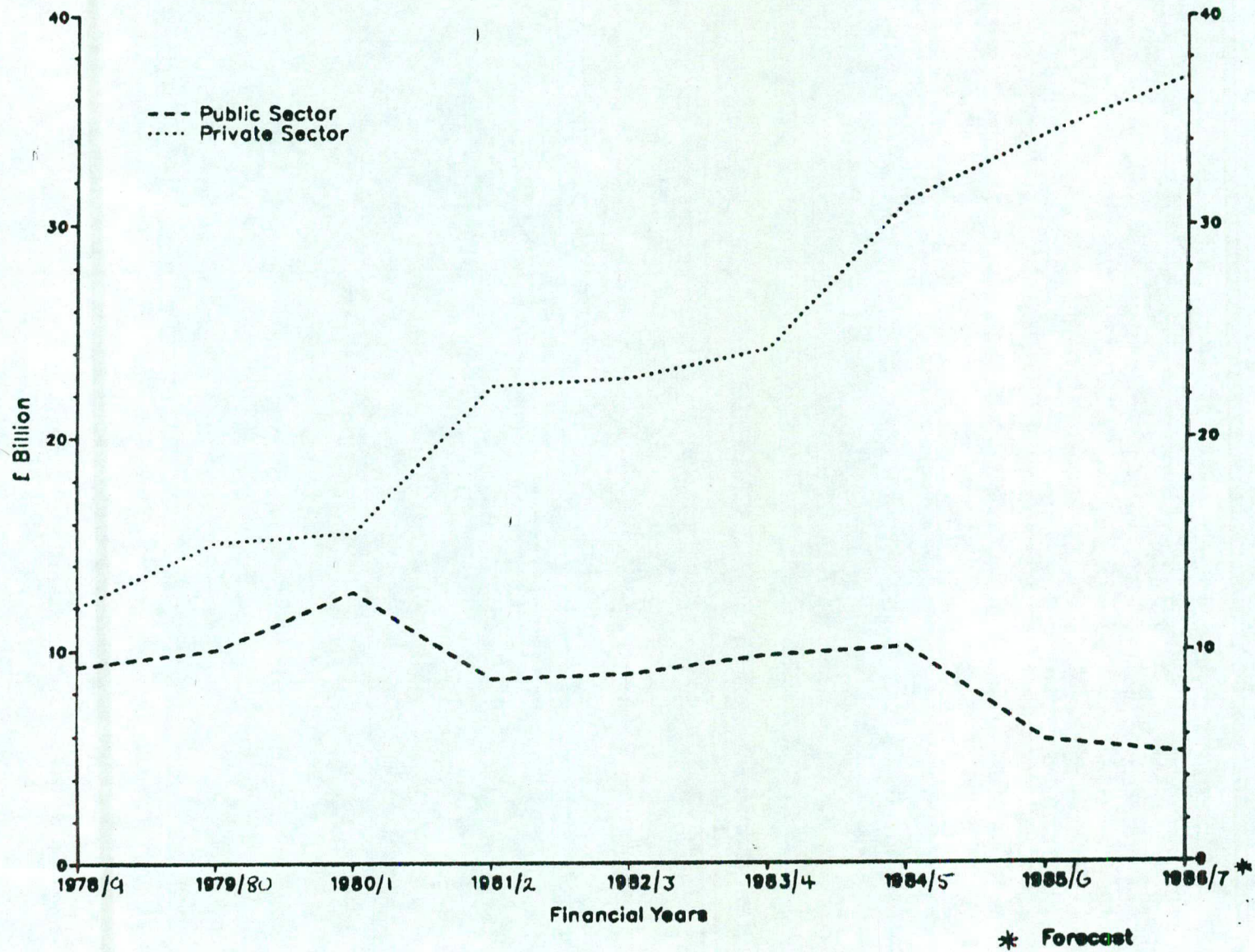
PSBR

as percentage of nominal GDP



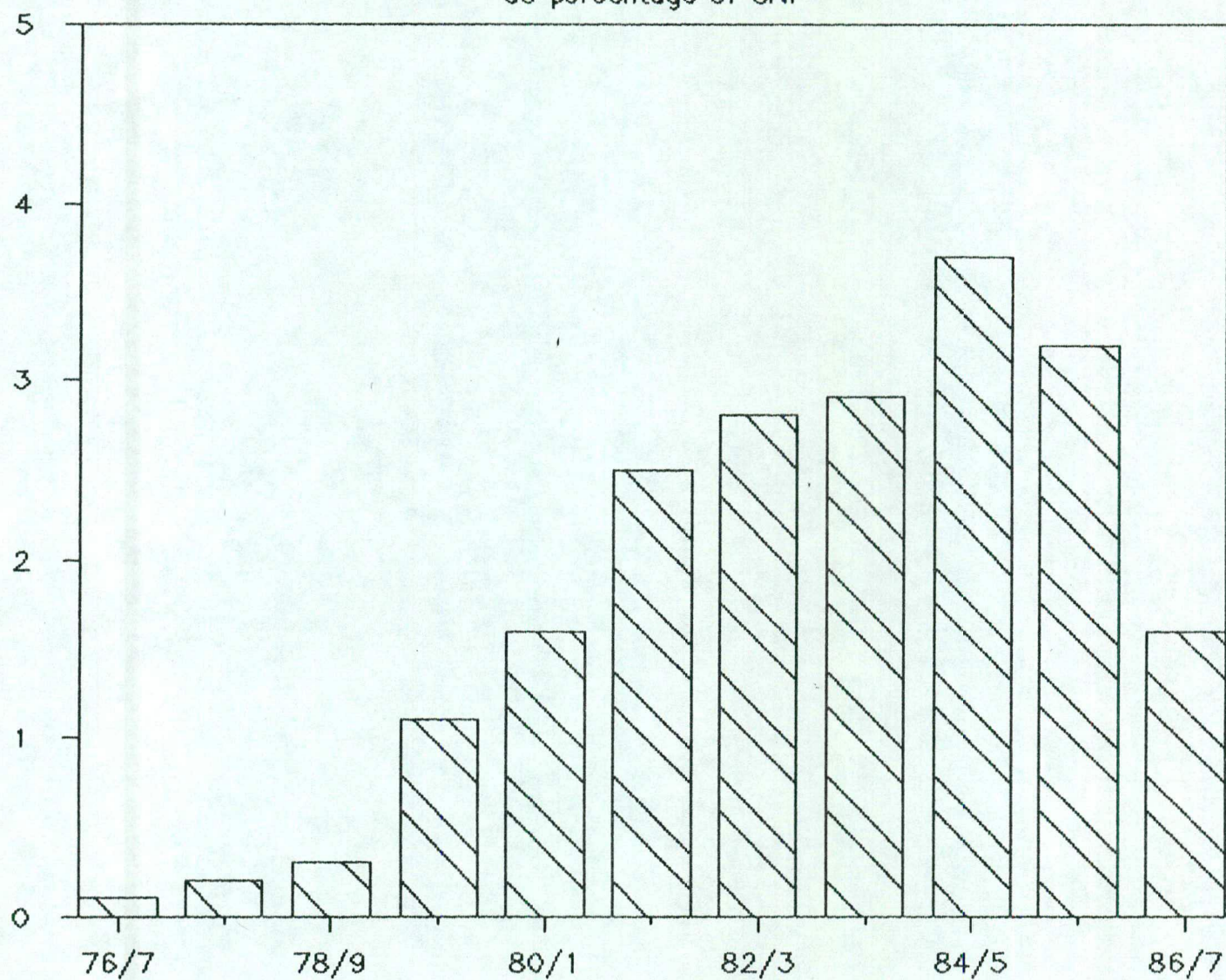
GROSS BORROWING BY SECTOR

Chart

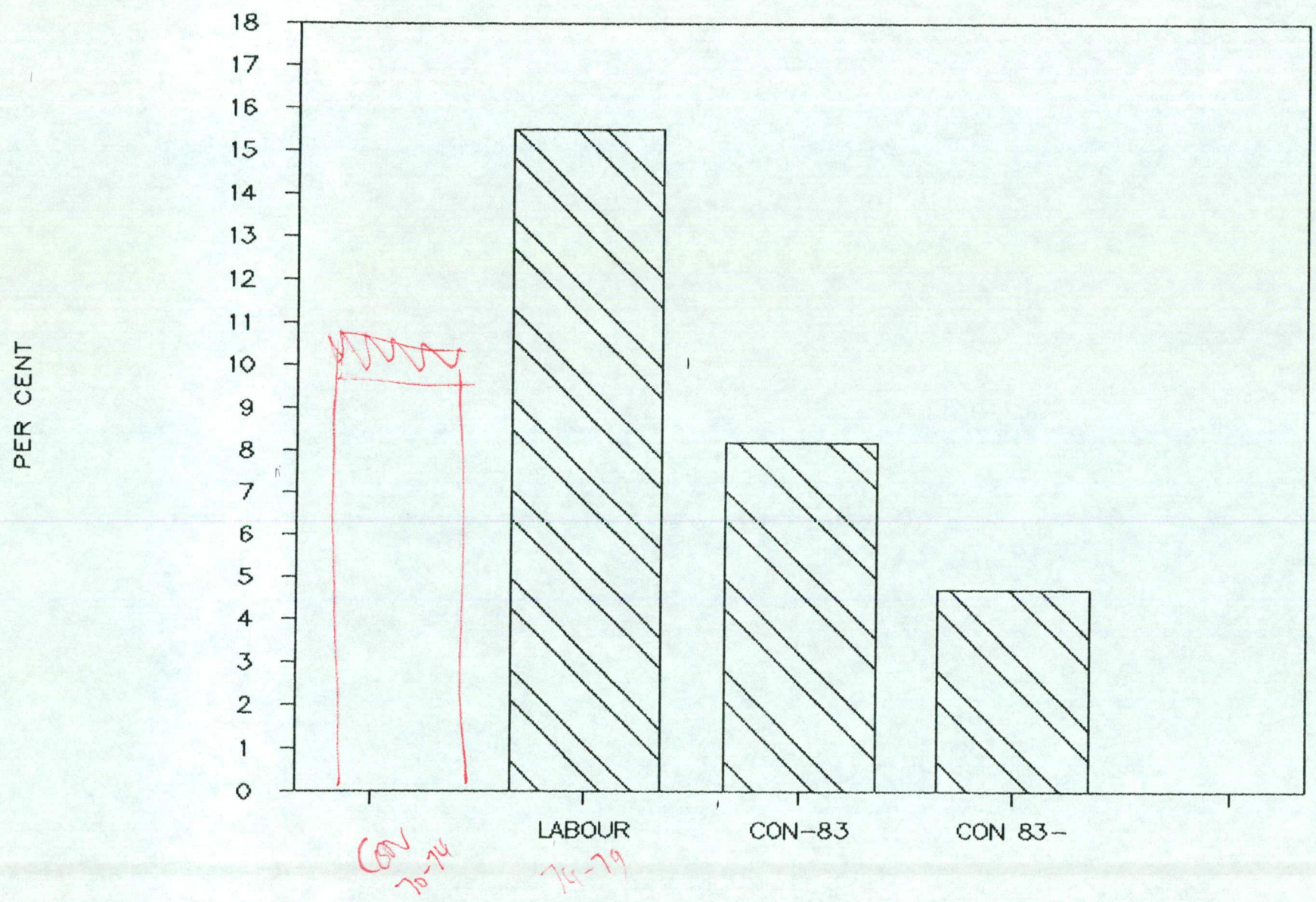


NORTH SEA OIL REVENUES

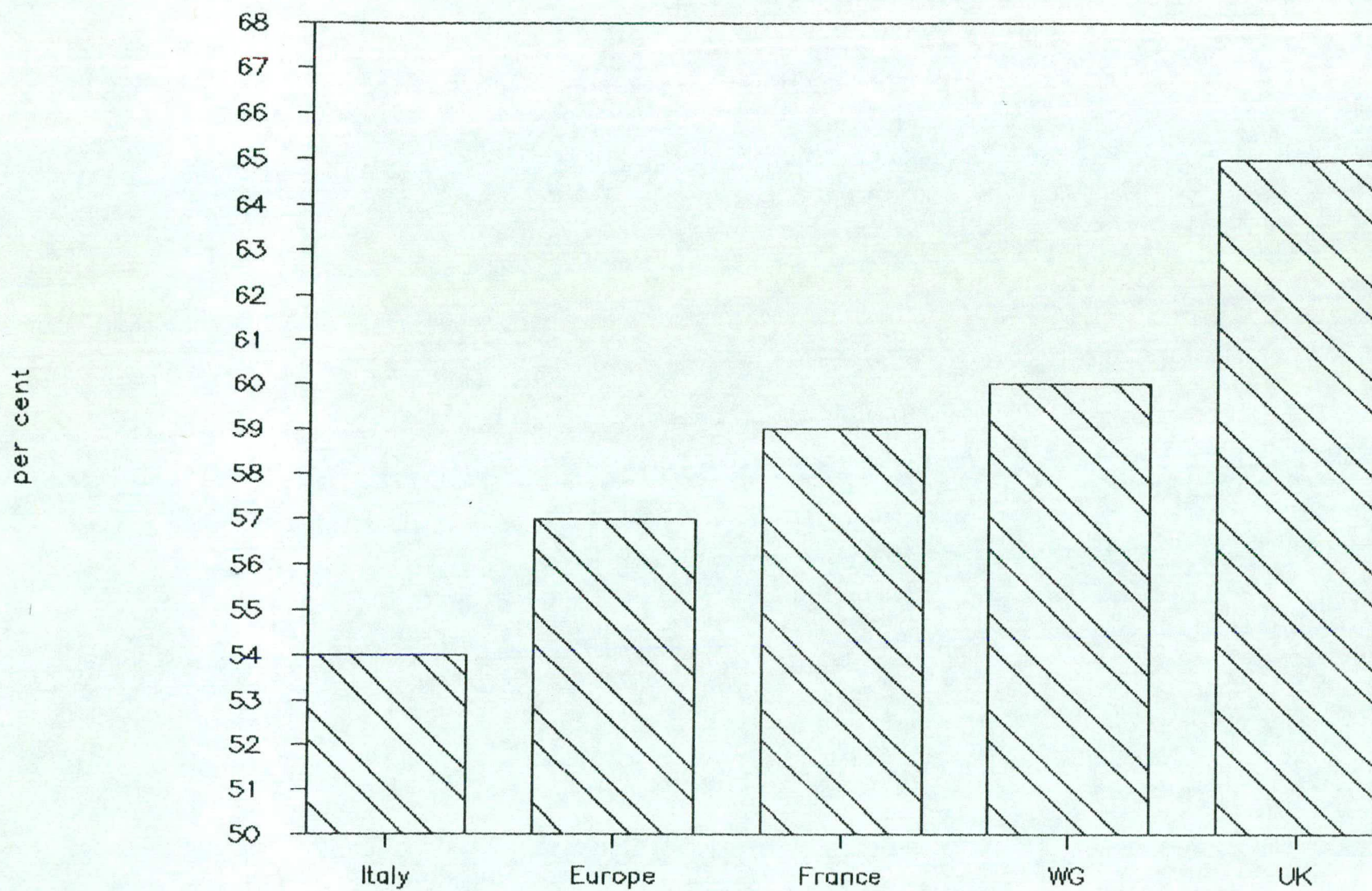
as percentage of GNP



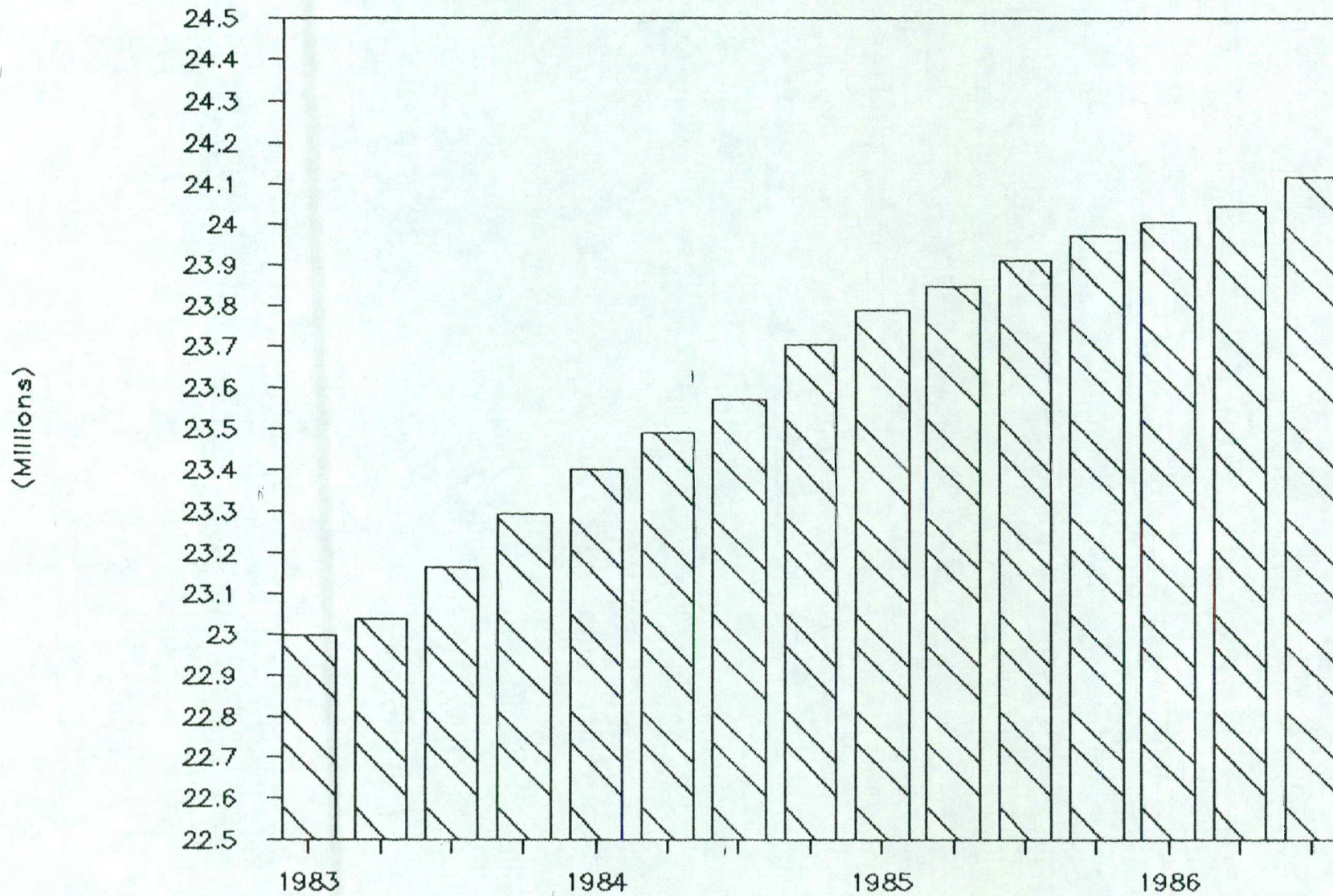
AVERAGE INFLATION OVER PARLIAMENTS



EMPLOYMENT RATES

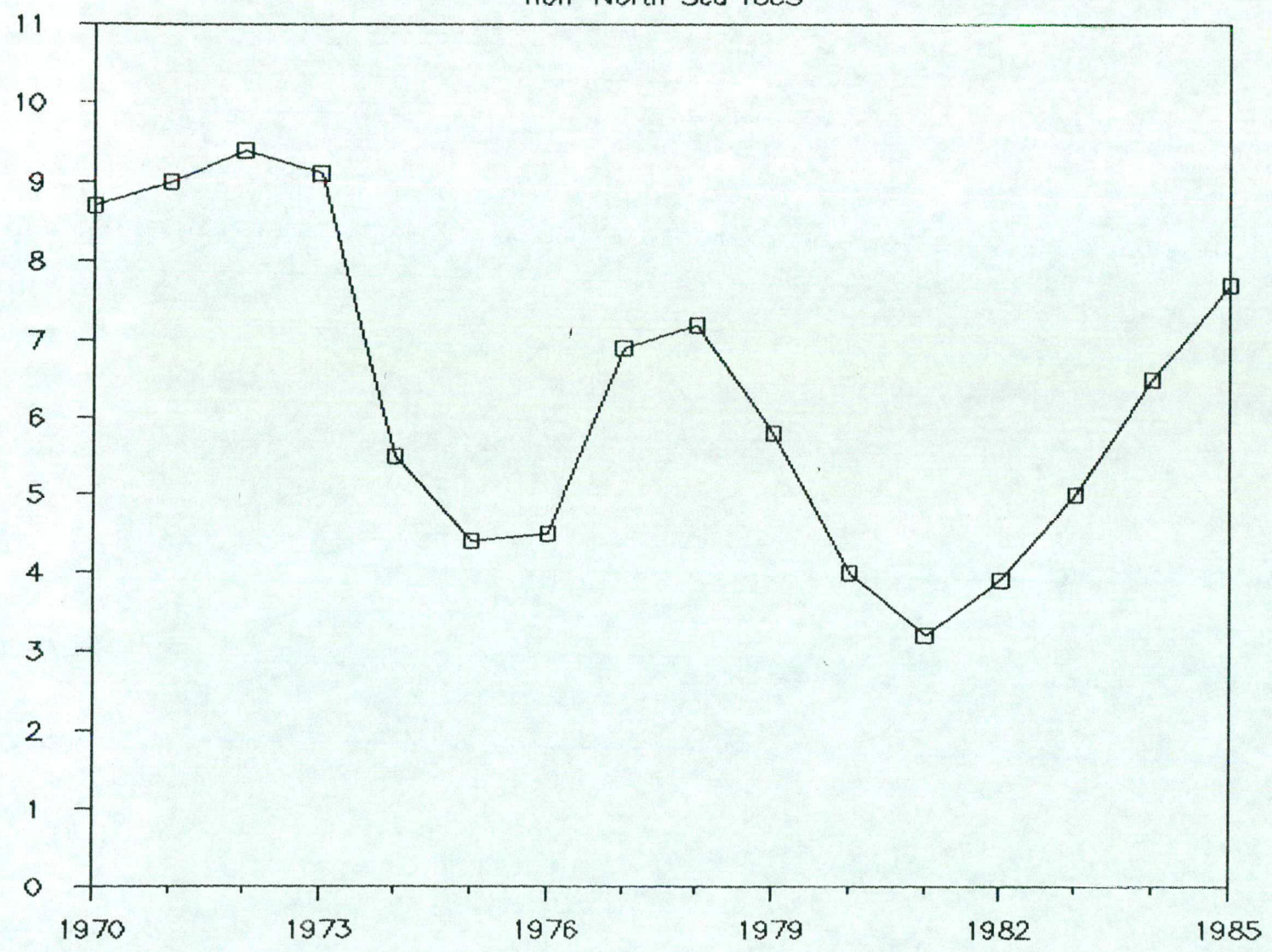


EMPLOYED LABOUR FORCE



NET REAL RATE OF RETURN

non-North Sea IOCS



NET REAL RATE
OF RETURN

FROM: MRS S WILLIAMSON
DATE: 10 FEBRUARY 1987

TO: Chancellor

BUDGET PUBLICATION 1987

Last year the Library supplied you with the following publications:

| | <u>Copies</u> |
|---------------------------------------|---------------|
| Financial Statement and Budget Report | _____ |
| Supply Estimates: Summary and Guide | _____ |
| Hansard | _____ |
| Standing Committee Debates | _____ |
| Finance Bill | <u>2</u> |
| Finance Act | _____ |

Will you please advise the Library by Tuesday 17th February whether you need the same number of copies as last year. Please bear in mind that you may already be receiving some of these publications (such as Hansard), in which case please indicate only the additional copies required.

Replies should be sent to Miss Marian Kalb, Library, Room 47A/4, by Tuesday 17 February.

Mrs Williamson

Peter Stewart
5269

5259.11

Susan Williamson

Mrs Susan Williamson
Senior Librarian

In keeping with usual practice I will be providing FSBR's* to the following:

AM, Ch/Ex, CST, FST, EST, MST, Sir P Middleton, Sir T Burns, Mr FER Butler, Sir G Lither, Mr A Wilson, Mr Canell, Mr Hyatt, Mr Anson, Mr EP Kemp, Mr Monck, Mr Scholier, Miss Peirson, Mr Culpin, Miss O'Mara, Miss Evans, Mr Cropper, Mr Tyrie and Mr Ron Godbey.

However, I should be grateful if you would provide me with the total number of FSBR's you require so that I may incorporate it into the Budget Aide Memoire.

*Ordered from Mr Walters in FP.

Nigel Fry
17/2

FROM: R D KERLEY
DATE: 10 FEBRUARY 1987

- 1. MISS O'MARA ^{MOM}
- 2. CHANCELLOR _{10/2}

cc Mr Scholar
Mr Culpin
Ms Evans
Mr Hudson
A/56

BUDGET BROADCAST CHARTS: 1987

As requested I attach for circulation before this afternoon's meeting:

- (i) a chart showing the employed labour force since 1970
- (ii) a chart of average inflation rates for the five parliaments since June 1970 - looks v. helpful
- (iii) European growth league table for 1982.

R. Kerley

C.

R D KERLEY

I understand that the actual charts used last year are back with the BBC, & that the latest version we have is attached to Mr King's minute of 14 March 1986, which should be in the folder.

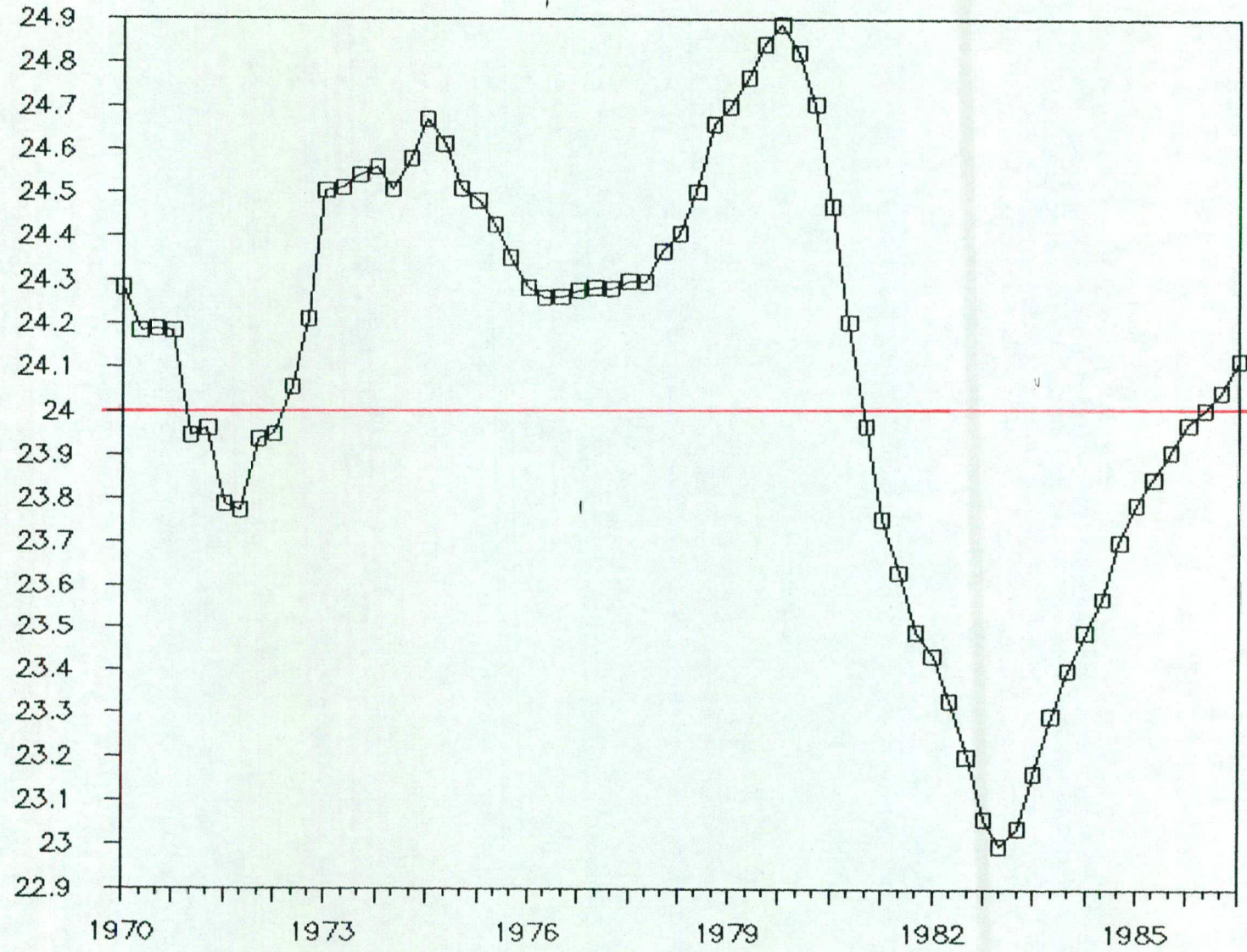
AHJ

KERLEY
in
CA/26
10/2

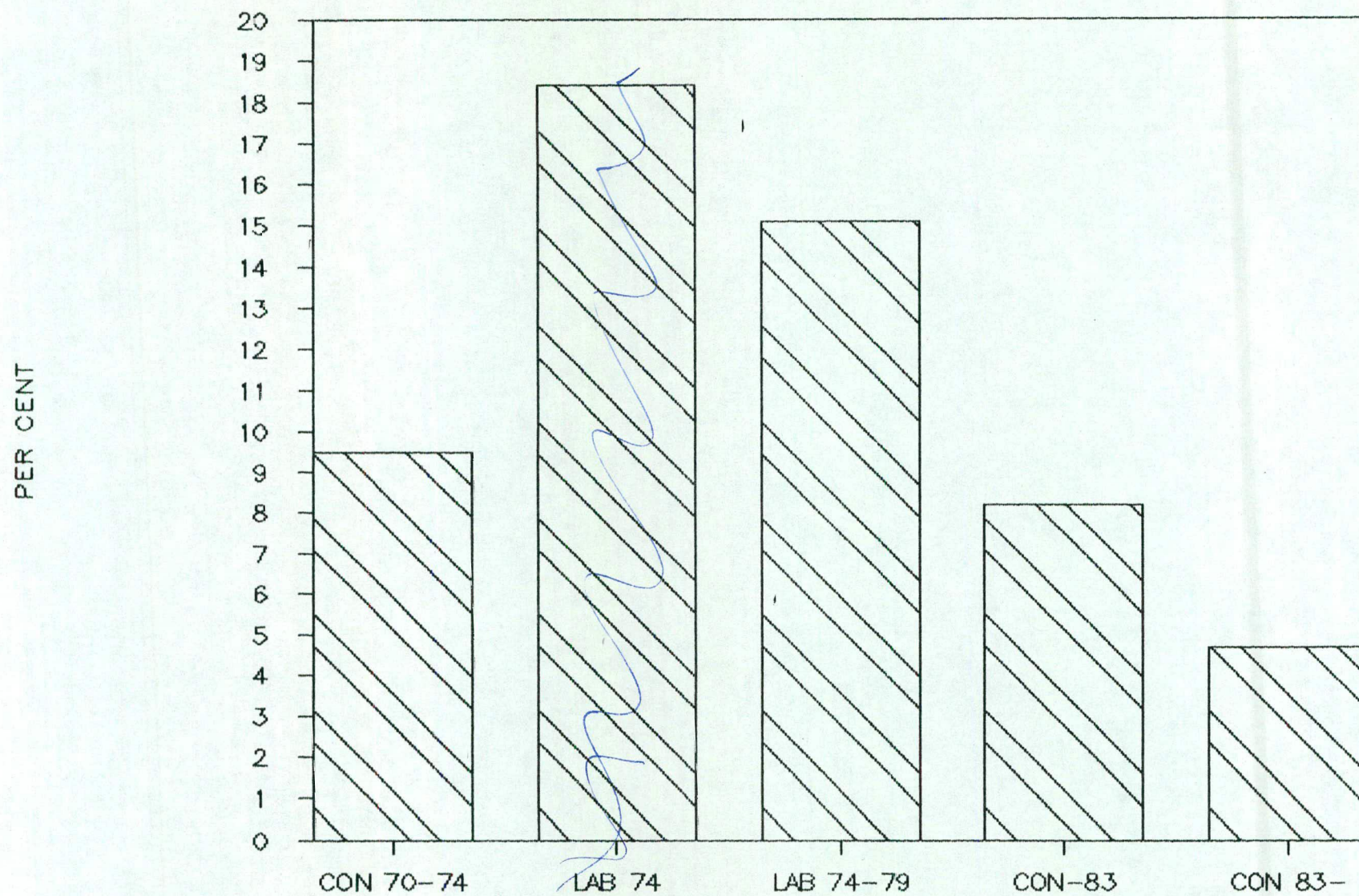
EMPLOYED LABOUR FORCE

Employs

(Millions)



AVERAGE INFLATION OVER PARLIAMENTS



EUROPEAN LEAGUE TABBE

OUTPUT GROWTH

1982

BELGIUM

FRANCE

UK

ITALY

WEST GERMANY

NETHERLANDS

PWP



FROM: A P HUDSON
DATE: 10 February 1987

MISS O'MARA

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Sir T Burns
Mr H P Evans
Mr Scholar
Mr Sedgwick
Mr Culpin
Miss C Evans
Mr Kerley
Mr Cropper
Mr Tyrie
Mr Ross Goobey

BUDGET BROADCAST CHARTS: 1987

The Chancellor discussed with you and others the charts attached to your 6 February minute, and the further ones attached to Mr Kerley's 10 February minute.

2. It was agreed that the following charts should be included in the broadcast:

(a) European growth league tables

There was some discussion as to whether the chart should show the period 1983-86 as a whole, or broken down into four separate columns. The Chancellor said that both possibilities should be kept in play for the time being. If revisions to the figures meant that we came top in 1986, he would be inclined to show all four years. If it were decided to show only two columns, there was a case for comparing 1970-79 with 1980-86.

(b) GDP

The precise time period covered should be the same as for the chart on inflation (see (c) below).

APM
to
MOM
10/2

CONFIDENTIAL



(c) Inflation

The choice here was between showing the annual figures or grouping them into Parliaments. The latter approach could be presented as in the chart attached to Mr Kerley's 10 February minute, but with the two Labour Parliaments shown as one. On balance, the Chancellor decided to show the annual figures, and would ask Mr Tony Jay whether it was best to begin with 1970 or with 1974.

(d) Manufacturing productivity league table

The League Table was the best presentation for manufacturing productivity, and the Chancellor thought it right to concentrate on manufacturing here. He would like to show tables for at least three periods: the 1960s, 1970s, and 1980s.

(e) UK and EC employment

As you suggested, this chart should not show the EC less UK.

3. It was agreed not to include the following charts:

(a) Consumption and investment growth

This would be useful for the Speech and for NEDC.

(b) Current balance (four charts)

(c) Fiscal position

There was a case for including the chart showing the PSBR as a percentage of GDP, as evidence of prudence, but on balance, it was thought too complicated for the broadcast. The chart on gross borrowing by sector would be useful for the FSBR.

CONFIDENTIAL



(d) Employment

(e) Net real rate of return

4. We are arranging a further meeting on the broadcast next week.

AH

A P HUDSON

**BUDGET SECRET
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COPY NO 1 OF 25 COPIES

FROM: M C SCHOLAR
DATE: 13 FEBRUARY 1987

- EMW 13/2*
1. SIR PETER MIDDLETON
 2. CHANCELLOR OF THE EXCHEQUER

cc Principal Private Secretary
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir Terence Burns
Mr F E R Butler
Sir Geoffrey Littler
Mr Wilson
Mr Cassell
Mr Monck
Mr Odling-Smee
Mr Sedgwick
Miss Evans
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Battishill - IR
Mr Isaac - IR
Mr Painter - IR
Sir Angus Fraser - C&E
Mr Knox - C&E

PRESENTATIONAL ISSUES AND THE BUDGET

... As requested, I attach a paper on this, produced jointly by Mr Culpin and me.

M C SCHOLAR

BL enc: 6 pages

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BUDGET

SECRET

B.L.O.

SECRET

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PRESENTATIONAL ISSUES AND THE BUDGET

It is always difficult some weeks ahead of Budget Day to identify the major presentational issues which the Budget will confront and which it will itself generate. The overall scene is changing and the Budget package itself is not yet certain. But many elements of the picture are already clear.

The good news

2. The economic climate as a whole and the setting for the Budget is more favourable this year than it has been for many years. Given the steadiness of the economy's performance this is, of course, not itself particularly newsworthy. But we shall be able to stress

- (a) the continuity, consistency and length of the track record on output, together with the good employment performance, all achieved while keeping inflation down;
- (b) the change in our relative position vis-a-vis other countries;
- (c) improved productivity and competitiveness, incentives, and generally the changes which are improving the long-term supply potential of the economy.

3. This presentation interlocks firmly with what we will be saying about the Budget measures themselves. Our argument will be that the economy's performance demonstrates the effectiveness of sound monetary and prudent fiscal policies set in a clear medium-term framework, and is finally, the refutation of fine-tuning or neo-Keynesianism. The Budget accordingly gives the country more of the same; indeed so favourable are the circumstances which have been created that it is now possible with safety, both to make further useful

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progress towards a lower tax economy and to reduce borrowing still further.

The attack

4 Given, however, the coming Election and the existence of evil in the world we may expect some spirited assaults on this comfortable picture. It is not too soon to try to guess what the principal attacks will be.

(a) People will look for signs that the government's determination to deal with inflation has weakened. Higher money GDP figures in the MTFs, together with what may be represented as an implausible bump downwards in 1988-89, might reinforce worries caused by the profile of the RPI in the first half of 1987 and the upward revision of the forecast for 1987Q4 and of the GDP deflators.

(b) The Opposition will make as much as they can of the current account deficit, linking this with the effect on imports of income tax cuts, the decline in manufacturing employment and so on. This argument seems less likely to make headway now than at the time of the Autumn Statement notwithstanding 2p off the basic rate. The markets, however will be keenly interested on what we say about the prospects here.

(c) Anything short of full indexation of individual excise duties will bring disfavour from the heavies with arguments about the balance between direct and indirect taxation, and perhaps more uncomfortable criticism from the health lobbies. On the political front this is the area most likely to lead to 'electioneering' charges

5. There are other issues which might assume greater or less significance at the time. At this stage this note

BUDGET

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B.L.O.

SECRET

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simply identifies some questions and does not attempt to suggest answers.

(a) Our arithmetical powers may come under attack. In the '1986 Budget we showed a fiscal adjustment of £7 billion for 1987-88 £4 billion or so of that was spent in the Autumn Statement, yet here we are with another £6 billion plus now. Where did it all come from?

Indeed! Need good explanation.

(b) (Extending the same argument) can we really believe the public expenditure totals shown in the FSBR, or are we going to increase them again? Why is the growth of revenue figures in the later years of the MTFs so low in relation to the large increases we will be publishing for 1986-87 and 1987-88? Is this apparently deliberately low growth rate an attempt to disguise the true scope for higher public expenditure?

(c) (Alternatively) Why are the revenue figures for 1988-89 and beyond as high as they are, since the rise in 1986-87 and 1987-88 must be largely temporary (consumer durables boom, Corporation Tax profile)?

(d) The government could be accused of misrepresenting the record if, shortly after the Budget, the CSO publish a low preliminary estimate of growth in 1986 which is inconsistent with the Budget Speech and the FSBR.

(e) With no employment measures nothing on infrastructure and nothing on NICs it will be said that the Budget does nothing for unemployment. This month's unemployment figures do not help (but next month's figures will not be published until 19 March).

BUDGET SECRET
Substantive revenue changes coupled with inflationary pressure X, Y, Z.

*(a) yes
(b) continued*

highly discuss

*Ben Performance
Restored after years
morning (no news)
- M.P.P.*

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BUDGET

SECRET

B.L.O.

SECRET

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- (f) The heavies will try to tease us on tax reform, perhaps centring on our silence following the responses to the Personal Taxation Green Paper. In reply we will have to point forward to the next Parliament and back (building on reform already undertaken, eg on business taxation); and also to the detailed measures in the Finance Bill - eg pay and file, capital gains tax for companies, 9 months payment basis for Corporation Tax Lloyds - which will streamline tax law and administration.
- (g) Assuming that we use a \$15 oil price, we shall need to be ready to deal with the claim that we are forecasting the break-up of OPEC and concealing (yet) more revenue and inflation.
- (h) No serious problems seem likely this year on the basic rate v. allowances issue or -certainly on the scorecard's assumptions for higher income tax rates - on favouring the rich. We will, on the contrary, be asked by some why we have not this year cut top tax rates, given the Chancellor's FT remarks
- (j) Given the range of anti-avoidance measures currently planned there could be some mild - but useful - criticism from the City of this aspect of the Budget.
- (k) The Budget will be seen as good for small businesses and the unincorporated, principally because of the income tax and small companies CT rate cuts but also (for smaller companies) because of the VAT changes following from the small business review. There are also some useful business and enterprise measures.
- (l) When the full extent of the rise in CT receipts becomes apparent there may be some criticism from

*Don't see how
Cos & M
also available
follow*

*Nothing for
pensioners?*

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SECRET

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the corporate sector about the tax burden it is now bearing.

- (m) On wider share ownership and charities the Budget need not apologise for bringing forward no large new measures, but can point to the success of action taken in earlier Budgets. This can also be part of the line on the taxation of savings and investment - although here the package on pensions (portable pensions, pensions and additional voluntary contributions and measures to counter abuse) and inheritance tax are an important component of the Budget.
- (n) The measures on oil will need careful handling to avoid criticism from the oil industry, or from Scotland on the overall impact of the Budget.

Conclusion

7. Although this note has largely concerned itself with the criticisms which the Budget will face and will occasion the presentation of the Budget should be easier this year than in many past years.

8. We face this year two special presentational problems: first that, whatever the character of the Budget, the press will seek to represent it as an electioneering Budget. Second, the flow of published information on the public sector finances has already substantially alerted opinion to the likely overall character of the Budget. This process has not yet come to an end and we may well find that expectations will be riding high by March 17. It is difficult to predict now whether that situation will be on balance helpful or not. On the whole it is likely to be unhelpful to the Budget's reception, although there is little we can do this year to dampen conjecture.

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9 Of the criticisms identified above none seems unmanageable: perhaps the most threatening are those on inflation (4(a) above) and the Budget arithmetic (5(a)-(c)). We will need to focus our briefing effort accordingly.

SECRET

gross inflation

B.L.O.

SECRET

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B.L.O.

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Alex

Alex
Thad

Alon

To keep you in touch, Dick rang to say that PEM was "not sure" & had asked if the C had sparked. I told him the C's comment. He asked us not to minute it at the moment, & will talk to PEM.

1.

Alex

Dick tells me PEM has given permission.

ATH

20.2.

2. PWP

ATH

27.2.

3113/36

~~Personal~~
Personal
Folder

FROM: A G TYRIE
DATE: 19 FEBRUARY 1987

SIR PETER MIDDLETON

*(I got no
more of them)*
[Signature]

→ cc PS/Chancellor - 2nd
Mr Romanski
Mr Culpin
Mr Cropper
Mr Ross Goobey

An old friend of mine who works on the Business Programme rang me yesterday to say that Roy Hattersley is appearing on the programme on 15 March. He would like me to brief him on Labour's economic policy in the week starting 2 March.

2. May I have your permission?

M. May
A G TYRIE

pp

BUDGET SECRET



FROM: A C S ALLAN
DATE: 19 February 1987

PS/CHIEF SECRETARY

cc: PS/FST
PS/EST
PS/MST

ALLOCATION OF RESPONSIBILITIES FOR BUDGET PRESENTATION

The Chancellor proposes the following provisional allocation of responsibility for working up the presentation of the various aspects of the Budget. He would like to discuss this at Prayers tomorrow.

CST

Business, including

- CT
- Small/unincorporated businesses
- Small business VAT package

FST

Income tax, including

- MIR
- Car/fuel benefits

Plus

- Inheritance tax
- PEPs/WSO
- North Sea
- Pensions

FST

City issues, including

- Lloyds
- Banks

(continued)



Plus

- Dual resident companies
- Keith
- Stamp duty

MST

Customs stuff

- Excise duties
- VAT partial exemption
- VAT lollipops
- On-course betting

Plus

- PRP
- Employee share schemes.

ACSA

A C S ALLAN

CONFIDENTIAL



FROM: A P HUDSON
 DATE: 19 February 1987

*Bf for mtg
 (? Mon. 23 Feb)*

APH
 TO
 KERLEY
 19/2

MR KERLEY

cc: CST
 FST
 EST
 MST
 Sir P Middleton
 Sir T Burns
 Mr H P Evans
 Mr Scholar
 Mr Sedgwick
 Mr Culpin
 Miss O'Mara
 Mr Allan
 Ms Evans
 Mr Cropper
 Mr Ross Goobey
 Mr Tyrrie

BUDGET BROADCAST CHARTS: 1987

The Chancellor was grateful for your minute of 17 February.

2. He has commented that chart C, on inflation, is surely not in the same form as 1985. What he thinks was done then (and what seems best) is to show the annual year-on-year growth rate for each past year, but the Q4-on-Q4 figure for 1987, since that is the only forecast we make.

3. The Chancellor notes that for the final versions of charts B and C, all years should be labelled, or, if that looks too cluttered, only the odd-numbered years. For chart D (and the alternative version of chart A) the headings should be 1960s etc.

A handwritten signature consisting of several vertical strokes, representing the name A P HUDSON.

A P HUDSON

Ppp pt.

FROM: R D KERLEY
DATE: 17 FEBRUARY 1987

- 1. MISS O'MARA *mom*
- 2. CHANCELLOR *17/2*
3 copies

- cc
- Chief Secretary
 - Financial Secretary
 - Economic Secretary
 - Minister of State
 - Sir P Middleton
 - Sir T Burns
 - Mr H P Evans
 - Mr Scholar
 - Mr Sedgwick
 - Mr Culpin
 - Ms Evans
 - Mr Hudson
 - Mr Cropper
 - Mr Ross Goobey
 - Mr Tyrie
 - A/56

C.
We are trying to fix a meeting, to include T. Jay, for Monday, to start with the video of last year's Broadcast.

Thanks. Chart C in sum not on 1985 form: what we do (x what we do) to the point. No annual rate (year on year) growth rate for next year, but 24/24 for 1987 - same as 1986. No more.

KERLEY
TO
CH/EX
17/2

BUDGET BROADCAST CHARTS: 1987

Following your meeting of 10 February I attach revised versions of the charts you selected.

(A) European growth league: Last year the chart was based on national figures for each country as far as possible. Where these were not available, we used the IAF for the UK and OECD forecasts for European countries. This year, we have national accounts data for Germany only in 1986. The Germans have published a provisional figure of 2½ per cent for 1986 growth and will be revising this sometime in March (no precise date available). IF2 have told us that this revision will probably be upward to 2¾ per cent but is almost certain not to exceed 3 per cent. So provided we show 3 per cent growth in 1986 for the UK, we should still be top of the league for last year. (You will know that there is some discussion over what figure we should publish for 1986 GDP growth for the UK.)

You said that if you were to publish a figure which brought us below the Germans, you would want to use the alternative version of the chart comparing the 1960s, 1970s and 1980s. (The UK will remain in top place whether the 1986 figures for the UK and Germany are 2½ per cent or 3 per cent.) This would have the added advantage of using a similar format to Chart D. (which is manufacturing productivity league table).

(B) **GDP:** We shall alter the bars for 1986 and 1987 once decisions have been taken on the forecast. At present this incorporates the Autumn Statement IAF, with $2\frac{1}{2}$ per cent growth for 1986 and 3 per cent for 1987. This chart has been re-titled 'Total National Output', as last year.

(C) **Inflation:** You decided to reserve your decision on whether this chart, as well as the GDP chart, should begin with 1970 or 1974 until Mr Jay had seen them. Last year we used figures for calendar years, even though we did not publish a calendar year figure for 1986. This time, as in 1985, we have reverted to showing the position in Q4 each year. Again we will need to alter the figure for 1987. At present, as for the GDP chart, we have used the Autumn Statement IAF of $3\frac{1}{4}$ per cent for 1987Q4.

(D) **Manufacturing productivity:** We now show tables for the whole of the 1960s and 1970s, and for the period since 1980. The message remains clear, although some of minor placings may alter in the light of new information.

(E) **Employment growth:** Last year the chart we showed was entitled 1983-1985. This was, in fact, 1983Q2 to 1985Q2, with an estimate for France since the French only publish employment figures for Q4. We suggest that for the graph to be entitled 1983-1986 we should attempt to use figures which correspond as closely as possible to the middle of the calendar years 1983 and 1986. Thus for the UK we should use Q2 (June); for France a mid-year estimate; and for Germany and Italy an amalgam of Q2 and Q3 data. The revised chart's message, though, is unaltered, and we have still created more jobs than the rest of the EC combined since 1983 (as defined above). Incidentally, it looks as though we shall not be able to sustain this claim much longer but it will certainly be robust at Budget time.

2. Some of the charts will obviously require new titles, labels and so on. This can be done in consultation with Mr Jay and the BBC, once you have decided more precisely what you want to show.

R. Kerley

R D KERLEY

Don't think that matters at all.

This is because the choice for the UK is June or Sept, & June is closest to the midpoint. But it would make v. little difference doing it any other way.

Chart A: Growth League Tables

| <u>1974-82</u> | <u>1983</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> |
|----------------|-------------|-------------|-------------|-------------|
| France | UK | Germany | UK | UK* |
| Italy | Germany | UK | Germany | Germany |
| Germany | Netherlands | Italy | Italy | Italy |
| Belgium | France | Netherlands | Netherlands | France |
| Netherlands | Italy | Belgium | Belgium | Belgium |
| UK | Belgium | France | France | Netherlands |

*if 3 per cent published in IAF

As Michael Scholar said at the meeting, this chart does now have a lot of columns. I think the way out of this is to use the graphics to highlight the UK, because we're not interested in the rest of the placings.

Alternative version

1960s
1960-70

1960-70

Italy
France
Netherlands
Belgium
Germany
UK

1970s

1970-80

France
Belgium
Italy
Netherlands
Germany
UK

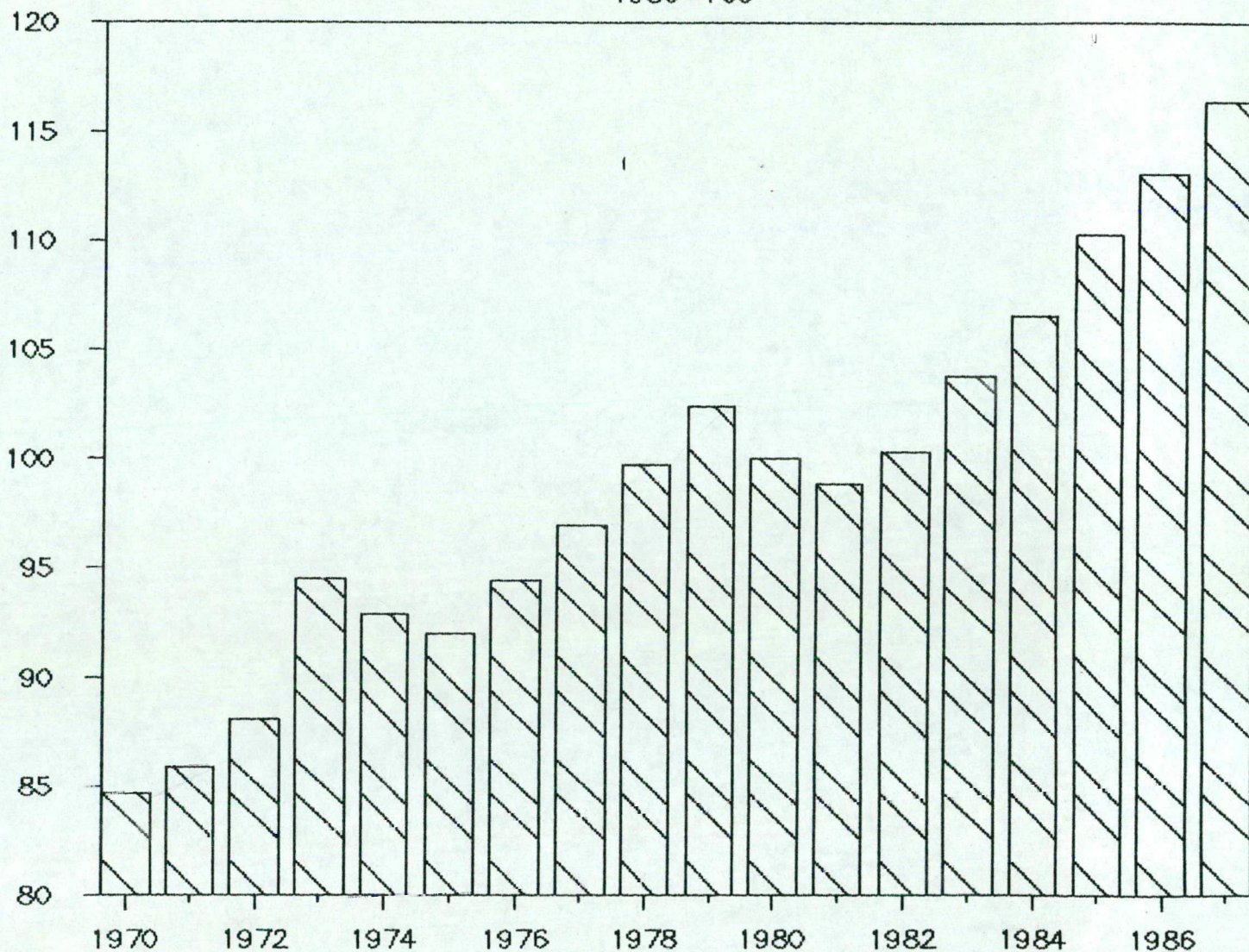
1980s

1980-86

UK
Germany
France
Italy
Belgium
Netherlands

Total National Output

1980=100



There is a case for starting at 1970 so as to show the peak in '73 & the trough in '75, more clearly. Otherwise, it could look as though the only real trough is '81.

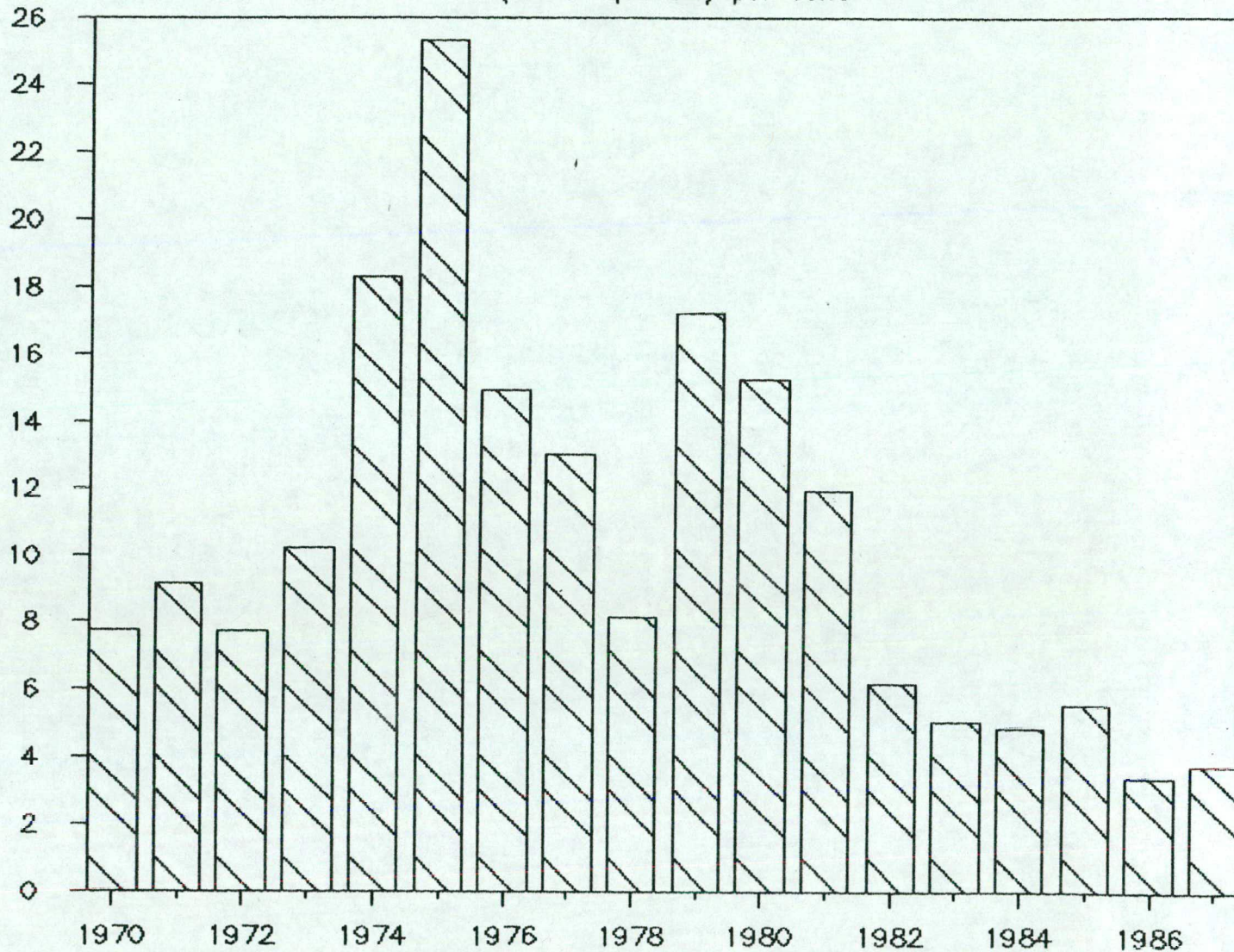
label 1980=100 years?
or all years?

CHART B

TOTAL NATIONAL OUTPUT

INFLATION

(fourth quarter) per cent



Moving to Q4 approach means 1979 is higher than 1980. Possible presentation could be: Labour years of high inflation; Labour's legacy: ~~high~~ rising inflation in 1979 (though dangerous because of VAT effect); brought down steadily over first Parliament; since then, lower than any year since ~~late~~ late '60s.

same amount
2 years earlier

INFLATION

CHART C

Chart D: Manufacturing Productivity League Tables

| <u>1960s</u> <u>1960-70</u> | <u>1970s</u> <u>1970-80</u> | <u>1980s</u> <u>Since 1980</u> |
|--------------------------------|--------------------------------|-----------------------------------|
| Japan | Japan | UK |
| Italy | Germany | US |
| France | Canada | Canada |
| Germany | Italy | France |
| Canada | US | Germany |
| US | France | Japan |
| UK | UK | Italy |

CHANGE IN EMPLOYMENT: 1983-1986

UK and major European competitors

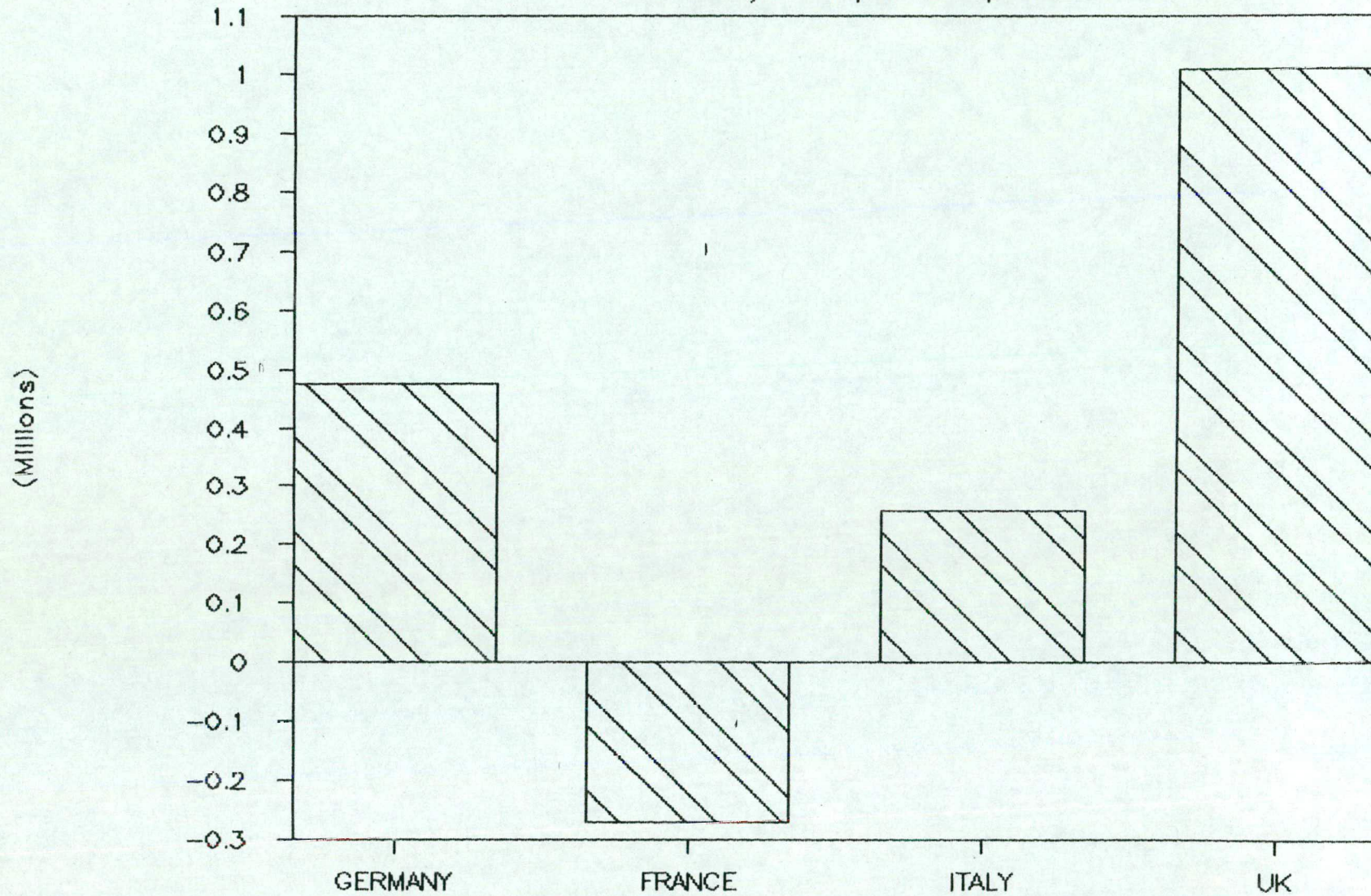


CHART
E

CHANGE IN
EMPLOYMENT
1983 - 1986

fwp

mom
TO
CH/EX
20/2

FROM: MISS M O'MARA
DATE: 20 FEBRUARY 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Culpin
Ms Evans
Mr Hudson
Mr Kerley
Mr Cropper
Mr Ross Goobey
Mr Tyrie
A/56

C.
Discuss at March meeting?
///

BUDGET BROADCAST CHARTS: 1987

You noted (Mr Hudson's minute of 19 February) that Chart C on inflation, which Mr Kerley supplied with his minute of 17 February, was not in the same form as in 1985. Your recollection was correct. In 1985 we did indeed show year on year growth rates for each past year but Q4 on Q4 growth for the current year.

2. I attach two charts from Mr Kerley, both incorporating the Autumn Statement forecast for 1987. Chart 1 has been produced on the same basis as in 1985. Chart 2 is the one you have already seen, giving the Q4 on Q4 position for each year.

3. Chart 2 has the advantage of showing inflation peaking in 1979 rather than in 1980 and reveals a slightly better position from 1983 (inflation rises in only two of the succeeding years, not three). The treatment of 1987 is also consistent with that of earlier years.

4. However, the major drawback to Chart 2 is that it does not correspond to most people's perception of year on year changes in inflation. To the extent that they have any accurate recollection of the past, they will expect inflation to have peaked temporarily in

1980. Use of Chart 2 could therefore expose you to some criticism - which is no doubt what you had in mind. The fact that the 1987 figure in Chart 1 has been calculated on a slightly different basis from the other years should be defensible: as you have pointed out, it is the only forecast we publish.

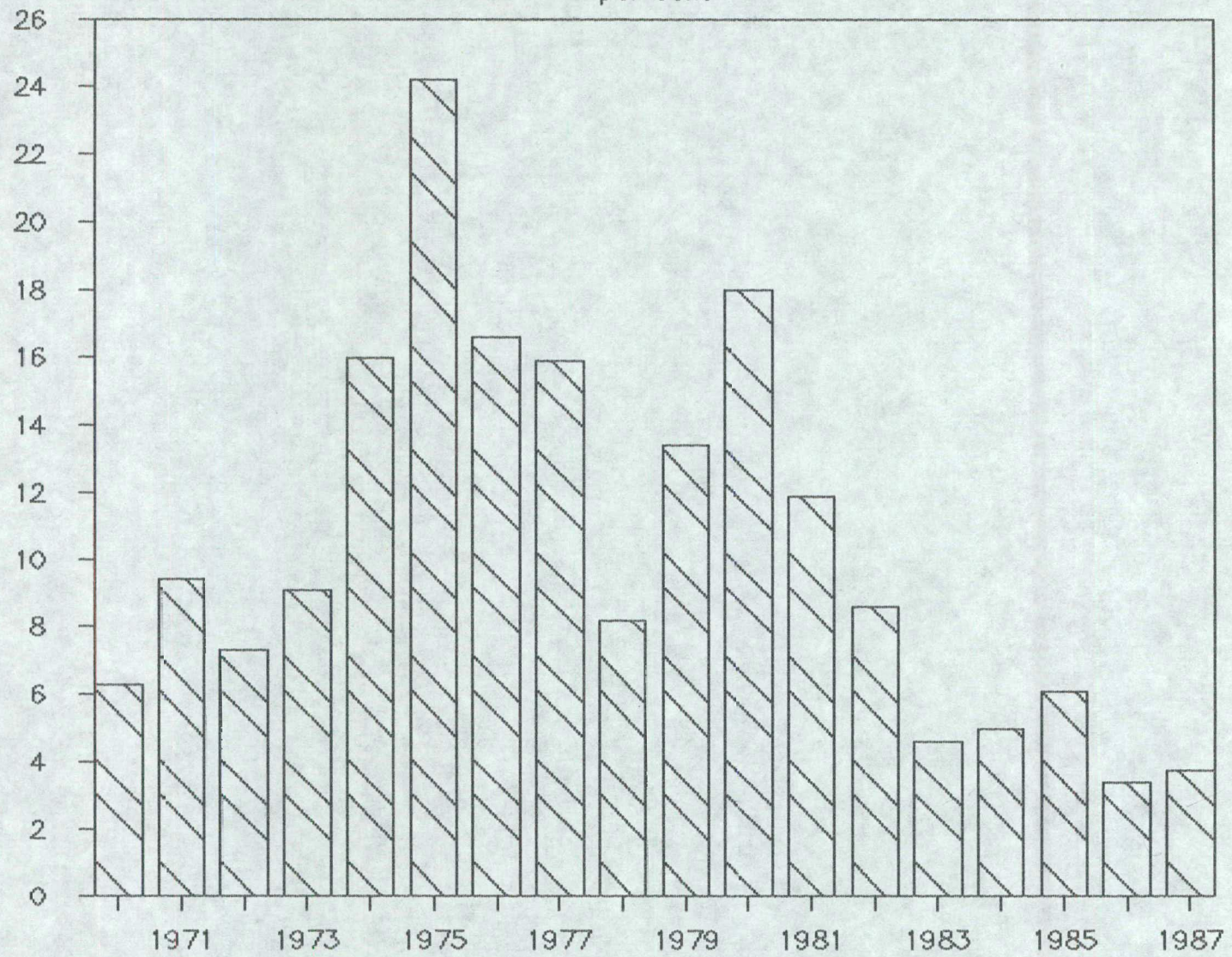
5. We will take your other points of presentation on board when we give the charts to the BBC. (You will see we have already altered the labelling of years on the inflation chart.)

MOM

MISS M O'MARA

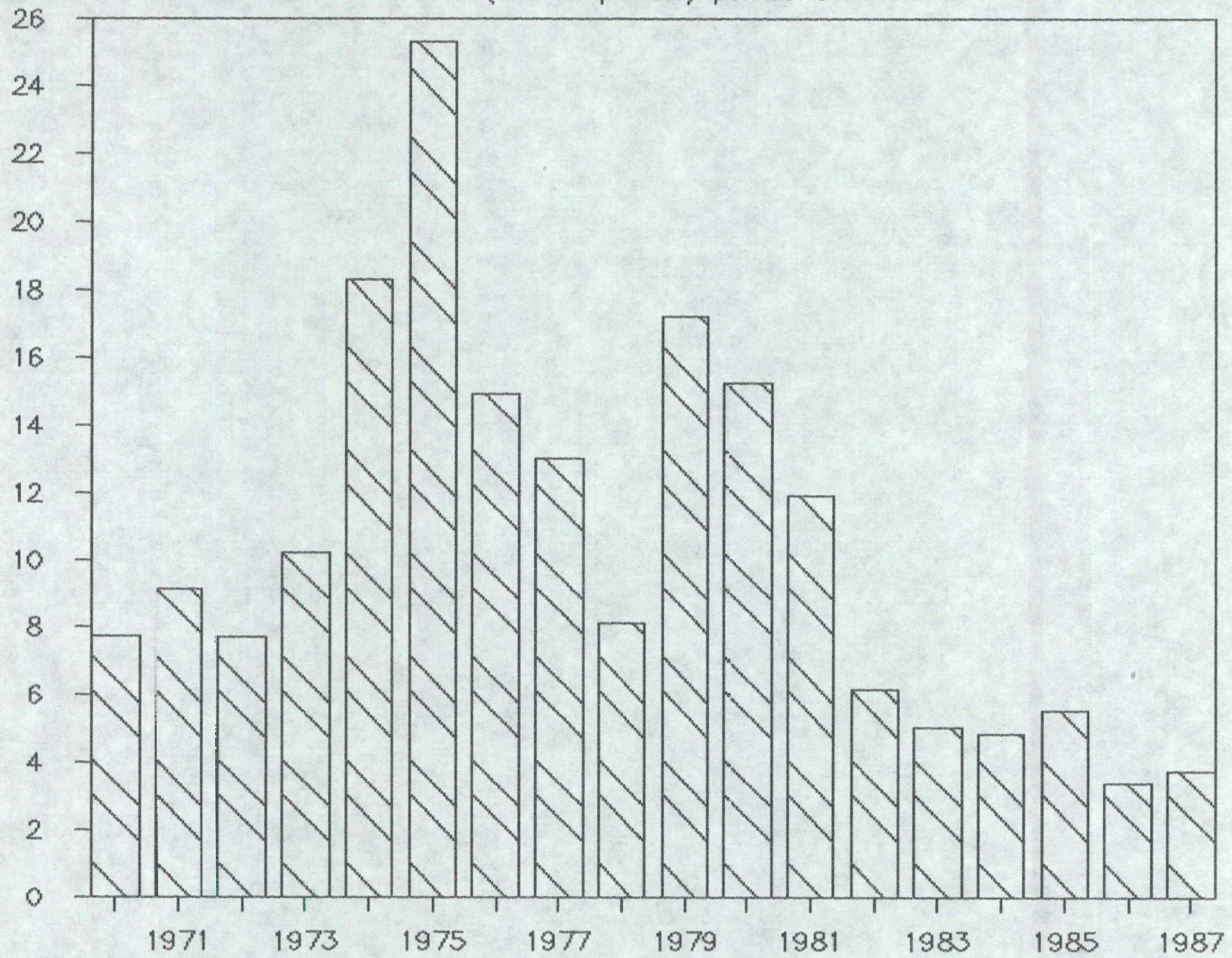
INFLATION

per cent



INFLATION

(fourth quarter) per cent



2

LF 26.2.
PWP



FROM: A P HUDSON
DATE: 24 February 1987

PS/CHIEF SECRETARY

cc PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr P Lilley MP

BUDGET BROADCAST

We had a word about the Chancellor's request for further ideas for the Budget Broadcast.

2. My minute of today to Miss O'Mara sets out the decisions taken at yesterday's meeting. In short, there is plenty of material for the broadcast, but it would be helpful to have a unifying theme, which would also make for a striking introduction.

3. The Chancellor would be grateful if the Chief Secretary and Mr Lilley, in particular, could look at the video of last year's broadcast, and let him have any thoughts by lunchtime on Thursday.

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

A P HUDSON

PHW P
(? from carbons)



FROM: A P HUDSON

DATE: 24 February 1987

MISS O'MARA

cc Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Sir P Middleton
 Sir T Burns
 Mr H P Evans
 Mr Scholar
 Mr Sedgwick
 Mr Culpin
 Miss C Evans
 Mr Kerley
 Mr Cropper
 Mr Ross Goobey
 Mr Tyrie

BUDGET BROADCAST 1987

The Chancellor discussed the themes and charts for the Budget Broadcast with you and others yesterday (23 February), on the basis of your minute of 20 February and Mr Kerley's of 17 February.

2. The Chancellor identified four themes:-

- (a) Weathering the storm;
- (b) How well the economy was doing;
- (c) The steadiness of economic performance;
- (d) Comparisons with competitor countries.

What was more difficult was to identify a suitable opening paragraph, and a unifying theme for the piece.

3. There was some discussion of the charts.

(a) Growth league tables

The Chancellor decided on the second version in Mr Kerley's 17 February minute, with only three columns.



(b) **Output**

You agreed to show the Chancellor how this would look as a graph rather than a bar chart. As you said, the odd-numbered years should be identified.

(c) **Inflation**

The Chancellor decided on Chart 1 attached to your 20 February minute. Again, you agreed to show him this as a graph.

(d) **Manufacturing productivity league table**

Mr Kerley's chart was agreed. It was noted that some explanation would be needed of what was meant by productivity.

(e) **Change in employment**

You agreed to try to show this as a graph, with one line showing the UK performance, and another showing the combined figures for Germany, France and Italy.

4. A number of ideas were canvassed for the unifying theme.

- We were ~~know~~ seeing the full benefits of the policies that had been pursued for some time. These benefits would have come through two years ago but for the coal strike, and last year but for the oil shock. The contrast between this year and the previous two was that there was no external shock. There was a slight awkwardness in timing, in that the coal strike covered 1984-85, and the adjustment to the lower oil price fell mainly in 1986-87. This simply required careful drafting, and it might help to express the points in terms of calendar years rather than fiscal years. The point could also be made that the coal strike had made its impact on public expenditure, and the oil shock on tax revenues.
- More could be made of international comparisons.



- A helpful introduction might be that the British were too often embarrassed, or even apologetic, about their own success.

- 5. A helpful device might be to show recent headlines from newspapers referring to economic success, to show that these claims were not only made by the Government. The examples would have to be chosen carefully; it might help, for example, to refer to the latest CBI survey. Mr Culpin agreed to look out possible material.

- 6. The Chancellor thought that the charts should fill more of the screen than they had done last year. The contrast between Labour and Conservative years should also be brought out more clearly.

- 7. The Chancellor asked for any further ideas by close on Thursday.

A handwritten signature in black ink, consisting of the letters 'A P' followed by a stylized 'H' and a horizontal line.

A P HUDSON



C.

This draft differs slightly from the Sixth Draft in a few places, ~~one~~ all of which you agreed, e.g. restoration of company cars.

This is the one the PM has, so her comments should tally exactly.

Thurs.

AMH

I have read this, & transferred accepted changes to Master copy. M.

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BUDGET

FROM: M C SCHOLAR
DATE: 27 FEBRUARY 1987

CHANCELLOR OF THE EXCHEQUER

- cc Principal Private Secretary
- Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Sir Terence Burns
- Sir Geoffrey Littler
- Mr F E R Butler
- Mr Wilson
- Mr Cassell
- Mr Monck
- Mr Sedgwick
- Mr Odling-Smee
- Mr Culpin
- Miss O'Mara
- Miss Evans
- Mr Cropper
- Mr Tyrie
- Mr Ross Goobey
- Mr Hudson
- Mr Battishill - IR
- Mr Isaac - IR
- Mr Painter - IR
- Sir Angus Fraser - C&E
- Mr Knox - C&E

SECRET

B.L.O.

PRESENTATION OF THE BUDGET

... I attach, as you requested, an annotated agenda, as a starting-point for the further discussion of presentation we are to have at Monday's Overview. I have indicated against each item the Minister you have designated as being in the lead on these presentational aspects of the Budget.

2. I have deliberately couched the agenda in the form of a list of some of the awkward questions which will confront us on March 17th. But the main task in the coming weeks is to work up a positive line on each item. So against each issue should be added the further question "How can we present this to best advantage?"

MCS

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B.L.O.

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HS bull
MTS Lamb

PRESENTATION OF THE BUDGET

1. The Budget, the economic record, public sector finances and monetary policy (Chancellor)

- (a) Inflation higher than at 1983 election and rising. Defence against claims that price stability objective abandoned, and inflation forecast too optimistic (dependent on interest rate cut deducible from FSBR, and itself inconsistent with monetary policy).
- (b) Why is taxation going up in real terms? Why is the burden of taxation scarcely or no longer falling, and after 8 years higher than when the government took office?
- (c) Why is there so little in the Budget? What happened to tax reform?
- (d) How will current account forecast be received, given revised 1986 balance of payments figures?
- (e) Is 2½% growth figure for 1986 secure?
- (f) Will £4.9 billion forecast PSBR for 1986-87 stand up given cumulative borrowing to January of only £½ billion?
- (g) Reconciliation of 1987-88 fiscal adjustment with 1986 MTFS figure and subsequent changes. Plausibility of revenue forecasts - if they are cautious does this mean there is room for higher public expenditure?
- (h) What does the Budget do for unemployment?

2. Business taxes (Chief Secretary)

- (a) Is there likely to be any steam in complaints about the tax burden now being born by corporate sector?
- (b) Is it plausible to present the Corporation Tax changes as a completion of 1984 reform?
- (c) Should the case for aligning Corporation Tax payment dates rest on the anti-avoidance argument (as in the present draft of the Speech) or on the streamlining argument (as in the previous draft)?
- (d) On company capital gains are we making too much of the assimilation of income and capital? What does this mean for cgt on individuals?

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- (e) How can we extract the maximum from VAT and small business package?
- (f) VAT partial exemption a covert extension of VAT; rushed; an extra burden on business?

3. Income tax, inheritance tax, wider share ownership etc
(Financial Secretary)

- (a) On personal tax reform how soon should we say that government means to take action on privacy and independence in next Parliament? (This would be news but without it our line looks thin).
- (b) Is the rationale for the basic rate cut/higher rate package the same as last year - ie improving incentives and helping those in the middle? What is the effect on, eg the nurse?
- (c) Why are we being beastly to higher rate taxpayers?
- (d) Why have we taken no action to redress the increase since 1979 in the burden of taxation on those below average earnings?
- (e) On inheritance tax why another instalment of helping the rich; or why do we still have a regime more onerous in some ways than Mr Healey's?
- (f) Disappointing lack of further ideas on wider share-ownership/ESOPs.
- (g) Why are we fiddling with the North Sea regime if we are not prepared to give any serious relief?
- (h) Shouldn't the pensions package have been preceded by a Green Paper?
- (j) No increase in MIR/stamp duty threshold?

4. City issues (Economic Secretary)

- (a) Charges of retrospection, heavy-handedness etc on Lloyd's
- (b) Does tax credit relief for banks bolt the stable-door several years too late? Why have we disregarded the banks' earlier arguments against this kind of measure?

BUDGET

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SECRET

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5. Customs issues and PRP (Minister of State)

- (a) Why have we not, on health and balance of taxation grounds (direct/indirect), further increased tobacco and drink duties? Consistency with action in past years?
- (b) Why consult on wine duty changes, then do nothing?
- (c) Why the sop to racing (£20m)?
- (d) How can we make the most of the PRP decision?

6. Why are we not - eg

- (a) using the higher revenues for health, education/job creation?
- (b) ~~not~~ filling up this empty Budget with all the useful things which ~~we~~ have been urged upon us - eg reduced rate band, tax treatment of exchange rate fluctuations (we should compile a list)?

B.L.O.

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BUDGET SECRET

FROM: K M ROMANSKI

DATE: 27 February 1987

1. MISS SINCLAIR
 2. PS/CHIEF SECRETARY
- 27/2*
4/27
Drum

✓ cc PS/Chancellor
 PS/Financial Secretary
 PS/Minister of State
 PS/Economic Secretary
 PS/Sir P Middleton
 Mr Scholar
 Mr Culpin
 Mr Cropper
 Mr Tyrie
 Mr Ross Goobey

ALLOCATION OF RESPONSIBILITIES FOR BUDGET PRESENTATION

Your minute of 20 February asked for a note on the main elements in this year's Budget affecting small businesses, as well as the Government's previous policies for this sector.

already in?

1987 Budget

2. The main measures affecting small businesses in this year's Budget are:

- reduction of basic rate of income tax for unincorporated businesses from 29 per cent to 27 per cent;
- similar reduction in small companies' rate of corporation tax, which applies to companies with profits below £100,000;
- capital gains will become chargeable at normal corporation tax rates instead of the special 30 per cent rate. Companies in the small companies' rate band will gain but a few in the 'taper' rate band (from £100,000 - £500,000) will lose;
- VAT small businesses package;
- increase in VAT registration threshold from £20,500 to £21,300.

BUDGET SECRET

3. Apart from the VAT small business package set out in paragraph 4, the main benefit to small businesses will come from the reduction in corporation tax or, if unincorporated, basic rate of income tax. The capital gains tax change, which is two-edged, is unlikely to affect many small businesses, since they are unlikely to realise significant capital gains. The VAT registration threshold is being indexed in line with inflation, the maximum permitted increase under EC legislation. In practice most of the traders eligible to deregister do not do so.

4. The VAT small business package, which follows a consultation exercise, contains the following main elements:

(a) Optional cash accounting for VAT on sales and purchases for traders up to £250,000 turnover. This means that traders in the scheme will not have to pay VAT on their sales until they have received payment, and this in effect confers full VAT relief on bad debts. Cash accounting on purchases, which means that traders will not be able to reclaim VAT on purchases until they have settled their bills, is part of the package to prevent excessive revenue loss. This requires a derogation from the EC Sixth Directive - the intention to seek this will be announced on the Budget speech.

(b) Optional annual accounting for VAT for traders up to £250,000. Traders on the scheme will make nine monthly payments (equal to one-tenth of their previous year's VAT payments) starting four months after beginning of the year, followed by an annual return, accompanied by a tenth payment to balance the account. Reduces from four to one the number of VAT returns required each year.

(c) VAT registration. The main change in this area is the extension from 10 days to 30 days of the period which traders have to notify their liability to register for VAT - small businesses have found it difficult to comply with the 10 day limit.

now,

(d) Special schemes for retailers. These allow retailers both to defer paying VAT until they have been paid on sales, and to reclaim VAT on purchases before these have been paid for. Such schemes are more favourable than the cash accounting proposal at (a). It is now proposed to stop traders who are not retailers using them. The main small businesses likely to be affected are estate agents, accountants and solicitors. These traders will still be able to use the new cash accounting scheme, if their turnover is under £250,000. But this will not be as beneficial to them as the special retail schemes because it will not allow them to reclaim VAT on purchases before they have been paid for.

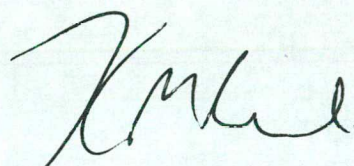
5. There are also two elements in the consultation paper which provoked a critical reaction and have been dropped. In presenting the package, it should be possible to take some credit for this.

(a) We are not going to proceed with the proposal to deregister compulsorily traders whose turnover is below the registration limit (this would have ~~put~~ those traders who can claim back more VAT on purchases than they pay on sales).

(b) We are also dropping a proposal which would have made the special schemes for retailers less attractive. The main impact would have been on large traders eg mail order companies and other large retailers who sell by credit. But since the proposal was included in the small business package, you could take credit for dropping it in this context.

Previous Government measures to help small businesses

6. Tax measures since 1979 are summarised in Annex A. Non tax measures are summarised in Annex B.



K M ROMANSKI

BUDGET SECRET

TAX MEASURES BENEFITTING SMALL BUSINESSES

1. Corporation tax

1984 - Small companies' rate reduced from 38 per cent to 30 per cent. Incentive capital allowances abolished in stages; stock relief immediately.

1986 - Small companies' rate further reduced to 29 per cent.

2. Unincorporated businesses

1979 - Reductions in income tax - basic rate down from 33 to 30 per cent, top rate reduced from 83 per cent to 60 per cent.

1985 - Class 2 NIC reduced; income tax relief introduced for half Class 4 NIC.

1986 - benefit from basic rate of income tax cut to 29 per cent.

In addition unincorporated businesses will have benefitted from the 22 per cent real increase in tax allowances since 1979.

3. Business Expansion Scheme

Introduced 1983 (replacing Business Start-up Scheme). Offers income tax relief to individuals investing up to £40,000 per year in new full risk equity of certain unquoted UK trading companies - available for both new and established, expanding companies; most trades eligible but some exceptions.

1986 changes - life of scheme extended indefinitely; CGT relief for gains on shares qualifying for BES relief; scheme extended to slip chartering; companies with substantial property backing or carrying on traders holding investment goods excluded, so BES relief channelled more directly into higher risk companies.

BUDGET SECRET

4. National insurance surcharge

1984 - abolished.

5. Inheritance tax

1986 - abolition of tax on lifetime gifts allows businesses to be passed on to next generation free of tax, provided done at least 7 years before death.

6. CGT

1985 - Retirement relief reformed. Small businessmen also benefit from indexation (introduced in 1982; extended in 1985), and from increased thresholds (now £6,300).

7. VAT

Registration threshold increased from £10,000 to £13,500 in 1980; increased in line with inflation every year since then.

BUDGET SECRET

NON-TAX MEASURES BENEFITTING SMALL BUSINESSES

1. Loan Guarantee Scheme. Introduced 1981 - provides access to loan finance not otherwise available. Government guarantee 70% of loan advanced to bank and borrower pays 2½% premium to Government on guaranteed part.
2. Enterprise Allowance Scheme. Introduced 1984 - assists people who have been unemployed and receiving benefit for at least 8 weeks to start their own business. £40 per week in lieu of benefits is paid for one year.
3. Deregulation. Initiative has aimed at reducing the extent of administrative and legal burdens on business. Successive White Papers ("Lifting The Burden" and "Building Business ... Not Barriers") set out total of 160 individual initiatives to reduce burdens.
4. Local Enterprise Agency Grant Scheme. Introduced 1986 - provides financial assistance for agencies initially on 1:1 basis with private sector contributions, reducing to 1:3 by end of scheme. Aim of scheme to foster network of viable, self supporting agencies, largely funded by the private sector, providing advice, training etc to small firms.
5. Training for small businessmen and self-employed provided by MSC has increased in volume and range. 70,000 places available in 1987-88.
6. Access to Government Contracts improved by simplification of tendering and approval procedures for contracts under £10,000 and explanatory publications issued by Departments.
7. DE's Small Firm Service provides inexpensive access to information and counselling.

BUDGET BROADCAST 1987

First draft script

March 2nd 1987

CHANCELLOR TO CAMERA

It's quite interesting to see how

the recent past gets a sort of

accepted image in ^{our minds.} ~~the media.~~ I'm

Thinking particularly of the 1960s.

Immediately it conjures up the

Beatles and mini skirts and the

start of ^{'swinging Britain'} ~~the permissive society.~~ But

in fact it was an economic ~~disaster~~

disaster. Those were the years when

~~we started~~ people thought that

all Britain's problems could be solved

by spending ^{government} more money. It

was a mistake we had to pay

dearly for in the seventies, when

the bills started to come in. And
 the terrifying inflation of the middle seventies,
 which led to ^{terrible} anyone who remembers that winter

of 1978-79, the winter of discontent,
 will know how high that price was.

That's why this conservative
 government, when it took office
 in 1979, ~~decided~~ was determined
 to set Britain on a completely
 new course. That meant a
 completely new approach. It meant
 not pretending government ^{always} knew
 best about spending money or
 running businesses. It meant
 restraining government expenditure.
 It meant setting careful budgets
 that we could actually keep to.
 Above all it meant consistency and

continuity, to show ^{everyone} ~~the world~~ that
~~we~~ Britain could pay her way
 and keep her word.

It hasn't been easy.

There have been howls of outrage
 every time the government has
 refused to solve someone's problems
 by lashing out more millions. But
 the result is spectacular. Less
 than ten years ago we were one
 of the weakest of the industrial
 nations. Today we are one of the
~~strongest~~

CAPTION 1.

Montage of newspaper
 headlines

strongest. Just about every
 survey, ~~made~~ by British and foreign
 experts, shows that our economy
 is strong and sound, and that
 our prospects are better than

they've been for a generation.

Perhaps the clearest way

to see Britain's renaissance

over these past eight years, ~~is~~
after two decades of failure, is
to look at the rate of growth

in the leading European countries.

CAPTION 2.

Growth league tables:

• 1960-1970

As you can see, in the

ten years from 1960 to 1970

we were bottom. In the ten

years from 1970 to 1980 we

were still bottom. But since

1980, we are top of the

league - the fastest growing

economy of ~~them~~ all ^{our} ~~the~~ six European

Add in 1970-1980

Add in 1980-1986

rivals. And if you look

at our national output

over the years, you can see

CAPTION 3.

Total National Output.

1970 - 1980

why. After the ups and
downs of the years from 1970

to 1980, we have had six

successive years of steady growth,

taking us up to an all-time

record. And another ~~key~~ key

figure is inflation. There was

CAPTION 4.

Inflation

1970 - 1978

that terrible peak under the

1975 Labour government, and

1979 - 1987

it was rising again when we

took over in 1979. Since then

we have brought it down to

around four per cent. And

that combination of falling

inflation with rising output is

a blessing that Britain has not

enjoyed for twenty years.

But there is one figure that is almost more important, at least as a pointer to the future. The cost of Britain's manufacturing industry throughout the sixties and seventies was low productivity. We needed more people than our rivals to produce the

same goods. From 1960 to 1970 we were bottom of the productivity league.

From 1970 to 1980 we still were bottom of the league. But

since 1980 we are top - and if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and most other

CAPTION 5

Manufacturing Productivity League Tables '1960-70'

And in '1970-1980'

And in 'since 1980'

industrial countries, is unemployment.

We all know the figures are much too

high. But it's not because new jobs

aren't being created. It's because the

numbers ^{joining} ~~of~~ the job register are growing

so fast. In fact, jobs are another

of Britain's growth areas. Since 1983

CARTON 6.

Change in Employment

- Germany

West Germany has created just

under half a million ~~new~~ extra

- France

jobs. France has lost nearly

- Italy

300 000. Italy has gained nearly

- UK

300 000. But here in Britain we

now have a million more jobs than

we had in 1983. A net gain of a

million jobs.

So that's the background to

today's budget. ~~this is not just the~~

It's not just the
result of a good year. It's the result
of eight years of consistent restraint
by government, and the liberation of
the tremendous energy and enterprise
of the British people once government
gets off their back. But there's still a
lot to do, and today's measures will
help us further along the road.

BUDGET MEASURES SECTION

(AFTER BUDGET MEASURES)

All these measures are things we've wanted to do for a long time, but they're only possible because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the miners' strike in 1985 or the collapse of oil revenues in 1986 could have put us back years. In fact we were strong enough to ride out both those storms, and we are now on course for the sort of success we haven't known since the war. But we can't relax or let up. It's taken eight tough years to get ourselves into this ^{envious} ~~envious~~ ~~happy~~ happy

position, but it would be ~~the~~ ^{only} too easy to chuck it all away. A quick return to the high spending, high borrowing binges of the sixties and seventies, and eight years of hard graft would go down the drain. But if we stick to the steady, ~~and~~ restrained policies of the past eight years, then we can

~~look forward to a level of prosperity~~ ^{new security}
~~that we have never been achieving~~ ^{been striving for}
~~without success for a generation~~
~~at all~~

look forward to an unprecedented level of security, of prosperity, and of pride in the achievement of our country.

END

Should be very upbeat, but not too political (electioneering).

BUDGET BROADCAST 1987

First Draft Script

2 March 1987

CHANCELLOR TO CAMERA

post war euphoria.
World Cup.
'Never had it so good'

1960's: People confident, economy poor

1980's: People - gloom + doom, economy doing well

Bring the vibrance + confidence of 60's to the 80's

In effect, 20 years of economic disaster.

On top of this there were also 2 oil price shocks.

Explanation for those who have forgotten?

[unconnected rubbish; fireman's strike]

or is this going to be used in the Hushings? (again).

It's [quite] interesting to see how the recent past gets an [sort of] accepted image in our minds. I'm thinking particularly of the 1960s. Immediately it conjures up the Beatles and mini skirts and the start of 'swinging Britain'. But in fact it was an economic disaster. Those were the years when people thought that all Britain's problems could be solved by spending more government money. It was a mistake we had to pay dearly for in the seventies, when the bills started to come in. And anyone who remembers the [terrifying] inflation of the middle seventies, which led to that terrible winter of 1978-79, the winter of discontent, will know how high that price was.

That's why this Conservative Government, when it took office in 1979, was determined to see Britain on a completely new course. That meant a completely new approach. It meant not

X

X pretending government always know best about spending money or running businesses. It meant restraining government expenditure. It meant setting careful budgets that we could actually keep to. Above all it meant consistency and continuity to show everyone that Britain could pay her way and keep her word.

It hasn't been easy. There have been howls of outrage every time the Government has refused to solve someone's problems by leashing out more millions. But the result is spectacular. Less than ten years ago we were one of the weakest of the industrial nations. Today we are one of the strongest. Just about every survey, by British and foreign experts, shows that our economy is strong and sound, and that our prospects are better than they've been for a generation. Perhaps the clearest way to see Britain's renaissance over these past eight years, after two decades of failure, is to look at the rate of growth in the leading European countries. As you

CAPTION 1

Montage of newspaper headlines

emphasize "and foreign"

CAPTION 2

Growth league tables:

1960-1970
Add in 1970-1980
Add in 1980-1986

can see, in the ten years from 1960 to 1970 we were bottom. In the ten years from 1970 to 1980 we were still bottom. But since 1980, we are top of the league - the fastest growing economy of all our ^{major} (six) European rivals. And if you look at our national output over the years, you

How do you square 6, when the EC has 12 member states?

CAPTION 3

Total national output
1970-1980
Reveal 1981-1987

can see why. After the ups and downs of the years from 1970 to 1980, we have had six successive years of steady growth, taking us up to an all-time record. And another key figure is inflation. There was that terrible

CAPTION 4

Inflation
1970-1978
1979-1987

peak under the 1975 Labour Government, ^{of 26%.} and it was rising again when we took over in 1979. Since then we have brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain has not enjoyed for twenty years. But there is one figure that is almost more important, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the sixties and seventies was low productivity. We needed more people than our rivals to

OVERMANNING

CAPTION 5

produce the same goods. From 1960 to

Manufacturing productivity 1970 we were bottom of the league tables '1960-70'
Add in '1970-1980'
Add in 'since 1980'

What are figures for UK prod^y since '79?

productivity league. From 1970 to 1980 we still were bottom of the league. But since 1980 we are top - and if our productivity is growing faster than our rivals, that's great news for the years to come. Of course

the toughest problem, for Britain and most other industrial countries, is unemployment. We all know the figures are much too high. But it's not because new jobs aren't being created. It's because the numbers joining the job register are growing so fast. In fact, jobs are another of Britain's growth areas. Since 1983 West Germany

Give figures: "for example, in Jan the number of jobs available were []. However, the number of new people joining the job register were []"

has created just under half a million extra jobs. France has lost nearly 300,000. Italy has gained nearly 300,000. But here in Britain we now have a million more jobs than we had in 1983. A net gain of a million jobs.

CAPTION 6

Change in Employment

- Germany
- France
- Italy
- UK

So that's the background to today's Budget. It's not just the result of a ^{one}/_h good year. It's the result of eight years of consistent restraint by government, and the liberation of the tremendous energy and enterprise of

the British people once government gets off their back. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

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All these measures are thing we've wanted to do for a long time, but they're only possible because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the miners' strike in 1985 or the collapse of oil revenues in 1986 could have put us back years. In fact we were strong enough to ride out both those storms, and we are now on course for the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight tough years to get ourselves into this enviable position, but it would be only too easy to chuck

If we have to use 1985, can't we make it 1984/5. Most people recall that the Miner's strike was the main event of 1984. [APH suggests no date].

Oh no! Not again!

it all away. A quick return to the high spending, high borrowing binges of the sixties and seventies, and eight years of hard graft would go down the drain. But if we stick to the steady, restrained policies of the past eight years, then we can look forward to an unprecedented level of security, of prosperity, and of pride in the achievement of our country.

vibrance, enthusiasm + confidence
of 60s + economic success of 80's
will give us an unassailable
lead over our major competitors

the opportunity to build

Good wind up.
We: Land of Hope + Glory

END

CONFIDENTIAL



FROM: A P HUDSON
DATE: 3 March 1987

*Mr/Dit
depute*

PS/CHIEF SECRETARY

cc: PS/FST
PS/EST
PS/MST
Sir P Middleton
Sir T Burns
Mr H P Evans
Mr Scholar
Mr Sedgwick
Mr Culpin
Miss O'Mara
Mr Allan
Miss C Evans
Mr Kerley
Mr Cropper
Mr Ross Goobey
Mr Tyrie

BUDGET BROADCAST 1987

... The Chancellor has asked me to circulate the attached draft of the Budget Broadcast. This is for discussion at Thursday's meeting.

A handwritten signature consisting of the letters 'A P H' in a stylized, cursive font.

A P HUDSON

CONFIDENTIAL**BUDGET BROADCAST 1987
First Draft Script**

2 March 1987

CHANCELLOR TO CAMERA

It's quite interesting to see how the recent past gets a sort of accepted image in our minds. I'm thinking particularly of the 1960s. Immediately it conjures up the Beatles and mini skirts and the start of 'swinging Britain'. But in fact it was an economic disaster. Those were the years when people thought that all Britain's problems could be solved by spending more government money. It was a mistake we had to pay dearly for in the seventies, when the bills started to come in. And anyone who remembers the terrifying inflation of the middle seventies, which led to that terrible winter of 1978-79, the winter of discontent, will know how high that price was.

That's why this Conservative Government, when it took office in 1979, was determined to set Britain on a completely new course. That meant a completely new approach. It meant not

CONFIDENTIAL

pretending government always knew best about spending money or running businesses. It meant restraining government expenditure. It meant setting careful budgets that we could actually keep to. Above all it meant consistency and continuity to show everyone that Britain could pay her way and keep her word.

It hasn't been easy. There have been howls of outrage every time the Government has refused to solve someone's problems by ~~le~~ashing out more millions. But the result is spectacular. Less than ten years ago we were one of the weakest of the industrial nations. Today we are one of the strongest.

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Perhaps the clearest way to see Britain's renaissance over these past eight years, after two decades of failure, is to look at the rate of growth in the leading European countries.

CONFIDENTIAL

CAPTION 2
Growth league tables:
1960-1970

Add in 1970-1980

Add in 1980-1986

As you can see, in the ten years from 1960 to 1970 we were bottom. In the ten years from 1970 to 1980 we were still bottom. But since 1980, we are top of the league - the fastest growing economy of all our six European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3
Total national output
1970-1980

Reveal 1981-1987

After the ups and downs of the years from 1970 to 1980, we have had six successive years of steady growth, taking us up to an all-time record.

And another key figure is inflation.

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the 1975 Labour Government, and it was rising again when we took over in 1979. Since then we have brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain has not enjoyed for twenty years. But there is one figure that is almost more important, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the sixties and seventies was low productivity. We needed more people than our rivals to produce the same goods.

CAPTION 5
Manufacturing productivity
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

From 1960 to 1970 we were bottom of the productivity league. From 1970 to 1980 we still were bottom of the league. But since 1980 we are top - and if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and most other industrial countries, is unemployment. We all know the figures are much too high. But it's not because new jobs aren't being created. It's because the numbers joining the job register are growing so fast. In fact, jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment
- Germany

- France

- Italy

- UK

Since 1983 West Germany has created just under half a million extra jobs. France has lost nearly 300,000. Italy has gained nearly 300,000. But here in Britain we now have a million more jobs than we had in 1983. A net gain of a million jobs.

So that's the background to today's Budget. It's not just the result of a good year. It's the result of eight years of consistent restraint by government, and the liberation of the

CONFIDENTIAL

tremendous energy and enterprise of the British people once government gets off their back. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

(AFTER BUDGET MEASURES)

All these measures are thing we've wanted to do for a long time, but they're only possible because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the miners' strike in 1985 or the collapse of oil revenues in 1986 could have put us back years. In fact we were strong enough to ride out both those storms, and we are now on course for the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight tough years to get ourselves into this enviable position, but it would be only too easy to chuck

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it all away. A quick return to the high spending, high borrowing binges of the sixties and seventies, and eight years of hard graft would go down the drain. But if we stick to the steady, restrained policies of the past eight years, then we can look forward to an unprecedented level of security, of prosperity, and of pride in the achievement of our country.

END

Mr Allan

FROM: I SCOTTER
DATE: 3 MARCH 1987

MR HUDSON

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr Scholar
Mr Culpin
Miss O'Mara
Mr G P Smith
Mr Cropper
Mr Tyrie
Mr Ross Goobey
Mr Kerley
Mr Gibson

^{CHARTS}
BUDGET BROADCAST ~~SHEETS~~

I attach some charts as requested in your minute of 2 March.

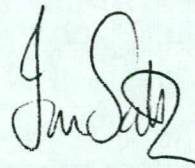
2. The first three charts show real take-home pay at half average earnings and average earnings for a single man, a married man without children and a married man with two children. A table showing the underlying figures is also attached. The charts are pretty similar for the different family circumstances. Figure 6 superimposes the three circumstances for a man on average earnings and you can see that the lines are very close.

3. As usual, the man is working full-time on adult rates and his earnings are not affected by absence. The figures are the most recent I have to hand. But Inland Revenue have recently revised their figure for 1973-74 so I have asked them to check the intervening years up to 1978-79 in case there are any changes. Any revisions will be small and are unlikely to show up on the charts.

4. There is no annual series for net incomes of pensioners. A series for the state pension is available, but as over half of pensioner households have occupational pensions and 70 per cent income from savings, the state pension series would not be representative. DHSS have recently examined the net income

position of pensioners in the Family Expenditure Survey in 1974, 1979, 1984 and 1985. Figure 4 shows real net incomes of single and married pensioners in those years.

5. Figure 5 shows changes in real personal disposable income (RPDI) over the period 1974 Q1, to 1986 Q3, using a quarterly series. This is an aggregate series in contrast to the figures for specimen individuals for graphs 1-3 and the average pensioner in Figure 4. It shows broadly the same picture since 1979 as the specimen graphs - a rise immediately after the election, followed by a fall to 1982-83 and a steady rise since then. However, the RPDI figures do show a significant rise between 1973-74 and 1978-79, so the comparison between the two governments is a little less favourable than that using the specimens.



IAN SCOTTER

Figure 1: Index of real take home pay

Single man

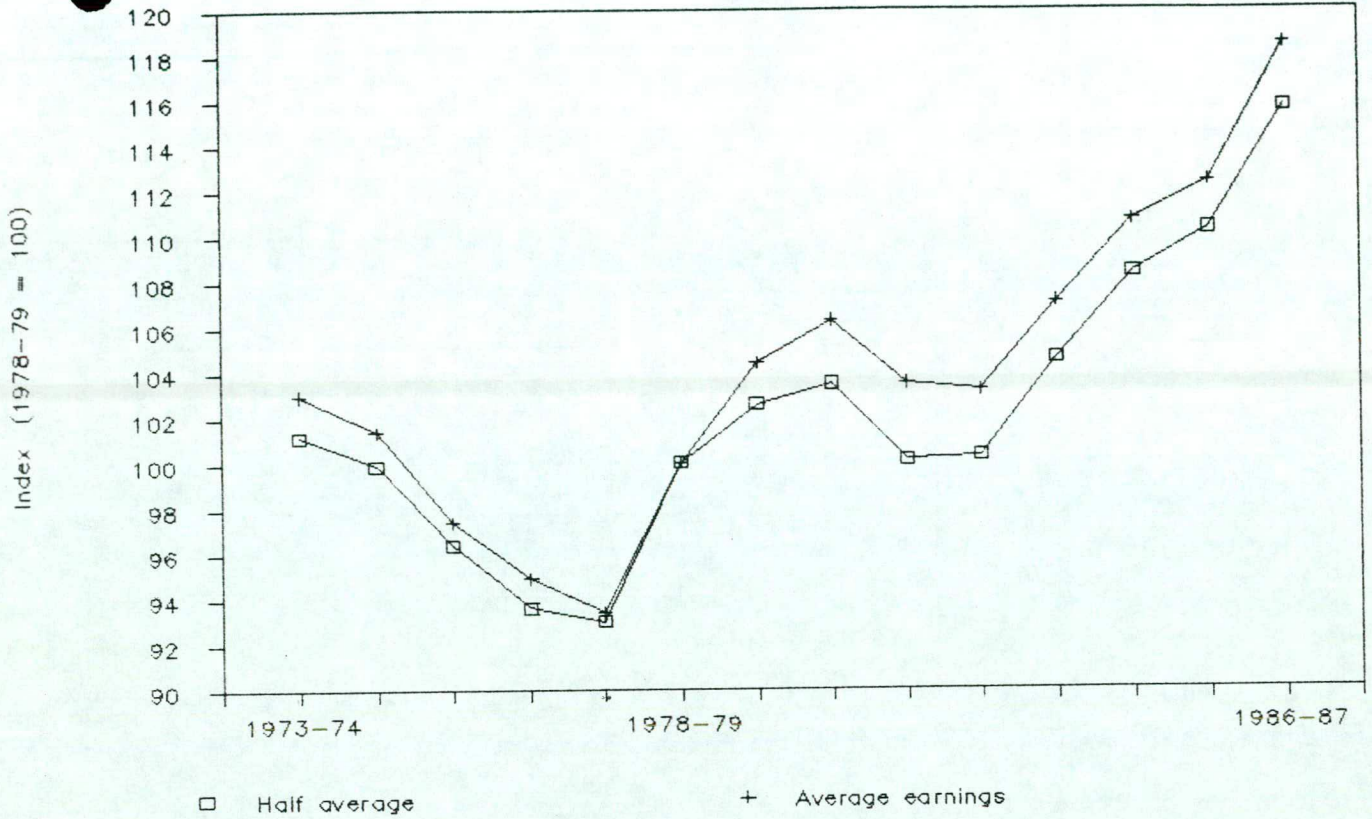


Figure 2: Index of real take home pay

Married man

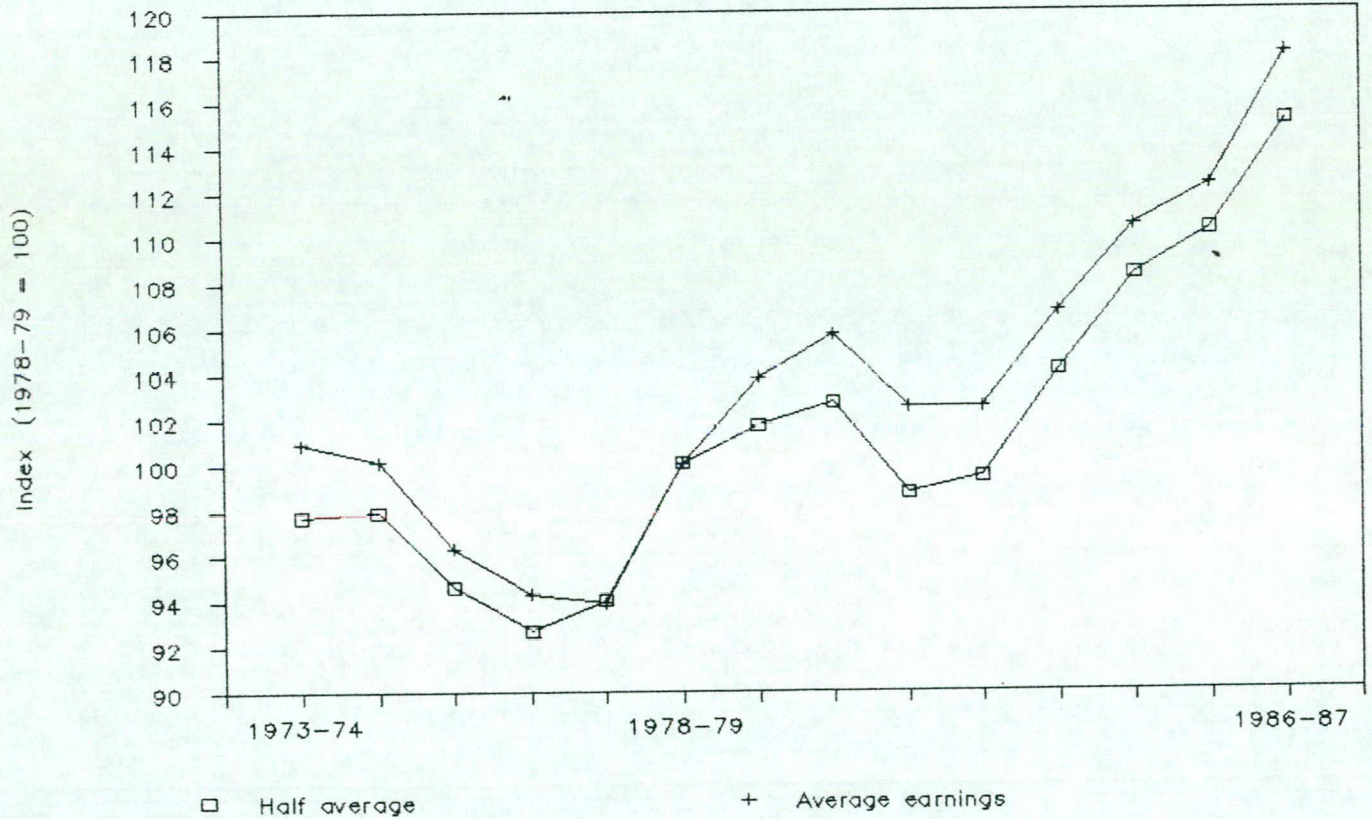
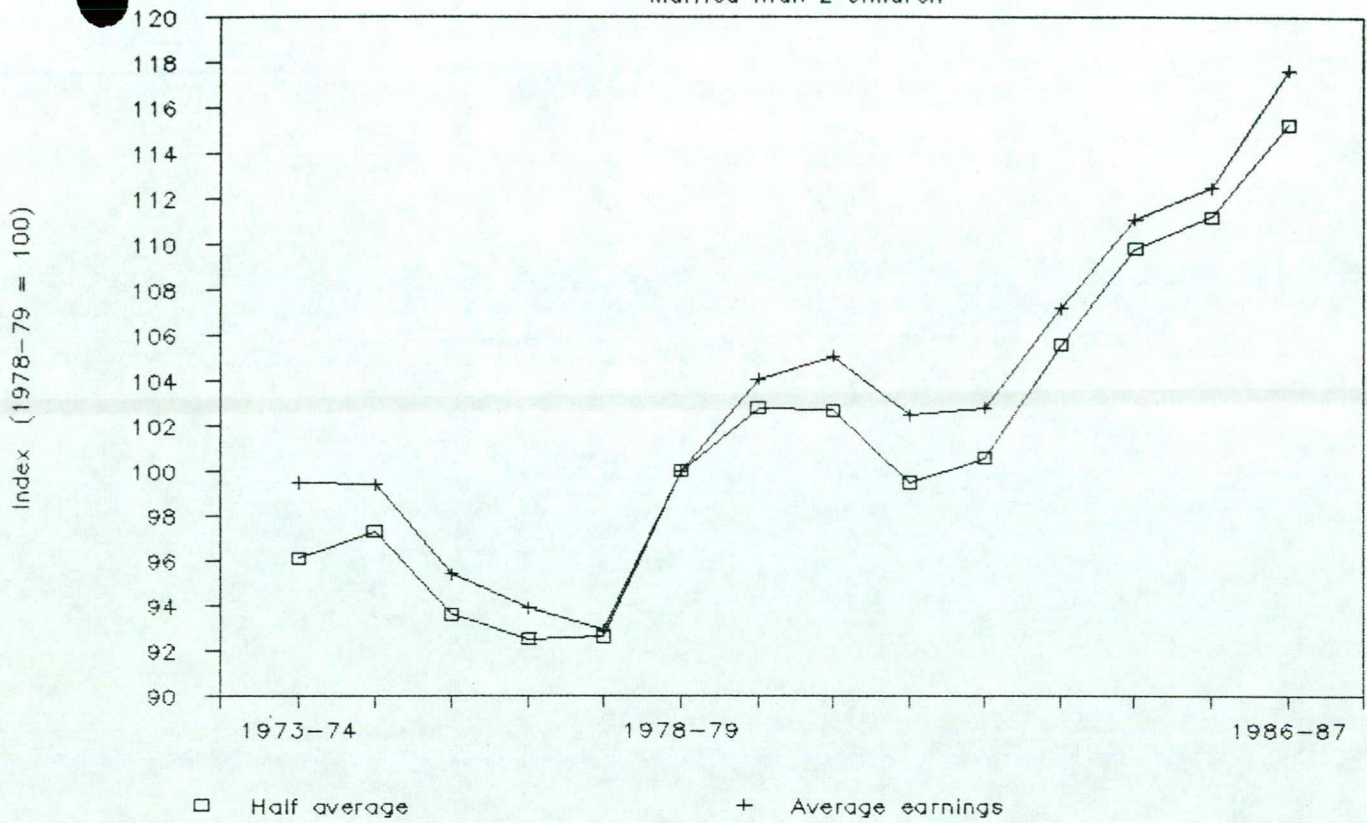


Figure 3: Index of real take home pay

Married man 2 children



97

Figure 4: Pensioner's real net income

Index (1979 = 100)

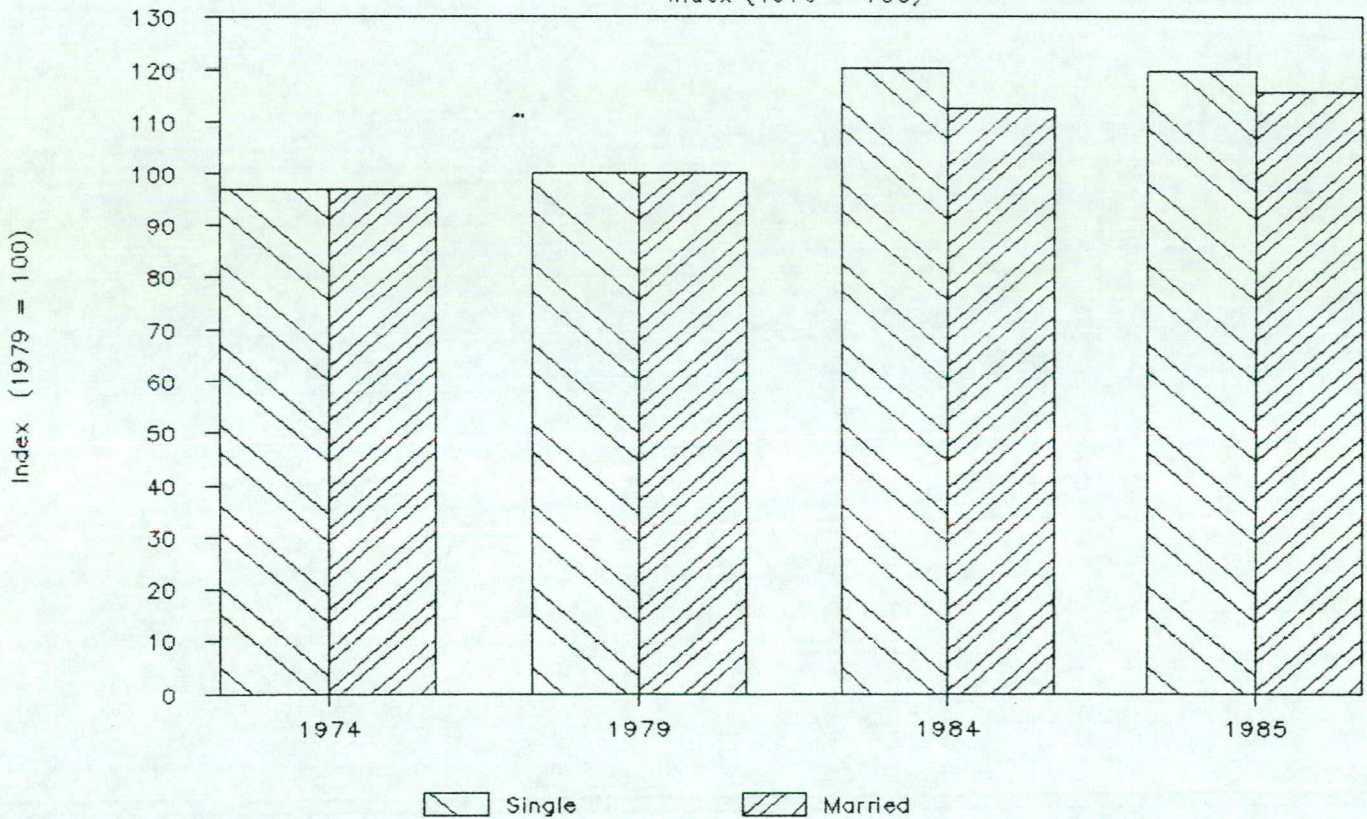


Fig 5: Index of real disposable income

(1980 = 100)

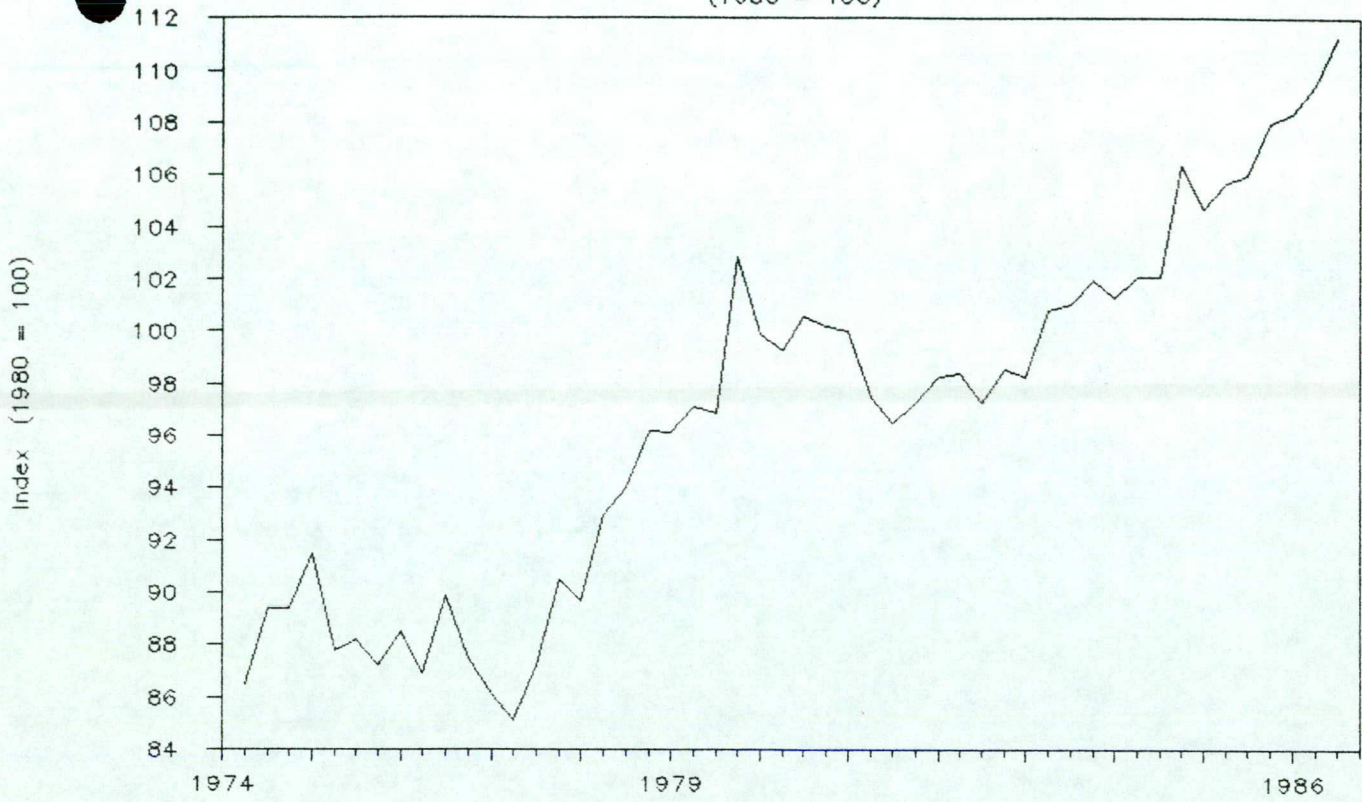
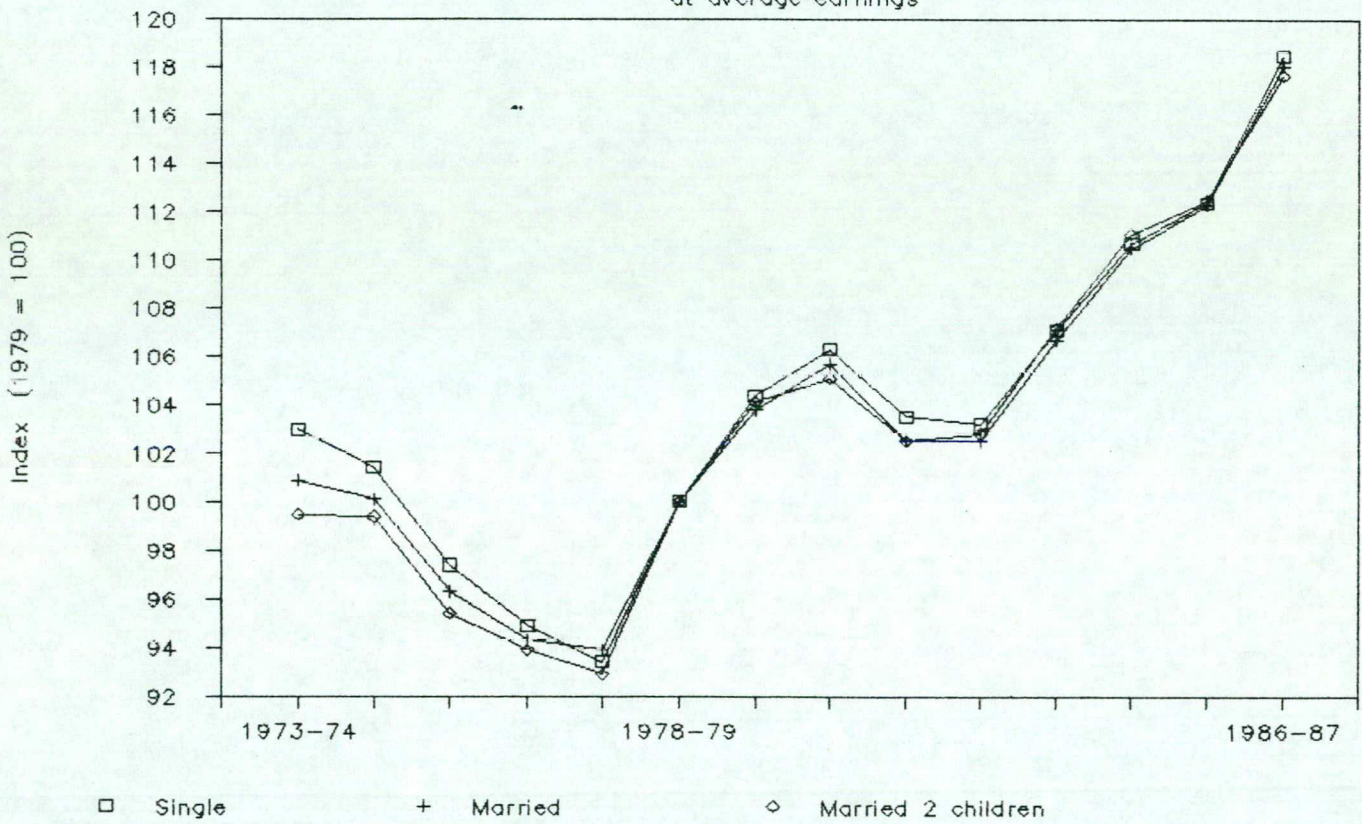


Figure 6: Real take home pay

at average earnings



-----Index of real take home pay (1978-79=100)-----
 -----Single----- -----Married-----Married 2 children
 Half Half Half
 average Average average Average average Average
 earnings earnings earnings earnings earnings earnings

| | | | | | | |
|---------|-------|-------|-------|-------|-------|-------|
| 1973-74 | 101.2 | 103.0 | 97.7 | 100.9 | 96.1 | 99.5 |
| 1974-75 | 99.9 | 101.4 | 97.9 | 100.1 | 97.3 | 99.4 |
| 1975-76 | 96.4 | 97.4 | 94.6 | 96.3 | 93.6 | 95.4 |
| 1976-77 | 93.6 | 94.9 | 92.7 | 94.3 | 92.5 | 93.9 |
| 1977-78 | 93.0 | 93.4 | 94.0 | 93.9 | 92.6 | 92.9 |
| 1978-79 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1979-80 | 102.6 | 104.4 | 101.7 | 103.8 | 102.8 | 104.1 |
| 1980-81 | 103.5 | 106.3 | 102.7 | 105.7 | 102.7 | 105.1 |
| 1981-82 | 100.1 | 103.5 | 98.7 | 102.5 | 99.5 | 102.5 |
| 1982-83 | 100.3 | 103.2 | 99.4 | 102.5 | 100.6 | 102.8 |
| 1983-84 | 104.6 | 107.1 | 104.1 | 106.7 | 105.6 | 107.2 |
| 1984-85 | 108.4 | 110.7 | 108.3 | 110.5 | 109.8 | 111.1 |
| 1985-86 | 110.3 | 112.4 | 110.3 | 112.3 | 111.2 | 112.5 |
| 1986-87 | 115.7 | 118.5 | 115.1 | 118.1 | 115.3 | 117.7 |
| 1987-88 | | | | | | |

Average earnings for a man working full time on adult rates and not affected by absence.

FROM: R D KERLEY

DATE: 3 MARCH 1987

1. MISS O'MARA
2. CHANCELLOR (3 copies)

cc
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Sir P Middleton
 Sir T Burns
 Mr H P Evans
 Mr Scholar
 Mr Sedgwick
 Mr Culpin
 Ms Evans
 Mr Hudson
 Mr Cropper
 Mr Ross Goobey
 Mr Tyrie
 A/56

We prefer the graph for output and inflation (they're also on change from last year) but we think the bar chart is more effective for employment. I understand the BBC would like to start work on the graphics as soon as possible, so it would be very helpful if final decisions in principle could be reached at Thursday's meeting. (We still have time to tidy up the revised figures, wording etc. after that.)

mom 3/3

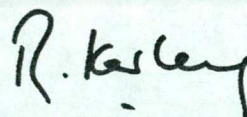
BUDGET BROADCAST CHARTS: 1987

Following your meeting of 23 February I attach revised and alternative versions of the charts you selected:

- (A) European growth league: You chose the version comparing decades rather than individual years. As you requested we have retitled the columns 1960s, 1970s, 1980s.
- (B) Total national output: Two versions of this chart are attached, one in the form of a bar chart and the other in the form of a graph. Both charts incorporate, at this stage, the Autumn Statement forecast for 1986 and 1987.
- (C) Inflation: You chose the calendar year version with Q4 on Q4 for the current year. Again this chart is shown in the form of a bar chart and a graph, and incorporates the Autumn Statement forecast.
- (D) Manufacturing productivity: As in chart A the columns have been retitled 1960s, 1970s, 1980s.

(E) Employment growth: This chart is shown in two forms. The first is as before (with some minor data revisions) and shows employment growth between mid-1983 and mid-1986 for the UK, Germany, France and Italy individually. The second version is a graph over time showing the growth of employment quarterly since 1983Q1 for the UK and for Germany, France and Italy combined.

2. I understand that ETS will be providing some tables showing changes in living standards.



R D KERLEY

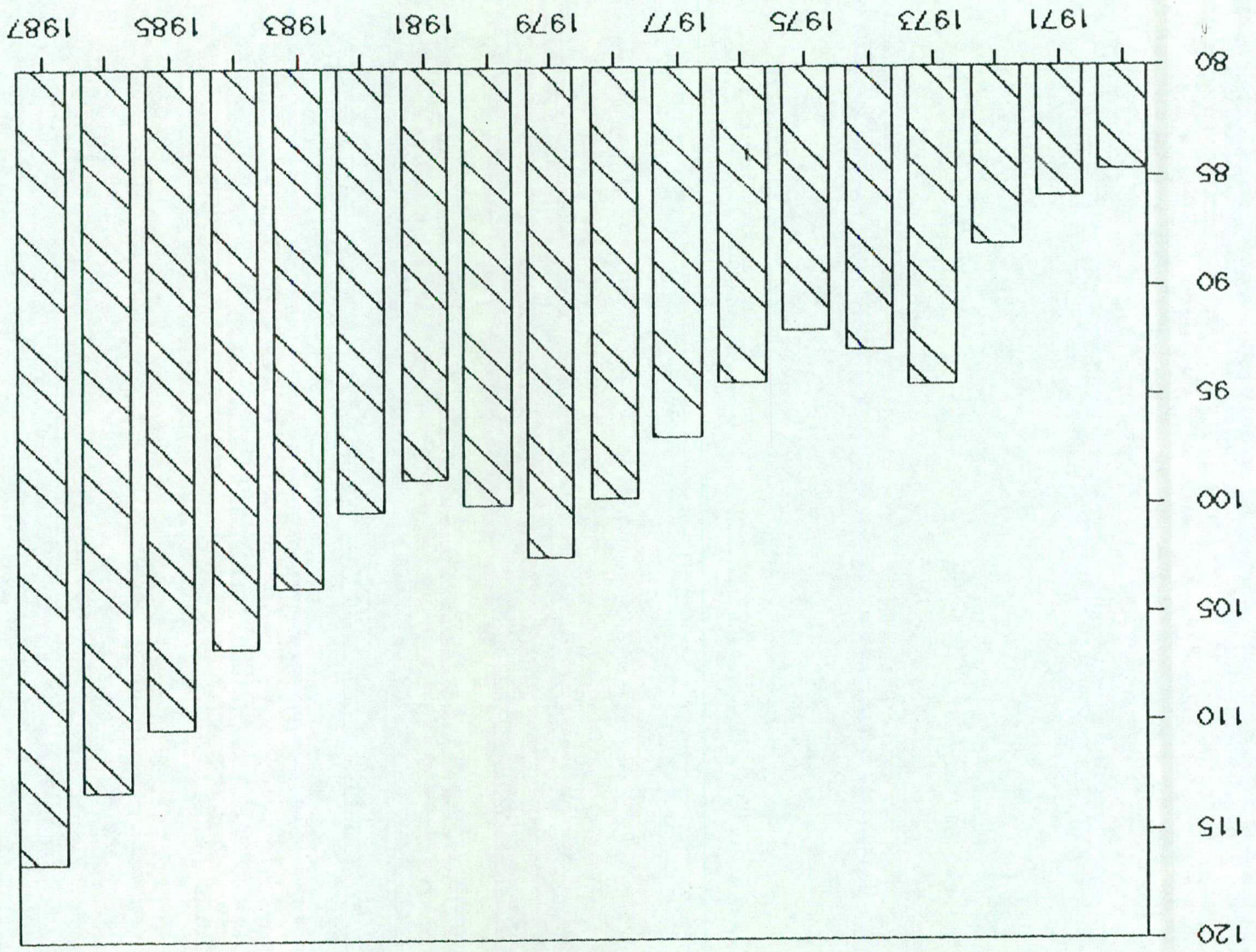
Chart A: Growth League Tables

| <u>1960s</u> | <u>1970s</u> | <u>1980s</u> |
|--------------|--------------|--------------|
| Italy | France | UK |
| France | Belgium | Germany |
| Netherlands | Italy | France |
| Belgium | Netherlands | Italy |
| Germany | Germany | Belgium |
| UK | UK | Netherlands |

CHART B

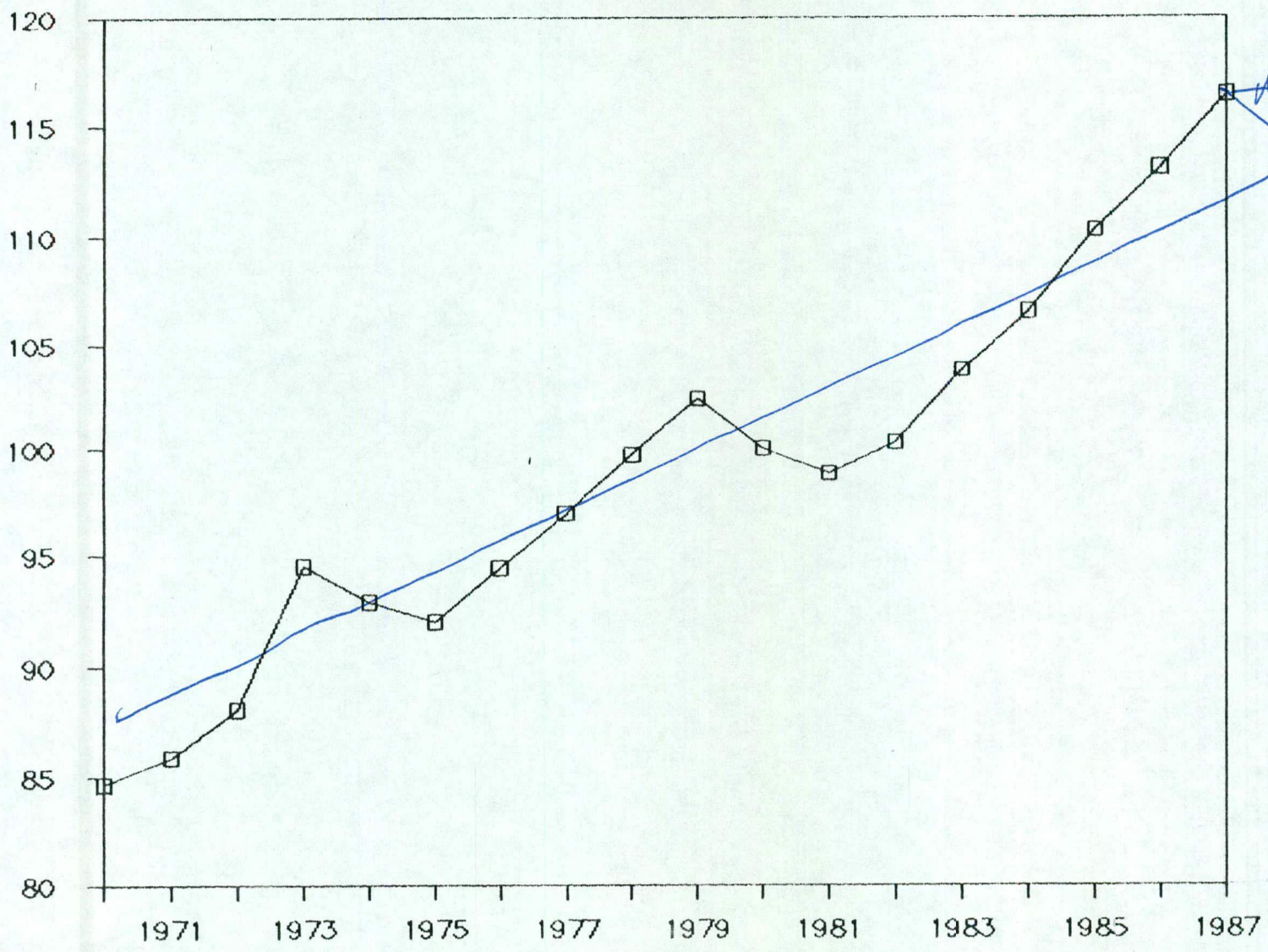
Total National Output

1980=100



Total National Output

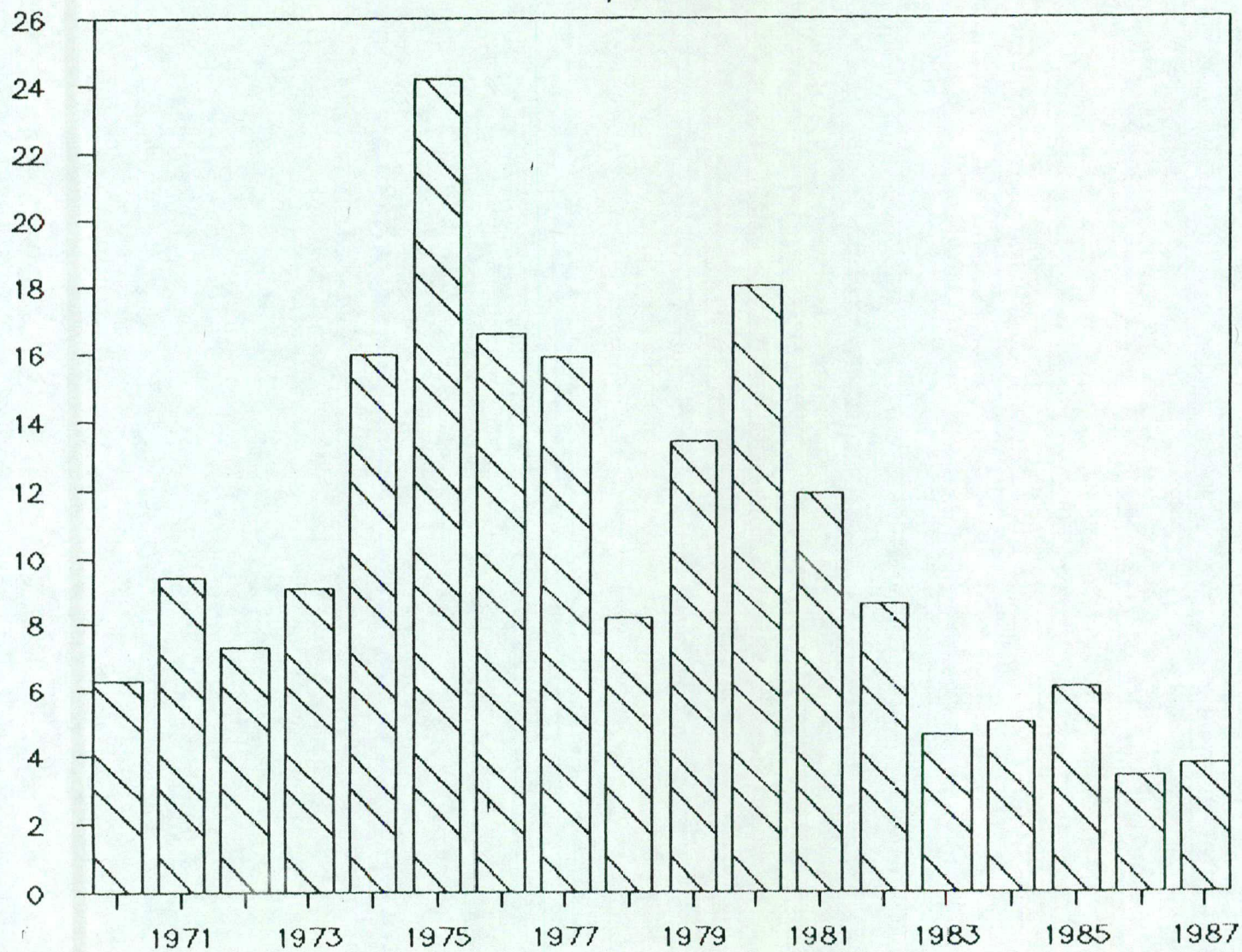
1980=100



2 1/2%
total
per year -
inc.

INFLATION

per cent



INFLATION

per cent

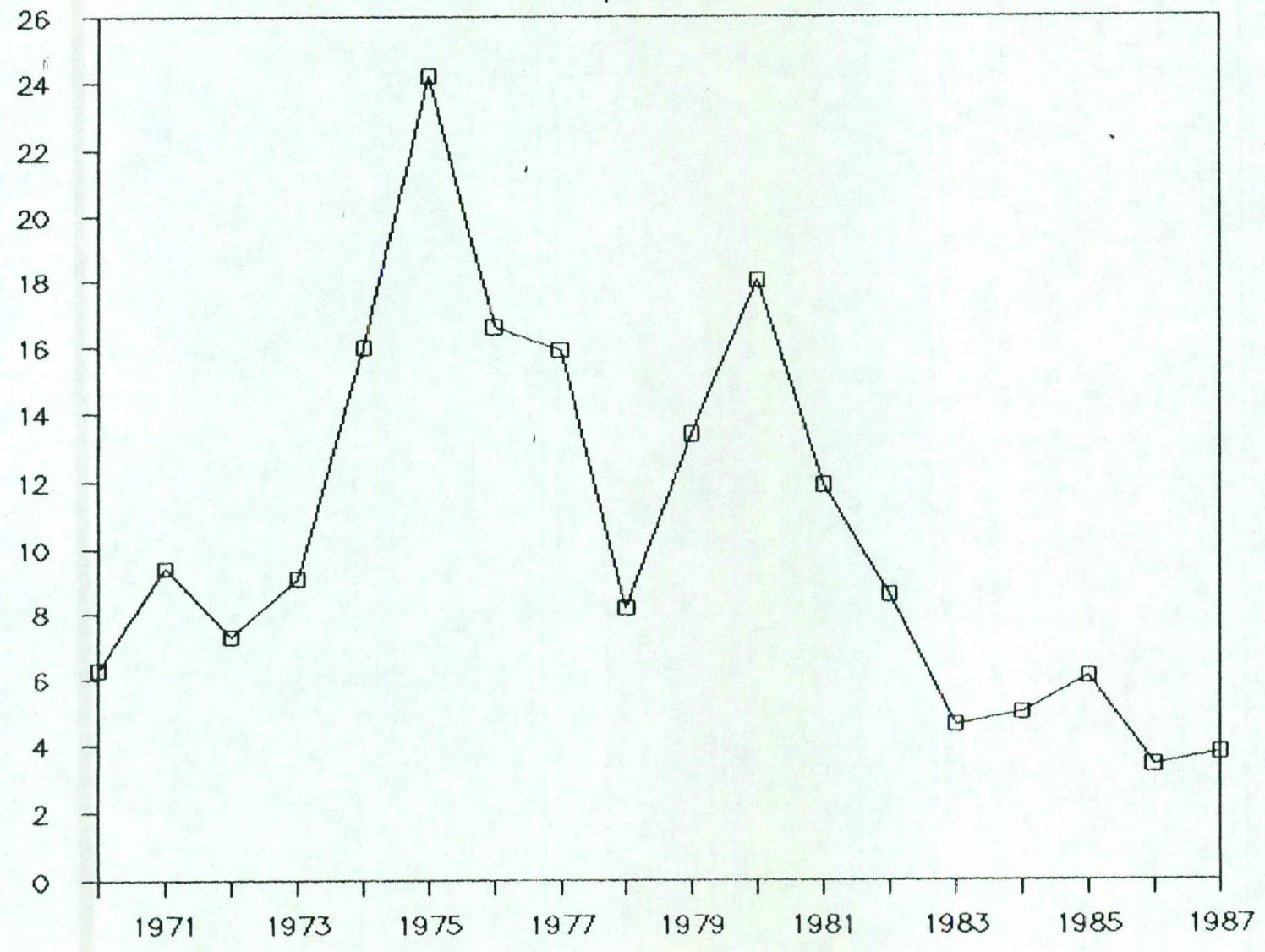
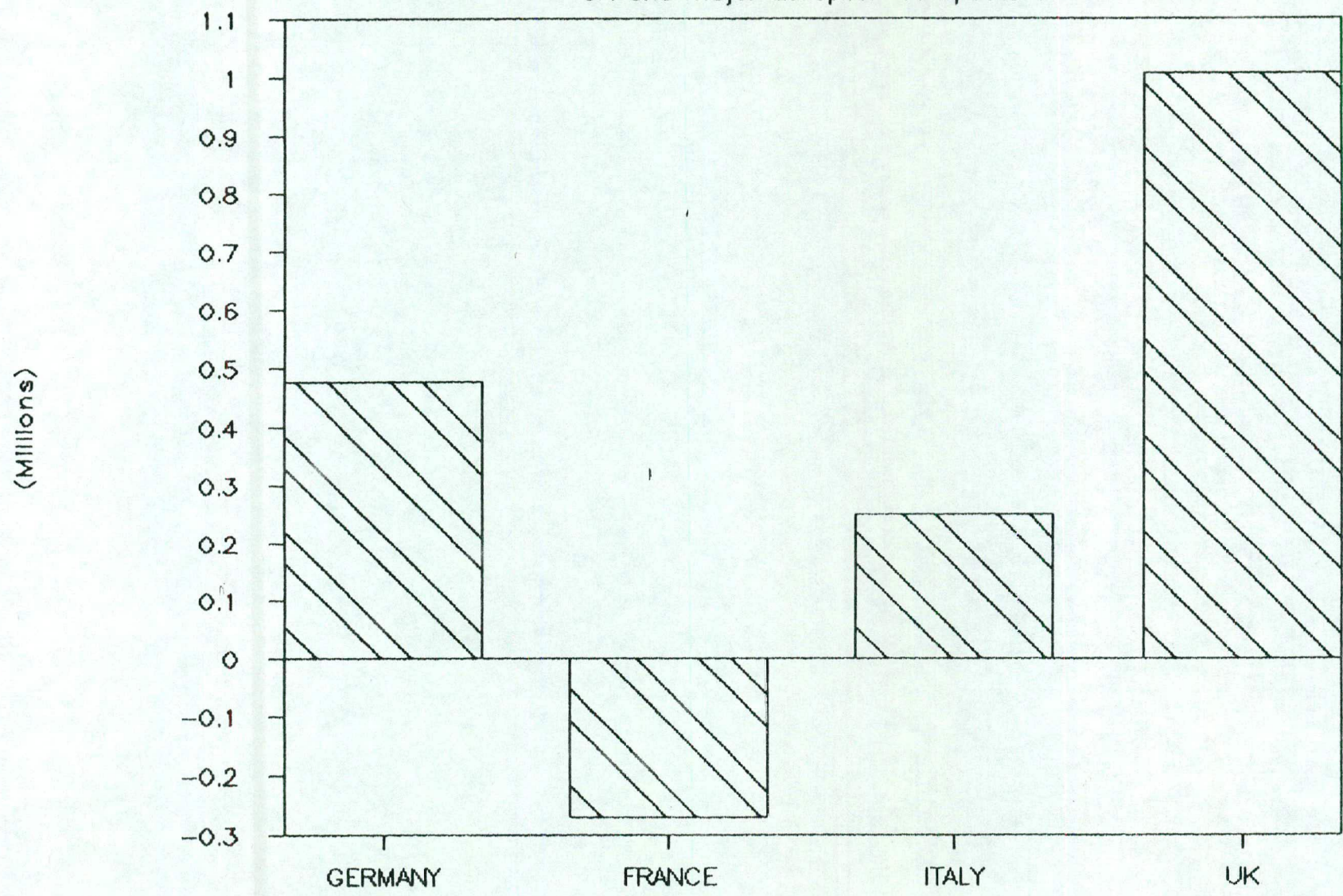


Chart D: Manufacturing Productivity League Tables

| <u>1960s</u> | <u>1970s</u> | <u>1980s</u> |
|--------------|--------------|--------------|
| Japan | Japan | UK |
| Italy | Germany | US |
| France | Canada | Canada |
| Germany | Italy | France |
| Canada | US | Germany |
| US | France | Japan |
| UK | UK | Italy |

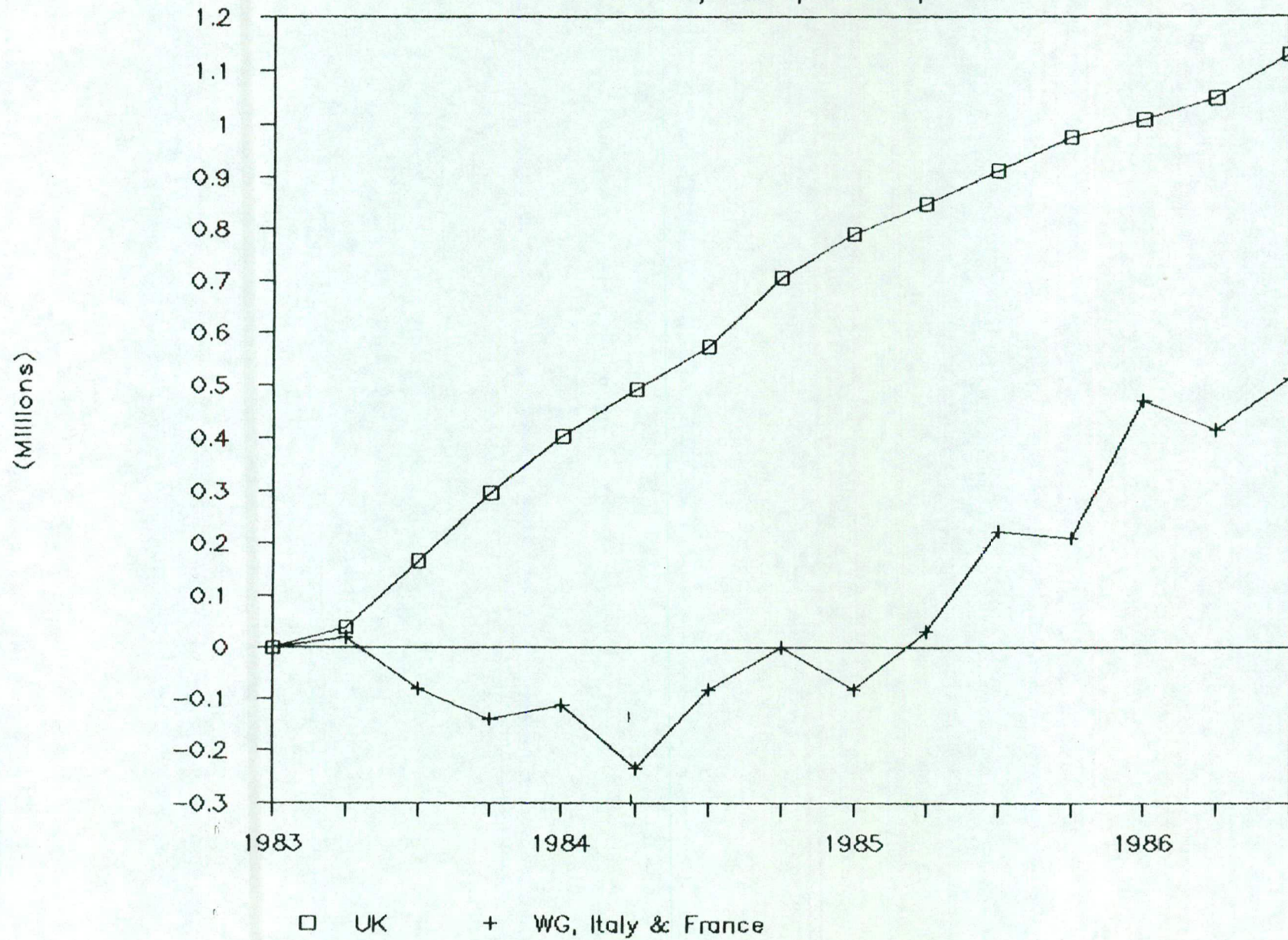
CHANGE IN EMPLOYMENT: 1983-1986

UK and major European competitors



EMPLOYMENT CHANGE

UK and major European competitors



FROM: R D KERLEY
DATE: 4 March 1987

MR HUDSON

cc Mr Allan
Mr Culpin
Miss O'Mara
A/56

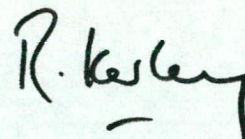
BUDGET BROADCAST CHARTS

As you know the revisions to the self-employment figures have resulted in a reduction of over 100,000 to our estimate of the employed labour force. Thus if we keep to the time periods in the bar chart version of the employment chart already submitted, mid-1983 to mid-1986 (Annex A), the growth in employment for the UK will be around 900,000. This will appear somewhat incongruous if in the text of the broadcast, reference is made to a million new jobs having been created since 1983 (true to 1986Q3). Mr Jay, of course, made just such a reference in the preliminary draft.

2. A solution to this is presented in Annex B. Here the chart is retitled 'Change in employment since 1983' (a slightly less disingenuous title in any case than Chart A), with the time periods now changed to 1983Q2 to 1986Q3. On the revised figures UK employment growth over this period will be very close to one million.

3. Chart B requires a further extrapolation of the figures for France. But we have had to extrapolate in any case to produce a figure for Q2 as the French only publish employment figures annually for Q4. The figures for each of the other countries have already been published.

4. I will bring a number of copies of Chart B to tomorrow's meeting, in case the Chancellor wishes to use it. As you know, we do not want to refer the revisions to the figures very widely.

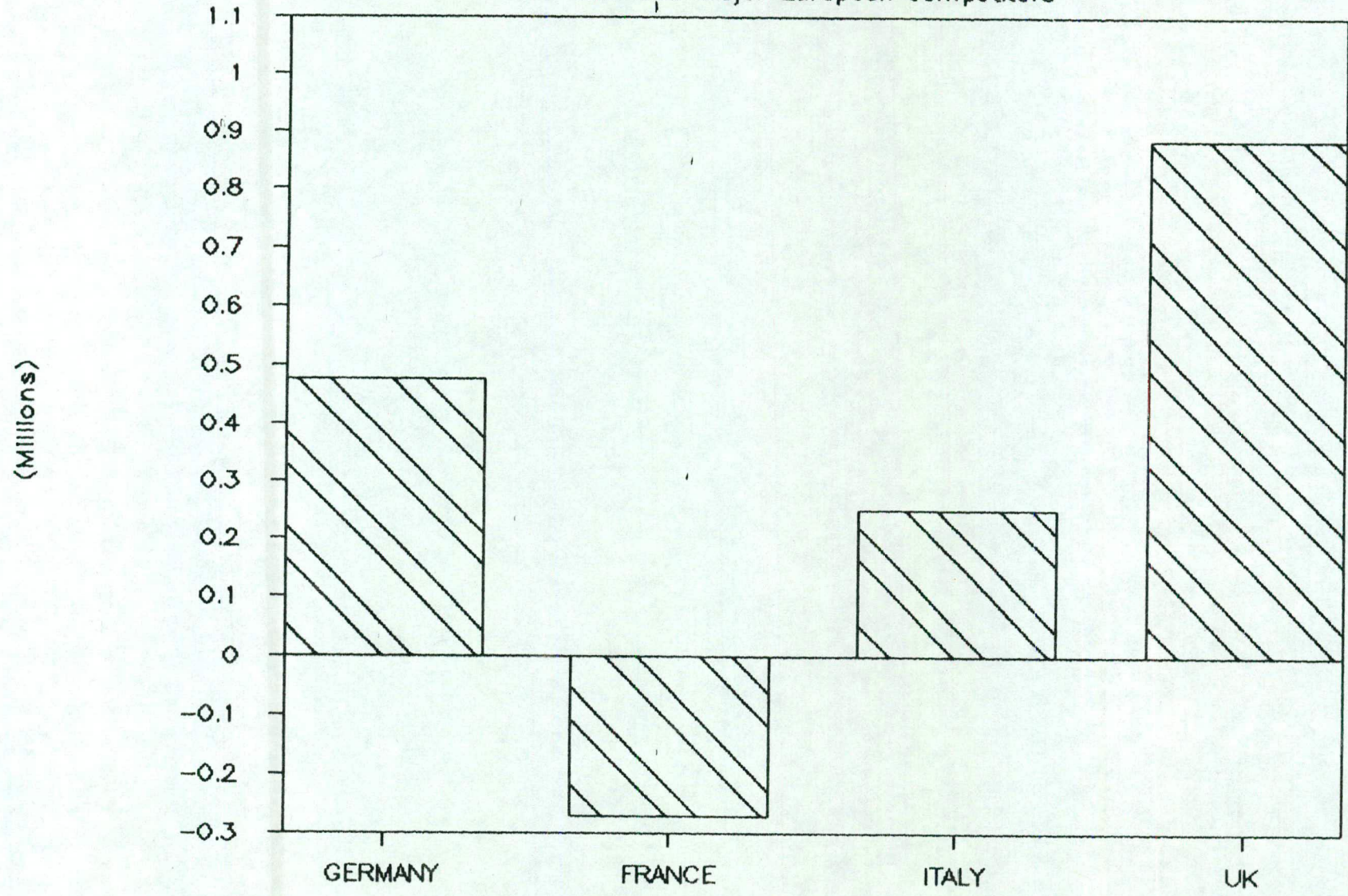


R D KERLEY

Annex A

CHANGE IN EMPLOYMENT: 1983-1986

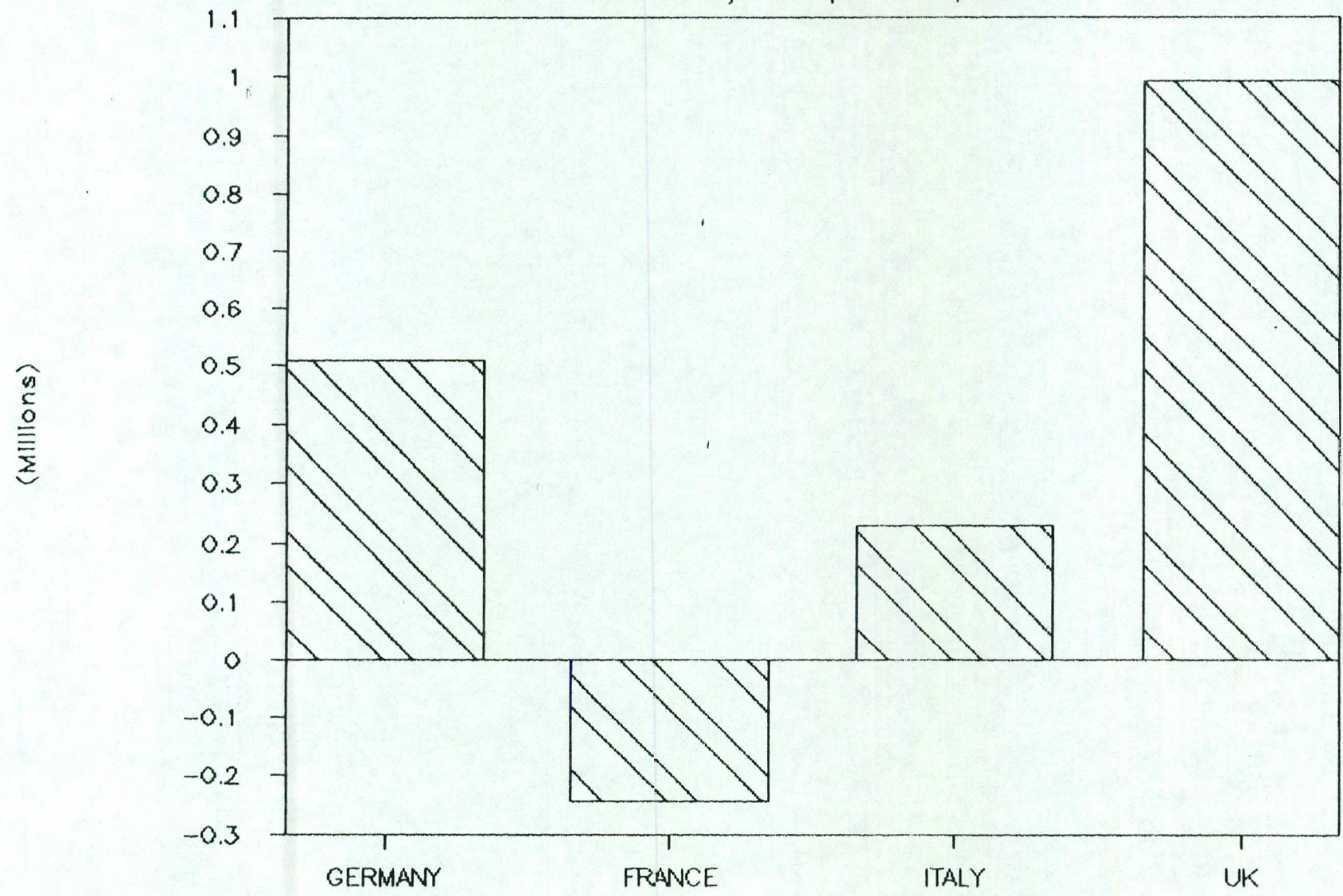
UK and major European competitors



Annex B

CHANGE IN EMPLOYMENT SINCE 1983

UK and major European competitors





RWP

C.



BROADCAST

1. As you will recall, the first job of this meeting is to finalise the charts, which I think you now have.

The BBC are proposing to use the electronic method.

2. The second thing is that they would like ~~to~~ you to record onto a tape recorder the words over the captions. This is only a specimen, but it ~~so~~ helps them to get the speed of reveals etc right.

3. This suggests that it is more pressing to get that text right, rather than the measures section.

On the latter, see Michael Scholer's comments (enclosed).

AMH

BUDGET BROADCAST: BUDGET MEASURES SECTION

[But there's still a lot to do, and today's measures will help us further along the road.]

They are all measures which take forward the policies we've followed ever since we came to office. First and foremost, to keep the Government's finances under control. In particular, this has meant getting borrowing down. [Throughout the 1970s/in 1979] our borrowing was double the average of our competitors, and even further ahead of Germany and Japan. But with the reductions I announced today, we will be well below the average.

Our other main objective has been to help the economy to work better. This hasn't meant interfering in everything - Governments have tried that, and it makes things worse, not better. It's hard work and enterprise that make for a thriving economy with more jobs.

That's why I cut income tax today - to give everybody a bigger incentive to play their part and help their firms to succeed. And there

will be a special tax relief for people whose pay is directly related to the profits their firm makes - so they will have the strongest possible incentive to give of their best.

For smaller firms, which are so important in creating new jobs I've lifted some of the burdens of VAT, so they can concentrate on the real task of succeeding in business.

BUDGET BROADCAST: BUDGET MEASURES SECTION:
SECOND DRAFT

MP

[But there's still a lot to do, and today's measures will help us further along the road.]

They are all measures which take forward the policies we've followed ever since we came to office. First and foremost, to keep the Government's finances under control. In particular, this has meant getting ^{Government} borrowing down. ~~[Throughout the 1970s/in 1979]~~ our borrowing was double the average of our competitors, and even further ahead of Germany and Japan. But with the reductions I announced today, we will be well below the ³⁴ average.

A

~~Our other main objective has been to help the economy to work better.~~ This hasn't meant interfering in everything - Governments have tried that, and it makes things worse, not better. It's hard work and enterprise that make for a thriving economy with more jobs.

That's why I cut income tax today - to give everybody a bigger incentive to play their part and help their firms to succeed. And there

B

We have also followed policies to make Britain a place where people ~~want~~ can do business.

BUDGET SECRET
BUDGET LIST ONLY

NOT TO BE COPIED

BUDGET

SECRET

B.L.O.

SECRET

BUDGET SECRET
BUDGET LIST ONLY

NOT TO BE COPIED

will be a special tax relief for people whose pay is directly related to the profits their firm makes - so they will have the strongest possible incentive to give of their best.

For smaller firms, which are so important in creating new jobs, I've lifted some of the burdens of VAT, so they can concentrate on the real task of succeeding in business.

BUDGET

SECRET

B.L.O.

SECRET

BUDGET SECRET
BUDGET LIST ONLY

NOT TO BE COPIED

BUDGET

SECRET

B.L.O.

SECRET

BUDGET SECRET
BUDGET LIST ONLY

NOT TO BE COPIED

A. INTRODUCTION

This year's budget has been widely billed as an electioneering budget. This it will not be.

I make no apology if, this afternoon, I disappoint those looking for a give-away budget.

I will not throw away in a few hours the hard fought gains, in terms of growth, employment, and inflation, which have been won over the past seven years.

I will today continue to follow the prudent policies of sound money and free markets which have proved so successful in promoting growth and lowering inflation since their inception seven years ago.

More recently these policies have borne fruit in a welcome fall in unemployment, and I have certain proposals to reinforce this trend.

I shall begin by reviewing the general economic background to the budget.

I shall next discuss monetary policy and the fiscal prospect both this year and next.

I shall then outline some new measures to assist the unemployed. Finally I shall propose some changes in taxation to further the objectives described above.

As usual, a number of press releases, filling out the details of my proposals, will be available from the Vote Office as soon as I have sat down.

PWF

FROM: I SCOTTIER
DATE: 4 MARCH 1987

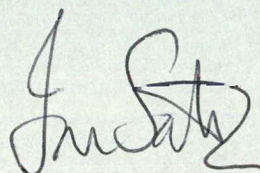
MR HUDSON

cc: PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Mr Scholar
Mr Culpin
Miss O'Mara
Mr G P Smith
Mr Gibson
Mr Kerley
Mr Cropper
Mr Tyrie
Mr Ross Goobey

BUDGET BROADCAST CHARTS

The attached table (taken from the weekly brief) would be the source of figures for charts of the type suggested by the Financial Secretary. For a single person or a married man without children the chart would show a fall between 1973-74 and 1978-79 - the first block would be below the horizontal axis.

2. Such a chart cannot make the point that real take-home pay fell in four successive years - between 1973-74 and 1977-78 - by almost 10 per cent in total for the single man.



IAN SCOTTIER

(iii)

Percentage change in real take-home pay

Multiple of average
earnings(1)

| | ½ | 1 | 2 | 5 |
|----------------------------------|------|------|------|-------|
| Single | | | | |
| 1973-74 to 1978-79 | -1.0 | -2.8 | -4.1 | -18.5 |
| 1978-79 to 1986-87 | 15.7 | 18.5 | 20.0 | 35.5 |
| 1973-74 to 1986-87 | 14.5 | 15.2 | 15.2 | 10.4 |
| Married with no children | | | | |
| 1973-74 to 1978-79 | 2.4 | -0.9 | -2.4 | -17.0 |
| 1978-79 to 1986-87 | 15.1 | 18.1 | 20.1 | 34.3 |
| 1973-74 to 1986-87 | 18.0 | 17.1 | 17.3 | 11.6 |
| Married with two children | | | | |
| 1973-74 to 1978-79 | 4.2 | 0.6 | -1.4 | -16.9 |
| 1978-79 to 1986-87 | 15.3 | 17.7 | 19.7 | 32.8 |
| 1973-74 to 1986-87 | 20.2 | 18.5 | 18.0 | 10.4 |

(1) Full time adult males (all occupations) (£213.40 a week in 1986-87).



FROM: J J HEYWOOD
DATE: 3 March 1987

✓ ~~AMH~~ 4.3.
MR HUDSON

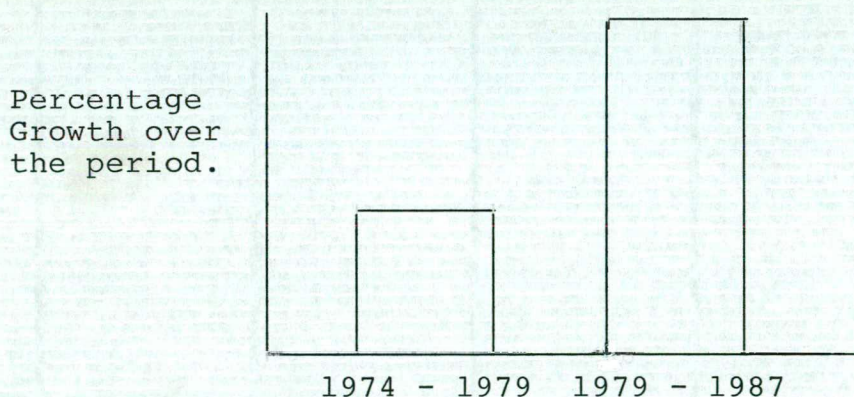
cc PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Mr Scholar
Mr Culpin
Miss O'Mara
Mr G P Smith
Mr Gibson
Mr Kerley
Mr Scotter
Mr Cropper
Mr Tyrie
Mr Ross Goobey

BUDGET BROADCAST CHARTS

The Financial Secretary has seen Mr Scotter's note of 3 March and the attached charts.

2. The Financial Secretary does not think any of these charts would be suitable for the Chancellor's broadcast. But he does think something could be made of the stories they tell.

3. He suggests that the Chancellor might want to consider charts of the form:



9.11

JEREMY HEYWOOD
Private Secretary

ENC

1. Anko
2. pur

From: R B SAUNDERS

Date: 5 March 1987

MR HUDSON

cc PPS —
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir T Burns
Mr Evans
Mr Scholar
Mr Sedgwick
Mr Culpin
Miss O'Mara
Miss Evans
Mr Kerley
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr P Lilley MP

BUDGET BROADCAST 1987

Sir Peter Middleton has read the draft attached to your minute of 3 March, which he thought a good one. He wondered whether it was worth reminding people in the "hard graft" section, however, that this has been accompanied by rising real incomes.

2. On a few more detailed points:

- (a) First paragraph page 2, last line, insert "with money that was worth something" after "pay her way".
- (b) Final paragraph on page 3 - he thinks a safer presentation for a broadcast would be for the third sentence to read "Throughout the sixties and seventies low productivity was the curse of Britain's manufacturing industry." In the following sentence, delete "needed", insert "used".

CONFIDENTIAL

(c) His feeling was that the word "not" occurred a bit too frequently around page 4. He would delete the sentence in the second paragraph "But it's not because new jobs aren't being created", because there is already a double negative earlier. Similarly, he wondered whether we needed the second sentence of the final paragraph on this page "It's not just the result of a good year".



R B SAUNDERS

Private Secretary

Plays on
Plain paper,
Same format.

Budget Broadcast 1987

Alternative Introduction

5.3.87

PHF

One of the things that always
~~is~~ surprises visitors to Britain
is our strange attitude to
success. It's ^{almost} as if we
thought it was bad manners
to admit we've done well
at anything. Or maybe
we feel we ought to be
top of everything, so it's
only when we've not ~~it~~ that
we talk about it. Whatever
the reason, we do seem to
have a national obsession
about finding fault with
ourselves.

Certainly it's true about

the British economy. It
would be quite hard for
a visitor to realise that
less than ten years ago
we were one of the ^{wakest} (shakiest)
of the industrial nations,
and today we are one of
the ^{strongest} (soundest). It's as if
it were a big national
secret. But like so many
secrets it has finally
found its way into the
papers. Just about
every recent survey, by
British

[CONTINUE P2 OF 1ST DRAFT AT
CAPTION 1]



FROM: A W KUCZYS

DATE: 6 March 1987

MR P GRAY

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr Monck
Mr Scholar
Mr Culpin
Mr Guy
Mr Cropper
Mr Ross Goobey
Mr Isaac - IR
Mr Lewis - IR
Mr Farmer - IR

PRP PRESENTATION

The Chancellor remains concerned at the very low take-up implicit in the £35 million cost figure. He would be grateful for a quick note on this.

A handwritten signature in dark ink, appearing to be "A W K".

A W KUCZYS

BUDGET SECRET



Copy No. 2 of 22.

FROM: A C S ALLAN

DATE: 9 MARCH 1987

PS/MINISTER OF STATE

cc Chief Secretary
 Financial Secretary
 Economic Secretary
 Sir P Middleton
 Sir T Burns
 Mr Cassell
 Mr Scholar
 Mr Culpin
 Miss O'Mara
 Mr Pickering
 Miss Sinclair
 Mr Mowl
 Mr Romanski
 Mr Cropper
 Mr Tyrie
 PS/C&E
 Mr Knox - C&E
 Mr Jefferson-Smith - C&E
 Mr Wilmott - C&E

EXCISE DUTIES: PRESENTATION

The Chancellor was grateful for your minute of 6 March. He will want to discuss this further with the Minister of State and others at a meeting on presentation.

2. He noted that, at the Minister of State's meeting, Mr Mowl said that the proportion of revenue from indirect taxes was expected to fall as a result of the Budget. This is surely not a result of the Budget: had it not been for the Budget the percentage would have fallen further. I should be grateful if Mr Mowl could provide the necessary figures.

3. He would be grateful to see Mr Wilmott's reworking of the indices of the real value of duty rates as soon as possible.

BUDGET SECRET



4. He would also be grateful if Mr Tyrie could draw up the list of Labour MPs who have made representations for duty standstills: it will include Mr Blair.

ACSA

A C S ALLAN

PWP

CONFIDENTIAL



FROM: P D P BARNES
DATE: 9 March 1987

MR HUDSON

AMH

9.3.

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Minister of State
- Sir P Middleton
- Sir T Burns
- Mr Scholar
- Mr Sedgwick
- Mr Culpin
- Miss O'Mara
- Miss Evans
- Mr Kerley
- Mr Cropper
- Mr Ross Goobey
- Mr Tyrie
- Mr P Lilley, MP

BUDGET BROADCAST

I attach the Economic Secretary's suggested amendments to the alternative introduction to the Budget Broadcast, attached to your minute of 9 March.

FB

P D P BARNES
Private Secretary

BUDGET BROADCAST 1987

Alternative Introduction

5 March 1987

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything. ~~Or maybe we feel we ought to be top of everything, so it's only when we're not that we talk about it.~~

But Whatever the reason, we do seem to have a national obsession about finding fault with ourselves.

Certainly it's true about the British economy. It would be quite hard for a visitor to realise that ^{, whereas} less than ten years ago we were one of the weakest of the industrial nations, ~~and~~ today we are one ^{of our recovery} of the strongest. It's as if ~~it~~ were a big national secret. But like so many secrets it has finally found its way into the papers. Just about every recent survey, by British

[CONTINUE P2 OF 1ST DRAFT AT CAPTION 1]



FROM: A P HUDSON
DATE: 9 March 1987

Handwritten signature

MISS O'MARA

Ch
Broadcast attached

- cc Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir P Middleton
- Sir T Burns
- Mr Scholar
- Mr Sedgwick
- Mr Culpin
- Miss Evans
- Mr Scotter
- Mr Kerley
- Mr Cropper
- Mr Ross Goobey
- Mr Tyrie
- Mr P Lilley - MP

**
 Per have a Xerox
 of the final
 broadcast.*

BUDGET BROADCAST: STANDARD OF LIVING

There was some discussion at last Thursday's meeting of whether to include a chart showing changes in standards of living under Labour and under the present Government.

2. The Chancellor was not keen to include such a chart. But he asked for a piece of text to make the point. The attached paragraphs have now been prepared, which could be used without the caption, with some modest changes.

*incorporated in
scissors - and - paste copy.*

AHH

A P HUDSON

BUDGET BROADCAST 1987

Possible insert: P.3, line 13.

STANDARD OF LIVING
CHARTANIMATE FIRST BLUE
BAR UPWARDSANIMATE SECOND BLUE
BAR UPWARDS

... to an all-time record. And the effect on our standard of living has been equally dramatic. In the past eight years the take home pay of a man on average earnings has gone up eighteen per cent. And that's after allowing for inflation - it's real extra spending power. And the less highly paid have also benefitted. The take home pay for a man earning only half the national average wage has gone up fifteen per cent in the same eight years.

CHANCELLOR

ST. OF LIVING CHART

ANIMATE FIRST RED
BAR UPWARDSANIMATE SECOND RED
BAR DOWNWARDS

And in case you think that's normal, take a look what happened to those same people under the previous five years of the last Labour Government. In those five years, the man earning half the average went up only just over two per cent. And the earnings of the man on the average wage actually went down in real terms - he was nearly one per cent worse off at the end of the Labour Government's five years than he'd been at the beginning.

And another key figure

UNCLASSIFIED



Handwritten initials

FROM: N G FRAY

DATE: 9 March 1987

MR CULPIN

HEADLINES FOR THE BUDGET BROADCAST

The Chancellor has seen and was grateful for your minute of 6 March.

Nigel Fray
N G FRAY

Pse thank

FROM: ROBERT CULPIN
DATE: 6 MARCH 1987

CHANCELLOR

Thank

- cc Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr Cassell
- Mr Scholar
- Mrs Lomax
- Miss O'Mara
- Mr Pickford
- Mr Cropper
- Mr Ross Goobey
- Mr Tyrie

HEADLINES FOR THE BUDGET BROADCAST

My headline hunt has yielded one which I claim as a PR triumph.
Cutting below. Story below that.

ROBERT CULPIN

Encs

**DOOMED
LAWSON
GETS A
REPRIEVE**

By COLIN CRAIG
and JEAN McLEISH

WORKERS at Lawson of Dyce have been told the factory has been given a nine-month reprieve — and is not expected to close until 1989.

Factories at Southall and Chippenham are to be closed by parent company Mattesson Walls, operations are to be extended in Manchester and a start on construction work has been delayed at Corby, employees have been told.

It is understood the firm may be rethinking the scale of their plans at Corby.

Top-level talks involving Mattesson Walls chairman Wim Kok and union representatives were under-way at Dyce today.

And a mass meeting of workers is being held on Saturday.

The USDAW shop stewards convener at the factory, Mr Charles Massie, said he hoped to be able to give good news to the workforce of about 500.

Mattessons Walls reached agreement last year with the local authority in Northamptonshire to acquire a site for a new £25 million plant in Corby which would employ more than 1000.

There has been speculation there about the project, which is planned for an area riddled with old iron ore workings.

But a local authority spokesman in Corby said today there were no problems with the site.

The factory employs about 500 people and Mattesson Walls had intended replacing the Dyce factory with a new one at Corby in England.

EXCLUSIVE

Aberdeen North MP Bob Hughes said he was still trying to find out exactly what was happening.

"I can't imagine that it will do Lawson of Dyce a lot of good to be scuttling about in Corby if there is any possibility of a problem over the site.

"If the firm is running into problems in Corby, maybe it will think again about moving at all," he said.

Dr Geoff Hadley, Grampian Region's convener, welcomed news of the extension to the factory's life.

"I think we would welcome any development of this sort because it would give us time to look at some other solution," he said.

"We obviously want Lawson to stay, but if it can't we would be looking at other possibilities."

Gordon MP Malcolm Bruce is to seek meetings with Mattesson Walls management to clarify the position.

The news comes on the day that Lawson of Dyce has been nominated for a Destruction of Scotland Award by the Scottish National Party.

The North-east factory came 10th in the voting for the new awards to companies which in public opinion have done the most damage to the Scottish economy through takeovers, job losses or other actions over the past year.

A total of 14,633 votes were cast by the Scottish public and the top three companies were Guinness (55%), Caterpillar (51%) and the British Steel Corporation (43%).



COPY NO. 1180F 12.

FROM: A W KUCZYS

DATE: 11 March 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Mr Cassell
Mr Scholar
Mr M L Williams
Miss Sinclair
Mr Graham - OPC
PS/IR

OIL TAXATION ISSUES: BUDGET STARTERS 160 AND 185

The Chancellor has seen your minute of 10 March. He agrees with the Financial Secretary's conclusions. On presentation, he has commented that the points in your paragraphs 6 and 7 are very important. We have to say:

"Assuming conditions in the oil market are such as to warrant retention of the CFA, then its cost over time could rise to".

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

A W KUCZYS



NOTE OF A MEETING HELD IN HM TREASURY
ON 12 MARCH 1987

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir T Burns
Mr Scholar
Mr Culpin
Miss O'Mara
Mr Pickford
Mr Pickering
Mr Beighton - IR
Mr Wilmott - C&E
Mr Cropper
Mr Tyrie
Mr Ross Goobey

BUDGET PRESENTATION

Income Tax

The Chancellor broadly agreed with the Financial Secretary's proposals in his 10 March minute. In particular, he agreed with paragraph 8 on the handling of the effects of lower tax rates on yields. He thought it was important to stress that the marginal tax rate would be lower for 95 per cent of the population, and that the combined tax and NIC burden at average earnings would be below that in 1978-79, though this did not seem to be true for a married couple with two children. Politically, the key thing was to bring out the distinction between the policies of the different parties.

2. The Chancellor said that there should be a double benefit on the tax front: credit for this year's reductions; and the demonstration that there was still a good deal more to do. It was thus important to bring out that non-oil taxes were not falling as a proportion of GDP.



3. It was agreed that the uniform definition of average earnings should be for full-time adult males.

4. On the higher rates of income tax, the reason for not indexing all the thresholds was that as last year, the benefit of income tax reductions had been concentrated on basic rate taxpayers. The Chancellor did not want to be drawn into specific commitments for the future, though we should certainly say that tax reform was going ahead. His New Year interview with the "Financial Times" gave a line to take on international comparisons, and made the point that further reductions were for the next Parliament.

Wider Share Ownership

5. It was agreed that the wider share ownership press release should be issued the day after Budget Day, to fit in with the Financial Secretary's speech in the Debate.

6. The Chancellor agreed with the Financial Secretary that the points to make were that all social classes were joining the ranks of shareholders, that there were shareholders all over the country, and that PEPs were doing well. As to international comparisons, he thought it would be safe to say that around 25 per cent of the adult population in the USA were shareholders; we were up to 20 per cent, and "catching up fast".

Excise Duties

7. The figures for real changes in excise duties under Labour and in the two Conservative Parliaments show how seriously the Government has taken health considerations. Drink would also be up over this Parliament but for the European Court decision on wine duty and the policy decision to compensate the whisky industry for the abolition of stock relief.



8. If asked why the freeze had occurred in this Budget, the answer should be both an appeal to commonsense, and the point that, just as pay settlements were starting to come down, it would be ridiculous to give a gratuitous nudge to inflation.

Corporation Tax

9. The best defence against charges that the burden was too high was that the Government had cut the National Insurance Surcharge when the corporate sector was in difficulties, and that the NIS would have brought in £4 billion in 1987-88, had it still been in place. The specific measures were justified on their merits.

Profit-related Pay

10. The Chancellor said that this was one of the main positive points in the Budget, and should be given prominence.

11. He thought there might be an attack that the measure was trivial. But the tax relief was up to double the amount in the Green Paper, and could easily be worth the equivalent of a penny off the basic rate. The published cost figure was less than the £150 million originally estimated, but that was a guess at the ultimate take-up. However, defensive material would be needed on the basis for the published costs.

Pensions

12. Mr Fowler will be making a major speech on pensions on 19 March.

13. Some people might ask why the Government was extending pension reliefs, when it thought they were excessive already. The answer was that the Government was achieving a level playing field, and giving more scope for personal choice.

14. The Chancellor commented that the presentation should not pull out the effects of the Budget on the financial sector.



Economic Background

15. The Chancellor said that the line to take in presenting the main economic decisions was that they represented continued prudence and caution; these policies were delivering the goods, and would lay the basis for future successes. The Chief Secretary added that we could say that, thanks to the prudent policies, the tax cuts that followed would stick. This would destroy the argument Labour were trying to run that there was a crisis round the corner and any tax cuts would have to be reversed.

A P HUDSON

17 March 1987

Circulation

Those present
Sir P Middleton
Mr Cassell
Miss Sinclair
Miss C Evans
PS/IR
PS/C&E

c
Content?

17/3

Not seen [initials]

1. MR CULPIN
2. CHANCELLOR

D
13/3

FROM: S H WOODALL
DATE: 13 MARCH 1987

cc Mrs Lawson

OK

BUDGET BROADCAST: ARRANGEMENTS

Last year we used the State Room at No 11 for your make-up for the Budget Broadcast and for recording the COI interview. However, this year the State Room will be used for the post-Budget Party.

2. Since the State Room will be occupied by the caterers at the time booked for both make-up and the COI interview, Mrs Lawson has suggested that we use the following rooms in the upstairs flat:-

- (a) Make-up in your dressing room; and
- (b) COI interview in the upstairs drawing room.

Are you content with these arrangements?

S H WOODALL



Ch

Tony Jay rang with two suggestions for post-Budget lines:

① In response to "lucky Lawson"

Quote Gary Player, who on holing an approach shot said "Yes I'm very lucky; and the funny thing is, the harder I work at it the luckier I get"

② In response to "economic crisis round the corner"

"Indeed, and it's the Labour party."

I doubt ② is a very likely line for Hattersley etc to run strongly (x you have already used variant of reply).

① is nice, but perhaps a bit boastful?

AA.

BUDGET BROADCAST

**ADDITIONAL SENTENCE ON
PUBLIC EXPENDITURE**

(to come after the end
of the Budget Measures
section)

And these tax changes come on top of
the extra spending on health, on
education and on other priority
services which I announced last
November.

Ch
Chief Secretary and Peter Cropper content, with
no alternative suggestions.
Andrew Tyrie would like to "turn defeat into
victory" and add at the end
"worth twice as much as the income tax cut
I announced today".

AA

1133

Revised draft
16 March 1987

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything.

Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are one of the strongest. It's almost as if our recovery were something to be ashamed of, some kind of dark secret. But like so many secrets ^{these days} it's finally found its way into the papers.

CAPTION 1
Montage of newspaper
headlines

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is strong and sound, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after twenty years of ^{relative} failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2
Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

As you can see, throughout the 'sixties we were bottom of the league. Again, throughout the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all our six European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3
Total national output
1970-1980

Reveal 1981-1987

After all the stops and starts of the 'seventies, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by 18 per cent

more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

Throughout the 'sixties we were bottom of the world productivity league. Throughout the 'seventies we were still bottom. But now, in the 'eighties, we are right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. We all know the figures are much too high. But it's not because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment
- France
- Italy
- Germany
- UK

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more jobs than we

had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they've allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

X In my Budget today I've once again been able to cut income tax; this time by two pence in the £, which means that the take-home pay of a man on average earnings will go up by more than £3 a week. And in the years ahead I want to get income tax lower still. For this is the only way to provide real incentives and stimulate enterprise; and that in turn is the only practical route to more jobs and an economy that can afford better public services. 5

X A lot of the new jobs will be in small businesses. That's why I've also introduced a number of measures to lighten their burden, especially the burden of VAT. And I've also announced a brand new tax relief for employees in firms where part of their pay is directly linked to the profit the company makes. This new idea, which could be worth the same as an extra penny off the basic rates of income tax to the employees

concerned, will not only give workers a greater personal interest in the success of the firm in which they work. It also means that companies will be less inclined to lay people off when profits fall, and more inclined to take them on when profits rise. Lastly, the Government has decided to introduce what we call personal pensions: which are a way of allowing people to make their own pension arrangements independent of either their employers or the State. And in today's Budget I've introduced a generous new tax relief for this, too.

END OF BUDGET MEASURES SECTION

CONCLUSION

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in ¹⁹⁸⁴ 1985 or the collapse of ^{our} oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and ^{we're} ~~we are~~ now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies of the past eight years, then we can all look forward to a new era of

security, of prosperity, and of
pride in the achievement of our
country.

END

12



Ch

Good news.

The word counts are
virtually identical
for this year & last
(around 1,130).

AWK
16/3



APt

House of
Commons

Project broadcast

script:

for Law typs - 100

a word com. - 100
1 from we may have

a term postion.

1 attach last year's

(wh. per who com.)
for comparison.

PS Please let me
have the back
retypes.
~~Handwritten~~



APTT

Redraft of entire
Section of Budget
from end of opening
to Budget measures.

Rest of journal.

Meanwhile, (a) per let

Mr A. Jay knows - by phone

of any changes to be

either spoken over the charts
as compared to what I

understand - I think the only
changes are to the output
one - a (b) let me have a
word-count.

BUDGET BROADCAST 1987

Revised draft.
16.
5 March 1987

~~Alternative Introduction~~

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything. ~~Or maybe we feel we ought to be top of everything, so it's only when we're not that we talk about it.~~ ^{But} ~~Whatever the reason, we do seem to have a national obsession about finding fault with ourselves.~~

EST & many others don't like this.

Certainly it's true about the British economy. ~~It would be quite hard for a visitor to realise that~~ ^{We find it hard to accept, whereas} ~~less than ten years ago we were one of the weakest of the industrial nations, and today we are one of the strongest.~~ ~~It's as if it were a big national secret.~~ ^{our recovery} ~~But like so many secrets it's~~ ~~has finally found its way into the papers. Just about every recent survey, by British~~

EST

~~But~~

EST

It's almost as if our recovery was smothered by a dark secret.

[CONTINUE P2 OF 1ST DRAFT AT CAPTION 1]

And that has meant higher ~~in~~ ~~the~~ ~~sky~~ ~~is~~
for pretty well everyone. Over the past
eight years the take-home pay of a
man on average earnings has gone up
~~18 per cent. And that's after allow~~
~~adjustment~~ by 18 per cent more than the
cost of living. Compare that with
what happened when ~~the~~ we last had
a Labour Government. In those five years,
the real take home pay of a man
on average earnings didn't ~~even~~ go up
at all: ~~because~~ in fact, ~~it~~ ~~was~~ ~~down~~ ~~by~~
~~the~~ ~~average~~ ~~was~~ ~~written~~ ~~off~~ ~~at~~ ~~the~~
end of the Labour Gov't. Now to have a
no sign.

But no way to getting the British economy
right has been the battle against inflation.

CAPTION 1

Montage of newspaper headlines

Just about every ^{recent} survey, ^{by British} ~~and foreign~~ ^{finds} experts, ~~shows~~ that our economy is strong and sound, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's ^{transformation} renaissance over these past eight years, after ^{twenty years} ~~two decades~~ of failure, is to look at the rate of ^{Economic} growth in the leading European countries.

MES

CAPTION 2

Growth league tables:
1960-1970

Add in 1970-1980

Add in 1980-1986

As you can see, ~~in the ten years from~~ ^{the late sixties} 1960 ^{'Sixties} to 1970 we were bottom ^{of the league}. In the ~~ten years from~~ ^{the late seventies} 1970 to 1980 we were still bottom. ^{But there's a re-ignition} ~~But since 1980, we are~~ top of the league - the fastest growing economy of all our six European rivals. And if you look at our national output over the years, you can see why.

1960s

Again, we've ~~to have~~ ^{been} ~~at the~~ ^{top}

CAPTION 3

Total national output
1970-1980

Reveal 1981-1987

After the ^{all} ~~ups~~ ^{stops} and ~~downs~~ ^{starts} of the years ^{'Stagnation} from 1970 to 1980, we ^{we've at last} have had six successive years of ^{healthy} ~~steady~~ growth, taking us ~~up to an all-time record.~~

MOM

~~much~~ ^{have}

far beyond anything we've ~~to~~ achieved before.

~~And another key figure is inflation.~~

CAPTION 4
Inflation
1970-1978
1979-1987

There was that terrible peak under the ~~1975~~ Labour Government, ^{in 1975,} and it was rising again when we took over ~~in 1979.~~ ^{over}

Since then ~~we have~~ ^{we've} brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that

Britain ~~has not~~ ^{hasn't} enjoyed for ~~twenty~~ ^{at least} years. But there is one figure that ~~is~~ ^{there's} almost more important, at least as a

pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and 'seventies was low productivity. ^{It cost us more}

~~to produce the same goods as our rivals to produce the same goods.~~ ^{We needed more people than our rivals to produce the same goods.}

Our competitors who were to produce more goods than we could with the same number of people

MOM [Makes it too evident that higher productivity is in part due to unemployment.]
D.M. 1985

~~to produce the same goods as our rivals to produce the same goods.~~ ^{We needed more people than our rivals to produce the same goods.} ~~to produce the same goods.~~ ^{to produce the same goods.}

CONFIDENTIAL

Throughout the 'sixties

CAPTION 5

Manufacturing productivity league tables '1960-70'

~~From 1960 to 1970~~ we were bottom of the ^{World} productivity league. ~~From 1970 to~~ *Throughout the 'seventies*

Add in '1970-1980'

~~1980~~ we ^{was} still ~~were~~ bottom of the ~~league~~. ^{now, in the 'eighties,} ~~But since 1980~~ we are top ^{right at the} of the *league! And*

Add in 'since 1980'

and if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and ^{the} most other industrial countries, is unemployment. We all know the figures are much too high.

But it's not because new jobs aren't being created. ^{They are: indeed} ~~It's because the~~

~~numbers joining the job register are growing so fast.~~ ^{ent} ~~In fact,~~ jobs are

another of Britain's growth areas. ^{success stories}

1/8/81

add 'sixties etc

MOM Move to ~~to~~ below as redrafted.

MCS

Contin 6

Change in Employment

- France
- Italy
- Germany
- UK

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained a quarter of a million jobs. ^{And West} Germany has created half a million jobs. But here in Britain we now have a million more jobs than we had in ~~when we were last elected in~~ 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now ~~falling~~ on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they're ~~not~~ allowed and encouraged to give their best. ~~to night sitting~~ (But there's still a lot to do, and today's measures will help us further along the road.

In my Budget to-day, I've once again
seen all to cut income tax; that
time by two pence in the £, which
means that the take-home pay of a
man on average ~~tax~~ will go up
by more than 7s a week. And in
the years ahead I want to get income
tax lower still. For that is the ~~simplest~~
way to provide ^{real} ~~real~~ ~~incentives~~ ~~and~~ ~~stimulate~~
enterprise; and that in turn is the only practical
route to more jobs and an economy that can
~~well~~ afford better public services.

A lot of the new jobs will be in
small businesses. That's why I've
also introduced a number of measures to
lighten their burden, especially the burden of VAT.
And I've also announced a brand new tax relief
for employers in firms where part of their pay
is directly linked to the profit the company makes.
This new idea, which could be worth the same as an
extra penny of the basic rate of income tax to
the employer concerned, will not only give

works a great pay network in the success
of the firm in which they work. It also means that
companies will be less inclined to lay people off
when profits fall, and more inclined to take them
on when profits rise. ~~The~~ lastly, the Government has
decided to introduce what we call personal
status: which is a way of allowing people
to make their own personal arrangements independent of
either their employers or the state. As in ~~the~~ today's
Budget I've introduced a generous ^{new} tax relief for
this, too.

When they're
allowed to
account to
the public.

tremendous energy and enterprise of
the British people ^{When they're given} ~~once government~~
~~gets off their back.~~ But there's still
a lot to do, and today's measures will
help us further along the road.

~~BUDGET MEASURES SECTION~~

END OF BUDGET MEASURES SECTION

Page

(AFTER BUDGET MEASURES)
CONCLUSION

All these measures are things we've
wanted to do for a long time, but
they're only possible ^{now} because of the
solid base and growing strength of
Britain's economy. And we have to
advance sensibly, because there's
always the unforeseen. If we hadn't
had this firm base, then the ^{coal} ~~miners'~~
strike in 1985 or the collapse of oil
revenues in 1986 could ^{have knocked us} ~~have put us back~~
~~years.~~ ^{2 1/2 off course.} In fact we were strong enough
to ride out both those storms, and we
are now ^{enjoying} ~~on course~~ for the sort of
success we haven't known since the
War. But we can't relax or let up.
It's taken eight ^{long} ~~tough~~ years to get
ourselves into this enviable position;
~~but~~ it would be ^{all} ~~only~~ too easy to chuck

Mom
MCS

CONFIDENTIAL

it ~~all~~ away. A ~~quick~~ return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of ~~hard graft~~ ^{hard fought gains} would ~~go~~ ^{all} ~~down the drain.~~ ^{be thrown away.} But if we stick to the steady, ~~restrained~~ ^{sound} policies of the past eight years, then we can ^{all} look forward to an ^{a new era} ~~unprecedented~~ level of security, of prosperity, and of pride in the achievement of our country.

END



FROM: A C S ALLAN
DATE: 16 March 1987

MISS O'MARA

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Culpin
Mr C Evans
Mr Kerley
Mr Hudson
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr P Lilley MP (*)
(*without Budget Measures section).

BUDGET BROADCAST

... I attach the final draft of the text for the Budget Broadcast. I should be grateful for any comments as soon as possible.

ACSA

A C S ALLAN

Revised draft
16 March 1987

APH

One of the things that always surprises visitors to Britain is ^{the} our strange attitude ^{we take} to success. It's almost as if we thought it was bad manners to admit we've done well at anything.

Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are one of the strongest. It's almost as if our recovery were something to be ashamed of, some kind of dark secret. But like so many secrets it's finally found its way into the papers.

CAPTION 1
Montage of newspaper
headlines

APH

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is strong and sound, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after twenty years of failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2

Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

APH
"throughout"
implies bottom
every year. But
I don't think it
really matters.

As you can see, ^{during} throughout the 'sixties we were bottom of the league. Again, throughout the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all ^{the} our

~~five~~ ^{six} European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3

Total national output
1970-1980

Reveal 1981-1987

T. Jay says
more words
may be needed.

After all the stops and starts of the 'seventies, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by 18 per cent

20 yrs
MOM: wind Con Courts!

MOM points out Green "our five rivals"

MOM: Drafting is mine.

more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

*MOM points out the Budget will improve
[and the Bgt will add even more to
the record - ~~18%~~ up 21% instead
of 18%.*

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

X

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity *As before.*
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

Throughout the 'sixties we were bottom of the world productivity league. Throughout the 'seventies we were still bottom. But now, in the 'eighties, we are right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. We all know ^{it's} [the figures are] much too high. But ^{that} it's not because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

APH: "the figures are..." suggests more massaging needed.

T. Jay thinks strongly need to explain here that people are joining the job register even faster.

CAPTION 6
Change in Employment
- France
- Italy
- Germany
- UK
MOM

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained ^{heavily} a quarter of a million jobs. ^h And West Germany has created half a million jobs. But here in Britain we now have a million more jobs than we

had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they've^{been} allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

MOM

BUDGET MEASURES SECTION

In my Budget today I've once again been able to cut income tax; this time by two pence in the £, which means that the take-home pay of a man on average earnings will go up by more than £3 a week. And in the years ahead I want to get income tax lower still. For this is the only way to provide real incentives and stimulate enterprise; and that in turn is the only practical route to more jobs and an economy that can afford better public services.

A lot of the new jobs will be in small businesses. That's why I've also introduced a number of measures to lighten their burden, especially the burden of VAT. And I've ~~also~~ announced a brand new tax relief for employees in firms where part of their pay is directly linked to the profit the company makes. This new idea, which could be worth the same as an extra penny off the basic rates of income tax to the employees

MOM. points out that, with indexation, cut is worth significantly more than £3 a week.

MOM

MOM

X

concerned, will not only give workers a greater personal interest in the success of the firm in which they work. It also means that companies will be less inclined to lay people off when profits fall, and more inclined to take them on when profits rise. Lastly, the Government has decided to introduce what we call personal pensions: which are a way of allowing people to make their own pension arrangements independent of either their employers or the State. And in today's Budget I've introduced a generous new tax relief for this, too.

END OF BUDGET MEASURES SECTION

CONCLUSION

X

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in 1985 or the collapse of oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and we are now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies of the past eight years, then we can all look forward to a new era of

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END



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DATE: 16 March 1987

MISS O'MARA

cc PS/Chief Secretary
 PS/Financial Secretary
 PS/Economic Secretary
 PS/Minister of State
 Sir P Middleton
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 Mr Ross Goobey
 Mr Tyrie
 Mr P Lilley MP (*)
 (*without Budget Measures section)

BUDGET BROADCAST

... I attach the final draft of the text for the Budget Broadcast. I should be grateful for any comments as soon as possible.

ACSA

A C S ALLAN

Ch
 Comments from 3 advisers,
 Mrs MOM, APH, Robert, P Lilley
 & Tony Jay (last two have
 not seen Budget measures section
 A course).

(spare below)

AA

Revised draft
16 March 1987

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything.

*Repetitive.
Use some
place
"Argumental thinking"*

Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are ^{becoming} one of the strongest. [It's almost as if] our recovery were something to be ashamed of, some kind of dark secret. But like so many secrets it's finally found its way into the ^{news} papers.

Alastair and P Cropper prefer "industrialised"

(Alastair)

Anyone would think

✓ P Lilley ("almost as if" in first para too).

✓ P Lilley

CAPTION 1
Montage of newspaper headlines

APH ✓

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is strong and sound, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after twenty years of failure, is to look at the rate of economic growth in the leading European countries.

MOM: 20 year A failure includes 70-74 consecutive Govt.
OK: SM 'JK-CADY'?

CAPTION 2
Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

APH "throughout" implies each year - refers "during", but wouldn't press.
OK: dummy

As you can see, throughout the 'sixties we were bottom of the league. Again, throughout the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all our six European rivals. And if you look at our national output over the years, you can see why.

MOM correctly points out five rivals!
ATyrie thinks nearly is comparing - surely Europe is 11.
So text to omit?

Choses "foremain" "main" ✓
nothing

CAPTION 3
Total national output
1970-1980

Reveal 1981-1987

T Jay now says may need a few more words.

Could do something like "When no sooner had the economy got into gear, it was slammed into reverse"
AAA

After all the stops and starts of the 'seventies, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by 18 per cent

more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

MOM points out 18% will go up to 21% post-Budget - but hard to see how to work this in - could say "has already gone up by 18%" @ bottom of previous page.

CAPTION 4
Inflation
1970-1978

1979-1987

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity
league tables '1960-70'

APH: as before

Add in '1970-1980'

Add in 'since 1980'

Throughout the 'sixties we were bottom of the world productivity league. Throughout the 'seventies we were still bottom. But now, in the 'eighties, we are right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

That's mainly because the numbers joining the job market are growing so fast.

APH ("the figures are" suggests more massaging)

Tony Jay feels strongly that we need to explain point about lots of people coming onto job market, since shows people will be confused about high unemployment & lots of new jobs.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. We all know ^{it's} [the figures are] much too high. [But] It's not because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment

- France
- Italy
- Germany
- UK

MOM

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained ^{nearly} a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more jobs than we

had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when ^{they're} ~~they've~~ allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

PCropper would prefer
"eight years of stable
Government, coupled with ..."

X

BUDGET MEASURES SECTION

Robert felt the style changed
gave rather noticeably; I've suggested
some 'popularisations' AT

MOM: with indexation of threshold,
significantly more than £3pw
(but I'd leave draft).

Robert

Alternative

As our record shows, that's
the way to give people
incentives and get the economy
working better. It's the only
way to create more jobs
and let us afford better
public services.

made several changes
to help them,
especially with VAT

MOM

people whose

In my Budget today I've once again
been able to cut income tax; this
time by two pence in the £, which
means that the take-home pay of a man
on average earnings will go up by
more than £3 a week. And in the
years ahead I want to get income tax
lower still. [For] This is the only
way to provide real incentives and
stimulate enterprise; and that in
turn is the only practical route to
more jobs and an economy that can
afford better public services.

A lot of the new jobs will be in
small businesses. That's why I've
also [introduced ^{made} a number of] measures
to lighten their burden, especially
the burden of VAT. And I've [also]
announced a brand new tax relief for
[employees in firms where part of
their] pay is directly linked to the
profit [the company] ^{their employer} makes. This [new
idea, which] could ^{easily} be worth the same
as an extra penny off [the basic rates
of] income tax to the employees

Robert

X

Robert (at me)

- or even more. It

people concerned [] will [not only] give [workers] a greater personal interest in the success of the firms [in which] where they work. It ^{will} also means [] that

companies will [be less inclined to] lay ^{fewer} people off when profits fall, and [more inclined to] take ^{more people} (them) on when profits rise. P Lastly, the

Government has decided to introduce what we call personal pensions:

[which are] a way of allowing people ^{- if they want to -} to make their own pension arrangements independent of either their employers or the State. [And] In today's Budget I've introduced a generous new tax relief for this, too.

A Tyrie & Steer

A Tyrie
(he's concerned that we need to say something to make it clear that State pensions not affected at all - or no)

END OF BUDGET MEASURES SECTION

ARG
would prefer " I've made available to everyone the generous tax reliefs previously open only to some " (see his minute below).

CONCLUSION

X

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in 1985 or the collapse of oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and we are now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies of the past eight years, then we can all look forward to a new era of

security, of prosperity, and of
pride in the achievement of our
country.

END

Final version
~~Revised draft~~
16 March 1987

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CAPTION 1
Montage of newspaper headlines

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is ^(sound and) strong, ~~and sound,~~ and that our prospects are better than they've been for a generation.

Handwritten notes in red ink:
H/W
Amended b/cast
Script, have
Consolidate all proposals
changes.
A. Jay will be coming
in with before I arrive
to read: Post Business
Daily, at 10 am as I have
sat down, he is shown
No 'interviews',
sections to that
he can
I will run go
over as
from as
I am ok.

Perhaps the clearest way to see Britain's transformation over these past eight years, after ~~twenty years~~ ^{decades} of failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2
Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

As you can see, ~~throughout~~ ^{during} the 'sixties we were bottom of the league. Again, ~~throughout~~ ^{during} the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all our

~~main~~ ^{main} six European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3
Total national output
1970-1980

Reveal 1981-1987

After all the stops and starts of the 'seventies, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by ~~18~~ ^{almost 20} per cent

When we seemed
always to be
lurching from one
crisis to the next,

more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

~~Throughout~~ ^{Dunly} the 'sixties we were bottom of the world productivity league. ~~Throughout~~ ^{Dunly} the 'seventies we were still bottom. But now, in the 'eighties, ~~we are~~ ^{We're} right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. ~~We all know the figures are much too high. But it's not~~ ^{That's because so many more people have been entering the job market. It isn't} because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment

- France
- Italy
- Germany
- UK

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained ^{almost} a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more jobs than we

had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when ~~they've~~^{they're} allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

In my Budget today I've once again been able to cut income tax; this time by two pence in the £, which ~~means that~~ ^{will increase} the take-home pay of a man on average earnings will ~~go up~~ by more than £3 a week. And in the years ahead I want to get income tax lower still. ~~For this is~~ ^{That's} the only way to provide real incentives and ~~stimulate enterprise~~ ^{to get the economy moving again better.} and that in turn is the only practical route to more jobs and an economy that can afford ^{the} better public services. ~~we all want~~ ^{we all want that.}

Stimulate Enterprise.

A lot of the new jobs will be in small businesses. That's why I've ^{made a number of changes to help} also introduced a number of measures ^{small businesses - and businesses -} to lighten their burden, especially ^{especially with VAT.} the burden of VAT. And I've also announced a brand new tax relief for ^{those} employees in firms where part of ^{that's what} their pay is directly linked to the profit ^{they} the company makes. This new idea, which could ^{be} ^{easy} be worth the same as an extra penny off ~~the basic rates~~ of income tax to the employees

X

concerned, will ~~not only~~ give ^{people} ~~workers~~ a greater personal interest in the success of the firms ~~in which~~ ^{where} they work. It ^{should} ~~also~~ mean that companies will be ~~less inclined to~~ ^{throw} lay people off when profits fall, and ~~more inclined to take them on~~ ^{more people} when profits rise. Lastly, the Government has decided to introduce what we call personal ^{Everyone} pensions: ^{giving people the opportunity to} which are a way of allowing people to ~~make their own pension arrangements,~~ ^{they choose to use it} independent of ~~either~~ their employers, ~~or the State.~~ And in today's Budget I've introduced a ~~generous new~~ tax relief for this, too, ^{as generous as the tax reliefs provided, open only to some.}

END OF BUDGET MEASURES SECTION

CONCLUSION

X

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in ^{1984 a} 1985 or the collapse of ^{oil} oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and ^{we're} ~~we are~~ now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies of the past eight years, then we can all look forward to a new era of

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pride in the achievement of our
country.

END

BUDGET SECRET

Copy No. 1 of 15.

FROM: A ROSS GOOBEY

DATE: 16 MARCH 1987

CHANCELLOR *e*

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Culpin
Miss C Evans
Mr Kerley
Mr Hudson
Mr Cropper

BUDGET BROADCAST

You asked for comments.

2. My concern is that there may be one too many superlatives and not enough comparatives. Of course, one cannot afford to be over-subtle, but you are likely to be accused, again, of being Panglossian.

3. In the second paragraph, apart from preferring "industrialised" to "industrial", I would insert "becoming" after "today we are".

4. The last sentence on personal pensions, I would prefer "I've made available to everyone the generous tax reliefs previously open ~~to~~ only ^{to} some." Introducing a generous new tax relief opens us up to some awkward questions on narrowing the tax base.

ARL

A ROSS GOOBEY

PS / Chancellor

Budget Broadcast

Only two comments:

Page 1 Line 11. I would still prefer it to read "weakest of the industrialised nations" rather than "industrial". But I have made my point.

Page 4 Line 8 "It's the reward of eight years of steady policies....." Might it not be better to say "It's the reward of eight years of stable Government ..."? ?

FJC
16 March

*Amended version
as on teleprompt.*

Final Version
16 March 1987

17/3/87.

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Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are one of the strongest. Anyone would think our recovery were something to be ashamed of, some kind of dark secret. But, like so many secrets these days, it's finally found its way into the newspapers.

CAPTION 1

Montage of newspaper
headlines

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is sound and strong, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after decades of relative failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2
Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

As you can see, during the 'sixties we were bottom of the league. Again, during the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all our main European rivals. And if you look at our national output over the years, you can see why.

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Total national output
1970-1980

Reveal 1981-1987

After all the stops and starts of the 'seventies, when we seemed always to be lurching from one crisis to the next, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by almost

20 per cent more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

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Inflation
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1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

Our competitors were able to produce more goods than we could with the same number of people.

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Manufacturing productivity
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

During the 'sixties we were bottom of the world productivity league. During the 'seventies we were still bottom. But now, in the 'eighties, we're right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. That's because so many more people have been entering the job market. It isn't because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

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Since 1983, France has lost almost a quarter of a million jobs. Italy has gained almost a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more

jobs than we had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they're allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

In my Budget today I've once again been able to cut income tax; this time by twopence in the £, which will increase the take-home pay of a man on average earnings by more than £3 a week. And I've done so without putting any extra tax on petrol, beer or tobacco. In the years ahead I want to get income tax lower still. That's the only way to provide real incentives and to stimulate enterprise. And that in turn is the only practical route to an economy that can afford the better public services we all want to see, and above all to more jobs.

A lot of the new jobs will be in small businesses. That's why I've also made a number of changes to help small businessmen - and businesswomen - especially with VAT. I've also announced a brand new tax relief for those whose pay is directly linked to the profit their company makes. This could easily be worth the same as an extra penny off

income tax to the employees concerned. It will give people a greater personal interest in the success of the firms where they work, and should also mean that companies will lay fewer people off when profits fall, and take more people on when profits rise. And I've also introduced a tax relief for personal pensions, which are a way of giving everyone the opportunity to make their own pension arrangements, independent of their employers. And these tax changes come on top of the substantial extra spending on health, education and other priority services which I announced last November.

END OF BUDGET MEASURES SECTION

CONCLUSION

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in 1984 and 1985 or the collapse of our oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and we're now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies

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END



FROM: A C S ALLAN

DATE: 16 March 1987

MISS O'MARA

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Sir P Middleton
Sir T Burns
Mr Scholar
Mr Culpin
Mr C Evans
Mr Kerley
Mr Hudson
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr P Lilley MP (*)
(*without Budget Measures section)

BUDGET BROADCAST

... I attach the final draft of the text for the Budget Broadcast. I should be grateful for any comments as soon as possible.

A handwritten signature in dark ink that reads 'ACSA' with a horizontal line underneath.

A C S ALLAN

Revised draft
16 March 1987

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END OF BUDGET MEASURES SECTION



CONCLUSION

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END



FROM: A C S ALLAN
DATE: 16 March 1987

MISS O'MARA

cc Mr Scholar
Mr Culpin
Mr Kerley
Mr Hudson
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr P Lilley MP (*)
(*without Budget Measures section)

BUDGET BROADCAST

... Thanks to you and others for your comments. I now attach the Chancellor's amended text.

ACSA

A C S ALLAN

Final Version
16 March 1987

One of the things that always surprises visitors to Britain is our strange attitude to success. It's almost as if we thought it was bad manners to admit we've done well at anything.

Certainly it's true about the British economy. We find it hard to accept that, whereas less than ten years ago we were one of the weakest of the industrial nations, today we are one of the strongest. Anyone would think our recovery were something to be ashamed of, some kind of dark secret. But, like so many secrets these days, it's finally found its way into the newspapers.

CAPTION 1
Montage of newspaper
headlines

Just about every recent survey, whether by British industry or by independent experts, finds that our economy is sound and strong, and that our prospects are better than they've been for a generation.

Perhaps the clearest way to see Britain's transformation over these past eight years, after decades of relative failure, is to look at the rate of economic growth in the leading European countries.

CAPTION 2
Growth league tables:
1960-70

Add in 1970-1980

Add in 1980-1986

As you can see, during the 'sixties we were bottom of the league. Again, during the 'seventies, we were still bottom. But in the eighties we've been right at the top of the league - the fastest growing economy of all our main European rivals. And if you look at our national output over the years, you can see why.

CAPTION 3
Total national output
1970-1980

Reveal 1981-1987

After all the stops and starts of the 'seventies, when we seemed always to be lurching from one crisis to the next, we've at last had six successive years of steady growth, taking us far beyond anything we've achieved before.

And this has meant higher living standards for pretty well everyone. Over the past eight years the take-home pay of a man on average earnings has gone up by almost

20 per cent more than the cost of living. Compare that with what happened when we last had a Labour Government. In those five years, the real take home pay of a man on average earnings didn't go up at all: in fact he was worse off at the end of the Labour Government than he was at the beginning.

But the key to getting the British economy right has been the battle against inflation.

CAPTION 4
Inflation
1970-1978

1979-1987

There was that terrible peak under the Labour Government in 1975, and it was rising again when we took over in 1979. Since then we've brought it down to around four per cent. And that combination of falling inflation with rising output is a blessing that Britain hasn't enjoyed for at least twenty years. But there's one yardstick that's even more significant, at least as a pointer to the future. The curse of Britain's manufacturing industry throughout the 'sixties and the 'seventies was low productivity.

Our competitors were able to produce more goods than we could with the same number of people.

CAPTION 5
Manufacturing productivity
league tables '1960-70'

Add in '1970-1980'

Add in 'since 1980'

During the 'sixties we were bottom of the world productivity league. During the 'seventies we were still bottom. But now, in the 'eighties, we're right at the top of the league. And if our productivity is growing faster than our rivals, that's great news for the years to come.

Of course the toughest problem, for Britain and for most other industrial countries, is unemployment. That's because so many more people have been entering the job market. It isn't because new jobs aren't being created. They are: indeed jobs are another of Britain's growth areas.

CAPTION 6
Change in Employment

- France
- Italy
- Germany
- UK

Since 1983, France has lost almost a quarter of a million jobs. Italy has gained almost a quarter of a million jobs. And West Germany has created half a million jobs. But here in Britain we now have a million more

jobs than we had in 1983. A net gain of a million jobs: more than in all the others put together. And unemployment is now on the way down.

So that's the background to today's Budget. It's not just the result of one good year. It's the reward of eight years of steady policies by the Government, coupled with the tremendous energy and enterprise of the British people when they're allowed and encouraged to give of their best. But there's still a lot to do, and today's measures will help us further along the road.

BUDGET MEASURES SECTION

In my Budget today I've once again been able to cut income tax; this time by twopence in the £, which will increase the take-home pay of a man on average earnings by more than £3 a week. And in the years ahead I want to get income tax lower still. That's the only way to provide real incentives and to stimulate enterprise. And that in turn is the only practical route to more jobs and an economy that can afford the better public services we all want to see.

A lot of the new jobs will be in small businesses. That's why I've also made a number of changes to help small businessmen - and businesswomen - especially with VAT. And I've announced a brand new tax relief for those whose pay is directly linked to the profit their company makes. This new idea, which could easily be worth the same as an extra penny off income tax to the

employees concerned, will give people a greater personal interest in the success of the firms where they work. It should also mean that companies will lay fewer people off when profits fall, and take more people on when profits rise. Lastly, the Government has decided to introduce what we call personal pensions: which are a way of giving everyone the opportunity to make their own pension arrangements, independent of their employers. In today's Budget I've introduced a tax relief for this, too, as generous as the tax reliefs previously open only to some.

END OF BUDGET MEASURES SECTION

BUDGET BROADCAST

**ADDITIONAL SENTENCE ON
PUBLIC EXPENDITURE**

(to come after the end
of the Budget Measures
section)

And these tax changes come on top of
the extra spending on health, on
education and on other priority
services which I announced last
November.

CONCLUSION

All these measures are things we've wanted to do for a long time, but they're only possible now because of the solid base and growing strength of Britain's economy. And we have to advance sensibly, because there's always the unforeseen. If we hadn't had this firm base, then the coal strike in 1984 and 1985 or the collapse of our oil revenues in 1986 could have knocked us right off course. In fact we were strong enough to ride out both those storms, and we're now enjoying the sort of success we haven't known since the War. But we can't relax or let up. It's taken eight long years to get ourselves into this enviable position: it would be all too easy to chuck it away. A return to the high spending, high borrowing binges of the 'sixties and 'seventies, and eight years of hard fought gains would all be thrown away. But if we stick to the steady, sound policies

of the past eight years, then we can
all look forward to a new era of
security, of prosperity, and of
pride in the achievement of our
country.

END

BUDGET BROADCAST

**ADDITIONAL SENTENCE ON
PUBLIC EXPENDITURE**

(to come after the end
of the Budget Measures
section)

And these tax changes come on top of
the extra spending on health, on
education and on other priority
services which I announced last
November.

PS/Chief Secretary
cc Mr Ross Goobey
Mr Tyrie
Mr Culpin

This is suggested additional
sentence for Budget broadcast to
meet point raised in Cabinet about
"re-launch of Autumn Statement"

The Chancellor would be grateful
for any comments from the Chief Secretary
on this, or ideas for alternative formulations.

Alex Allan

PhP



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27 March 1987

A handwritten signature in cursive script, appearing to read 'Tony Jay'.

BUDGET BROADCAST

Forgive me for not writing sooner to thank you for your invaluable help with the Budget Broadcast. All the feedback I have received since has been very good, and I am most grateful for all you did to make it a success.

A handwritten signature in cursive script, appearing to read 'Nigel Lawson'.

NIGEL LAWSON