

PO-CH/NL/0236

PART G

Part G.

CONFIDENTIAL
(Circulate under cover and notify REGISTRY of movement)

Begins: 16/3/87.

Ends: 24/6/87.


PO -CH /NL/0236


PART G

Chancellor's (Lawson) Papers:

OPPOSITION PARTIES
POLICIES AND STATEMENTS
IN THE RUN UP TO THE
1987 GENERAL ELECTION

The General Election

Disposal Directions: 25 Years



21/9/95.

NL/0236

PO -CH

PART G

CONFIDENTIAL

Ch/You asked to see the back papers on this on Friday night. I'm afraid it has taken a while to track them down.

FROM: M HAIGH
DATE: 16 MARCH 1987

- 1. MR SCHOLAR
- 2. CHANCELLOR OF THE EXCHEQUER

cc Mrs Lomax
Mr Neilson
Mr Romanski
Mr Elliott - IR

Pls ask the EST to look into this whole area. Mr.

DIRECT TAX RELIEF FOR INCIDENTAL COSTS OF RAISING EQUITY FINANCE

You were interested in this as a possible offset to the effects of the VAT partial exemption package on new issues.

2. This was last looked at in detail as a starter for the 1985 Budget, and rejected primarily on grounds of cost - estimated then at £90m. A copy of the Revenue's submission of 19 December 1984 is attached.

3. A couple of quick points

- new equity is not the whole story. The VAT partial exemption changes will also affect new issues of eg Eurobonds, loan stock and convertibles. Corporation tax relief for incidental costs of raising loan capital is already available following legislation in 1980 and 1983;
- the Revenue's costings of the extension to equity were pretty conjectural, and are now out-of-date. But it does seem plausible that the cost of a CT relief would be comparable to, and possibly significantly higher than, the VAT yield in prospect from new issues;
- a relief for incidental costs of raising equity would not affect the behavioural implications of the VAT package - the incentive to buy services through an overseas agent - unless the relief were restricted to UK-supplied services. This looks difficult from an EC point of view, and the existing relief for incidental costs of raising loan capital includes no such restriction.

[Handwritten Signature]
M HAIGH



FROM: R G LUSK
 INLAND REVENUE
 POLICY DIVISION
 SOMERSET HOUSE

19 December 1984

1. MR BEIGHTON
2. FINANCIAL SECRETARY

The note the Chancellor commissioned on this proposal on abolition corporation duty will be coming forward very shortly. The arguments against this route for

INCIDENTAL COSTS OF RAISING EQUITY FINANCE
 FINANCE BILL STARTER NO 166

helping equity issues from to me considerably weaker than the arguments in favour JHB 20/12

1. Making the incidental costs of raising equity finance tax deductible was one of the possibilities considered earlier this year as a 'lollipop' for the 1984 Finance Bill. In the event you decided not to pursue the idea but asked that it be put forward as a possible starter for 1985.

What is meant by raising equity finance

2. Raising equity finance simply means a company raising money by issuing shares. This may be done by the company issuing a prospectus with a direct invitation to the public to subscribe, an offer for sale where the shares are sold through a specialist issuing house, a placing with a broker or a rights issue to existing shareholders. But there are other situations where costs may be incurred although shares are not issued (where authorised share capital is increased but further shares are not issued at that time) or shares are issued but no additional cash is raised (where a company makes a free (bonus) issue to shareholders by way of capitalising profits and so enlarging its capital base).

cc PS/Chancellor of the Exchequer
 PS/Chief Secretary
 PS/Economic Secretary
 PS/Minister of State
 Mr Cassell
 Mr Lankester
 Mr Monck
 Mr Monger
 Mr R I G Allen
 Mr Graham OPC
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 Mr Lord

Mr Green
 Mr Isaac
 Mr Beighton
 Mr O'Leary
 Mr Painter
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 Mr Lusk
 Mr Tyrer
 Mr Whitear
 Miss-Dyall
 PS/IR

What costs are involved

3. The costs of an issue include advertising, postage, printing, legal and brokers fees, underwriting commissions etc and capital duty. The typical costs of an issue might range from say 10 per cent of the sums raised for an offer for sale on the listed market to not much over 2 per cent for a placing on the Unlisted Securities Market. But this will vary accordingly to the detail of the issue and the method used. For instance a company can either meet the underwriting costs directly or sell the shares to an issuing house at a discount on the price at which they are to be sold on to the public leaving the issuing house to meet the underwriting costs.

Present tax treatment

4. For a trading company the general rule for expenditure to be deductible is that it must be wholly and exclusively for the purposes of the trade and be of a revenue (not capital) nature. In the case of an investment holding company the expenses must be expenses of management. The costs of raising equity fail to qualify both because they count as capital and for the investment company they are not expenses of management.

5. The capital/revenue divide is fundamental to our present tax system and broadly parallels the accountancy treatment although for tax purposes capital does not have precisely the same meaning as that used by accountants. A company's fixed capital assets (and liabilities) are the means by which it carries on its business and are distinguishable from current assets such as debtors and trading stocks. The latter enter into the calculation of profit whereas the former do not. For example we would not allow a revenue deduction for the cost of building say, a factory (plus the associated incidental costs) or for its depreciation although capital allowances would be given instead. Share issues (and their costs) relate to the permanent funding of the company. They represent the capital debt owed by the company as a separate entity to its shareholders.

Recent changes

6. Following the issue of a consultative document in 1979, the 1980 Finance Act included a provision to give relief for the cost of raising loan finance. This change met a number of representations which had been made and was justified on the grounds that since the main cost of loan finance, ie the interest, was deductible, it was reasonable that the cost of raising the finance should also be allowable, particularly since in so far as the costs were those of the lender they might either be reflected in the rate of interest or charged separately. The 1983 Finance Bill included a provision, which was not in the event enacted until this year, to widen this deduction to include the costs of issuing convertible loan stock in so far as the conversion rights could not be exercised for three years (and so could be regarded more like a debenture than equity).

Arguments in favour of giving relief

7. The arguments which have been put forward in favour of the relief are three-fold. First, the different tax treatment between the costs of equity issues and the costs of loan issues adds to the distortions in the tax system in favour of loan finance. You will recall that earlier this year it was not found practicable to make structural changes to the corporation tax system in order to remove in all cases the bias against dividends as compared with interest. Instead the policy of reducing the rates of tax has had a broadly similar effect. By equating the small companies rate of corporation tax with the basic rate of income tax, the bias has been removed for companies paying CT at the small companies rate; and it is being progressively reduced for other companies with the staged reductions in the main rate. However, even at 35 per cent there will still be a bias in favour of loan finance and the preferential treatment of the costs of issuing debentures will add marginally to that bias. In so far therefore as it remains the Government's policy to remove distortions in the tax system, the granting of relief for the capital costs would be a move in the right direction.

8. Second, the relief would encourage the markets by making it more attractive for companies to seek equity. It would thus fit in well with other measures which Ministers have been taking to help the capital markets such as reductions in stamp duty. This may be particularly important during the next couple of years or so during a period of rapid change when many adjustments are having to be made to take account both of the need for greater competition and investor protection, and for the desire to bolster the position of London as a world market at a time when other markets around the world are developing rapidly.

9. Third, there is the general argument that these costs are "proper" business expenses and so should be deductible whether they are strictly of a capital nature or not. On this argument there is a need to eliminate all "nothings" as costs and circumstances allow and to extend the relief in the way now being suggested is the next logical step to take along the road.

Arguments against the relief

10. The first argument against giving the relief is that of principle. The distinction which the tax system makes between income and capital follows one of the most fundamental tenets of accountancy and should not be lightly set aside.

11. Second, there are substantial differences between loan capital and equity which are reflected in the different way each is treated for tax and which can reasonably be followed in the tax treatment of the costs of raising the finance. Interest - the cost of servicing loans - is treated as a deduction in arriving at profits before tax, whereas dividends - the cost of servicing equity - are treated as a distribution of the after-tax profits. The 1980 legislation followed this distinction by allowing the costs only where the interest on the loan was allowed for tax. Equity finance determines the ownership of the business - loan finance is raised for the purposes of the company's trade. Indeed a holding company may have a very large share capital but little in the way of business activity. At the time of the

1980 legislation Ministers took a conscious decision not to extend the relief to equity issues despite being pressed very hard to do so. They recognised the distinction between equity and loan finance and did not accept there was any inconsistency in giving relief for one and not the other. The limited relaxation on convertibles legislated this year effectively reinforced that view.

12. The changes made earlier this year in the rates of corporation tax will very substantially reduce those differences between the tax treatment of equity and loan finance - and it was right that they should - but it does not follow that the differing forms of finance ought to be treated in precisely the same way. Moreover there is very little reason to suppose that the difference in the treatment of the capital costs of loan and equity finance would be more than a marginal factor in deciding the form to adopt in any particular case. There are going to be many factors other than cost in making the decision, but in so far as cost is a factor, the difference over a period of years which a change in the tax treatment of the capital costs would make would be really quite small. On this basis the behavioural effect of the relief on companies and the markets would be small and by far the greater part of the cost (paragraph 16 below) would be dead weight.

13. Finally there are practical considerations. The first arises from the different circumstances in which equity may be issued. Broadly the consideration for the issue of equity may be in cash, in kind (transfer of assets of any description) or the giving up of rights on the conversion of loan stock already in issue into shares. At one extreme is the straightforward raising of new finance. At the other there is the cost of issuing shares in respect of a successful takeover of another company where no fresh money is forthcoming. And there are intermediate positions involving a bonus issue possibly following from a reorganisation of a company's financial structure but which has nothing to do with the raising of finance; and such as the deeply discounted rights issue which has features of both a bonus issue and a

Fund-raising operation. There is no obvious point at which a line between one kind of equity issue and another could be drawn and defended. If the intention is to encourage only the raising of new finance it would be right to restrict relief to issues of equity shares for cash. But we think it would be indefensible to restrict relief to cash situations. It would exclude bonus issues and arrangements involving the transfer of assets without a cash step in the chain (the obvious non-cash cases are where an individual or partnership transfers the assets and goodwill of the business to a company in return for shares or a company puts some assets into a subsidiary), and would not deal satisfactorily with the discounted rights issue. The only practicable solution might therefore be to move away from the concept of raising new finance and relieve the costs of all equity issues. Even then some rules for non resident companies with a trading presence in the United Kingdom would probably be necessary. The costs relate to the company rather than its trade and it would be for consideration whether any relief should be given in this situation.

14. The repercussions would not stop there. If relief were given for the cost of raising equity finance generally ie, of an increase in capital, there would then be pressure to allow the expenses of share reorganisations following company amalgamations or reconstructions (eg changing shares into stock or altering the rights attached to shares in issue), the costs of securing a Stock Exchange quotation, and of redeeming shares. And why not allow the costs of a reduction in capital where a company buys in its shares. Moreover it would be only a short further step to give relief for the capital costs of other methods of financing and on finance leases and hire purchase.

15. The second practical problem would arise with takeovers. It would be necessary to separate the costs of issuing shares in respect of a successful bid from the other costs of the takeover which in the case of a prolonged battle may account for by far the greater part of the total costs. The Accepting Houses have not been approached afresh but they have said in the past that it would not be possible to isolate the costs of the actual share

issue from the total bill which the advising merchant bank would present to its client company. But if as a result all takeover costs were to be relieved this would go well beyond the scope of the original proposal and would push up the cost. Indeed the main cost might well arise from contested takeovers and share reconstructions rather than from issues which raised genuine new money. If all takeover costs had to be relieved there would be a very strong case to give relief also for the costs of successfully fighting off a takeover even though it did not involve the issue of equity.

Cost

16. The 1980 relief for the costs of loan issues was a narrowly drawn provision and the cost was estimated at £m5. Even if the relief could be narrowly drawn round the costs of raising cash, it would be rather more than a mere extension of the existing provision and this would be reflected in significantly higher costs. The cost would depend on a number of factors - in particular the amounts of equity raised and the method used and so the level of costs; and the precise coverage of the relief. The estimate made earlier this year put the cost at £m20 - £m40 but this was more a rough order of magnitude than a precise estimate. It related only to capital raised through public flotations and rights issues and assumed variable costs were 3 per cent. We now think the cost could be a good deal higher but it obviously depends upon the scope of the new relief. If we assume that relief would be given in every situation where shares were issued (whenever capital duty was payable) and that costs were 5 per cent of the total value of issues the full year cost would be £m150. But some capital is raised more cheaply outside the stock exchange and working on, say, a 3 per cent cost would imply a figure of £m90. Companies not paying tax would get no immediate benefit from the relief and it might be several years before the full cost came through.

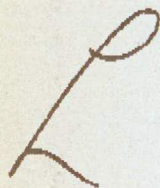
Conclusion

17. Relief for the costs of raising equity finance could be introduced if you wish. But it would not be straightforward; there would be practical problems in excluding costs not directly related

to the raising of the finance (costs of a takeover) and it could open up pressure in other areas where capital costs are not deductible. It could be quite expensive. On the other hand relief would make equity a little more attractive vis-a-vis loan stocks and be in line with Government policy towards the capital markets.

18. Our recommendation remains against extending relief to the costs of equity finance. The reasons are those which persuaded Mr Rees in 1980 to draw the line where he did and your predecessors at other times in the past four years, when the point has surfaced, to hold the line there.

19. Abolition of capital duty would be another way of reducing the costs associated with equity. The Chancellor has asked about this possibility (Miss O'Mara's minute of 12 December) and we shall shortly be sending up a separate note on this.



R G LUSK



FROM: R G LUSK
 INLAND REVENUE
 POLICY DIVISION
 SOMERSET HOUSE

19 December 1984

1. MR BEIGHTON
2. FINANCIAL SECRETARY

The note the Chancellor commissioned on this proposal on abolishing corporation duty will be coming forward very shortly.

The arguments against this route for incidental costs of raising equity finance help equity issues from to me considerably weaker than the arguments in favour. JHB 20/11

1. Making the incidental costs of raising equity finance tax deductible was one of the possibilities considered earlier this year as a 'lollipop' for the 1984 Finance Bill. In the event you decided not to pursue the idea but asked that it be put forward as a possible starter for 1985.

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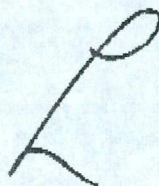
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R G LUSK



1. *AK*
2. *RSP*

FROM: A W KUCZYS
DATE: 16 March 1987

PS/ECONOMIC SECRETARY

cc(Without attachments)
Mr Scholar
Mrs Lomax
Mr Haigh
Mr Neilson
Mr Romanski
Mr Elliott - IR

**DIRECT TAX RELIEF FOR INCIDENTAL COSTS OF RAISING EQUITY
FINANCE**

... I attach a note from Mr Haigh, enclosing papers from 1984 on this subject. The Chancellor would be grateful if the Economic Secretary could look into this whole area.

AK
A W KUCZYS



FROM: CATHY RYDING
DATE: 16 March 1987

PS/CHIEF SECRETARY

cc Minister of State
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Cassell
Mr Hawtin
Mr Pirie
Mr Perfect
Mr Tyrie

**"LABOUR FINDS LOOPHOLES TO SET NEW RATE" -
LEICESTER MERCURY FRIDAY 13 MARCH**

The Chancellor has asked me to send to you a copy of the attached cutting from Friday's Leicester Mercury.

CR

CATHY RYDING

City Council rates meeting

Labour find loopholes to set new rate

by Joe Murphy, Civics Reporter

Creative accounting — in other words, exploiting legal loopholes — was the name of the game as Leicester City Council passed Labour's 4.9 per cent rate rise.

Labour pulled every trick in the book — and some new ones — to enable far more spending than the Government technically allows.

Tories condemned the practice but produced some "magic" of their own for a package to cut the rates, but increase spending.

Their gesture was futile against the big Labour majority and the budget was steamrollered through by the jubilant controlling group.

A new ploy was used to help boost next year's capital spending far beyond the Government-imposed restrictions.

For the first time, the council "borrowed" capital allocations from other

local authorities who have not used theirs.

This totalled £1.65 million and came from Oadby and Wigston Borough Council, North West Leicestershire District Council and South Bedfordshire.

Praise for the accounting skills of senior officers came from Labour's Mr. David Middleton, the housing chairman, who said they had "found legal loopholes".

This had enabled him to multiply the housing borrowing allocation from a "measly" £12 million to £36 million.

• Comment — Page 26

Accounting: 'Come to the professionals'

Tories unveiled a plan which they said could expand services — but cut rates by 12p in the £1.

It would chop down City rates bills by £240 a year for the average household,

yet expenditure (not counting grants) could increase by 5.7 per cent.

"If you want to learn about creative accounting you should come to the professionals," said their Chief Whip, Mr. Peter Kimberlin.

The 36p rate would be achieved by taking more from reserves to qualify for maximum Government grant — and then pay back the reserves while making a "profit".

But Labour said it would not work. Mr. Graham Bett described it as a "travesty of budgeting".



MR. MIDDLETON

Sensible, Socialist, rational and practical — that was Labour finance chief Mr. Graham Bett's description of the budget.

Wasteful, inefficient electioneering, and incompetent was the scathing response from Conservative leader Mr. Michael Johnson.

The price of City Council services was less than a packet of cigarettes a week on average — a bargain, said Mr. Bett.

He slammed as "incompetent" the Environment Secretary, Mr. Nicholas Ridley, and cited cases where Whitehall had got vital grant figures wrong.

Developments

Among major policy developments in £3 million of special items were, he said:

- £7,000 — for equipment to monitor nuclear accidents such as Chernobyl.

- £15,000 — Aids information campaign.

- £250,000 — Tower blocks security and maintenance.

Mr. Johnson reminded members that City rates rose by 80 per cent last year.

Money was wasted on "loony" schemes he said: "Staff recruitment is at an unprecedented level — not practical staff, such as refuse collectors, but in loony departments."

Referring to creative accountancy, he said chief officers' time had been wasted through political interference.

Mr. Gary Hunt, for the Alliance, said the budget deserved praise and criticism.

But the rate rise — a total of 89 per cent over the last two years — was far too high.

He called for a review of all departments to cut waste and ensure value for money.

Budget: Is it sensible or a waste?

What the rise means

The average city householder will pay just under a penny a day extra for City Council services.

Taking the County Council's 5 per cent rise into account, the budget means his total rates bill will go up by 45.5 pence a week.

The rise was from 45.5p to 47.75p in the £1 — that is 4.9 per cent.

It means the council's £152 million budget is 4 per cent bigger than in the current year.

'Triumph over adversity'

The budget for capital spending was a triumph over adversity, said Labour leader Mr. Peter Soulsby — of his group's determination over a hostile Government's restrictions.

He said the Government had cut deeply into the council's ability to spend on homes, recreation and the environment.

Labour were determined to press ahead with an ambitious programme that would also create jobs.

A newspaper cutting enclosed

Caribbean: More than just cricket

An eight-month programme of Caribbean events in Britain has proved so successful that a permanent cultural body is to be set up in Britain.

The first steps were taken at a two-day conference in Leicester, attended by representatives of the Commonwealth Institute — which had initiated the original Caribbean Focus programme — and of the 50 local committees set up to arrange events around the country.

The aim had been to draw attention to life in the Caribbean, and the contribution Afro-Caribbeans had made to Britain.

It differed from previous Commonwealth Institute programmes in the emphasis given to involving local communities, and proved

so successful that it carried on past its official November closing date.

A new national committee was elected at the conference, headed by Mrs. Ros Howells, and is to draw up plans for a permanent organisation.

"There was a feeling among those who took part that the Focus was so important it should be carried on in some form," said Mrs. Howells.

Mr. Walde Selassie, who co-ordinated events in Leicestershire, said: "The original aim was to give a more panoramic view of the Caribbean, to show there is much more to it than cricket and coconuts."

"It has had a tremendous impact in projecting the art and drama of black people in Britain."

For the first time, the council "borrowed" capital allocations from other

A new play was used to help boost next year's capital spending far beyond the Government-imposed restrictions.

For the first time, the council "borrowed" capital allocations from other

Creative accounting — in other words, exploiting legal loopholes — was the name of the game as Leicester City Council passed Labour's 4.9 per cent rate rise.

Labour pulled every trick in the book — and some new ones — to enable more spending than the Government technically allows.

Their gesture was futile against the big Labour majority and the budget was steamrollered through by the jubilant controlling group.

A new play was used to help boost next year's capital spending far beyond the Government-imposed restrictions.

For the first time, the council "borrowed" capital allocations from other

Accounting: 'Come to the professionals'

Among major policy developments in £3 million of special items were, he said: — for equipment to monitor nuclear accidents such as Chernobyl.

£15,000 — Aids information campaign. — £250,000 — Tower blocks security and maintenance.

Mr. Johnson reminded members that City rates rose by 80 per cent last year.

It would chop down City rates bills by £240 a year for the average household,

yet expenditure (not counting grants) could increase by 5.7 per cent.

"If you want to learn about creative accounting you should come to the professionals," said their Chief Whip, Mr. Peter Kimberlin.

The 36p rate would be achieved by taking more from reserves to qualify for maximum Government grant — and then pay back the reserves while making a "profit".

But Labour said it would not work. Mr. Graham Bett described it as a "travesty of budgeting".

He said the council's £152 million budget is 4 per cent bigger than in the current year.

He said the Government had cut deeply into the council's ability to spend on homes, recreation and the environment.

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City Council rates meeting

Labour find loopholes to set new rate

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MR. MIDDLETON

Sensible, Socialist, rational and practical — that was Labour finance chief Mr. Graham Bett's description of the budget.

Wasteful, inefficient electioneering, and incompetent was the scathing response from Conservative leader Mr. Michael Johnson.

The price of City Council services was less than a packet of cigarettes a week on average — a bargain, said Mr. Bett.

He slammed as "incompetent" the Environment Secretary, Mr. Nicholas Ridley, and his cabinet.

Whitehall had got vital grant figures wrong.

Developments

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Miscellaneous Sales
DINING rm. suites at realistic prices. Mah. 7ft. Regency style twin ped. table, 2 chairs, £375. Tel. 766565 to view.

Miscellaneous Sales
MONARCH electric over blanket, dual control, 2400 o.n.o. — 3517/1.

Miscellaneous Sales
SHOP scales, electronic, Avery 1770, 1771, 1772, 1773, 1774, 1775, 1776, 1777, 1778, 1779, 1780, 1781, 1782, 1783, 1784, 1785, 1786, 1787, 1788, 1789, 1790, 1791, 1792, 1793, 1794, 1795, 1796, 1797, 1798, 1799, 1800, 1801, 1802, 1803, 1804, 1805, 1806, 1807, 1808, 1809, 1810, 1811, 1812, 1813, 1814, 1815, 1816, 1817, 1818, 1819, 1820, 1821, 1822, 1823, 1824, 1825, 1826, 1827, 1828, 1829, 1830, 1831, 1832, 1833, 1834, 1835, 1836, 1837, 1838, 1839, 1840, 1841, 1842, 1843, 1844, 1845, 1846, 1847, 1848, 1849, 1850, 1851, 1852, 1853, 1854, 1855, 1856, 1857, 1858, 1859, 1860, 1861, 1862, 1863, 1864, 1865, 1866, 1867, 1868, 1869, 1870, 1871, 1872, 1873, 1874, 1875, 1876, 1877, 1878, 1879, 1880, 1881, 1882, 1883, 1884, 1885, 1886, 1887, 1888, 1889, 1890, 1891, 1892, 1893, 1894, 1895, 1896, 1897, 1898, 1899, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 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2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2

Musical, TV & Video

TEMLAR PIANOS of Rothley offer fine range of new and s/h pianos... TOSHIBA DV80 digital video recorder... WELSON electronic organ...

NEW COLUMN

Wholesalers ASHBY EMPORIUM for toys, fancy goods, stationery, hardware... DOBERMANN puppy, ready now, excellent pedigree...

Gardening ABBEY FENCING, Sunningdale Rd. Panels supplied or erected... GARDEN MACHINERY... GREENHOUSES, conservatories...

Farming & Produce CHAIN saws, end of season sale... PIG FOOD, swill, cooked or un-cooked... DOBERMANN puppy, ready now...

Pets Corner ABANDONED and unwanted cats... GARDEN MACHINERY... GREENHOUSES, conservatories...

Businesses Wanted FOR SALE HAMILTONS 546499, 3 lines... OFF LICENCE and general, closing owing to bereavement... FOREST ROAD, Terrace house...

Houses For Sale

EAST GOSCOTE, semi det, 2 bed, one built in robes, kitchen, dining, lounge, f.o.c.h., l.e.r., ten average gdn... EVINGTON, 3 BED. DET. 1951, exc. location...

Business Premises

Wanted SMALL workshop wanted to let, garage suitable for car repairs... Business Premises To Let FACTORY unit, 3,000 sq ft...

Business Premises To Let

FACTORY unit, 3,000 sq ft, £2.25p sq ft, no premium, of a good labour area... GREEN LANE RD. area, quiet cul-de-sac, 3 bed...

Loans and Partnerships

A BETTER PERSONAL LOAN SERVICE £500 to £100,000 for any purpose... DO YOU HAVE SEVERAL LOANS ALREADY?

Businesses Wanted For Sale

ANTONY MASSY, SUB Post Offices in and around Leics... BUSINESS LIST AVAILABLE... 1238 MELTON ROAD...

Businesses Wanted For Sale

ROUGH COLLIE PUPPIES, K.C. reg, ready now... SCOTTISH Terrier at stud, winning blood dog...

Farming & Produce BLACKCROCK, Warren, Maran and other pure breeds... TREES, fellings, lopping...

Houses For Sale

FOREST ROAD, Terrace house for sale, 3 bedrooms... GREEN LANE RD. area, quiet cul-de-sac... JEROME, 4 EZE, 2 bed...

Retirement Homes For Sale

Luxury 2-bed apartments with special facilities... FURNISHED SHOW FLAT OPEN WEDNESDAY...

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Houses To Let

SUPERB furnished detached stone built house, 4 beds... MABLETHORPE, quality 2 bedrm, s.d. bungalow... OADBY, DET. 3 BED. house in quiet cul de sac...

Accommodation Vacant

AGENCY, Briarmeads, Oadbys, 3 bed, executive house, fully furnished... ANSTEY and Glenfield, Double and single beds...

Retirement Homes For Sale

Luxury 2-bed apartments with special facilities... FURNISHED SHOW FLAT OPEN WEDNESDAY...

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80 buses a day is too many, say villagers

Burbage residents furious at the continual stream of Fox Cub mini-buses past their homes in Pveharps Road, say they be seeking rate reassessment as a protest... Mr. Terry Cooke, a spokesman for the Pveharps Road Action Group...

Tory hits out on defence

A blistering attack on Alliance and Labour defence policies was launched by Mr. David Tredinnick, the prospective Tory candidate for Hinckley and Bosworth...

Judo club strikes silver

Silver medals were won by four of 11 young competitors from Earl Shilton 'Stute Judo club, who took part in a charity contest in Birmingham... WEST END, Modernised 2 bed terr. house...

Flats plan for former caravan site

Flats may be built on the former site of a caravan business off Coventry Road, Hinckley... Mr. Arnold (third right) is pictured at his retirement party...

Summer Holiday Sales Have Started Now at Page & Moy Travel

Page & Moy Travel advertisement featuring holiday deals, travel insurance, and contact information.



'Hinckley? You've just driven through it!

Visitors to Hinckley may soon be told when they have arrived, after years of being kept in the dark... Mr. Terry Cooke, a spokesman for the Pveharps Road Action Group...

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Stock Clearance For One Day Only advertisement for a television sale.

Happy Circle says Thanks advertisement for a video recorder sale.

Midi Hi-Fi Systems advertisement for various audio equipment.

Stereo Radio Cassettes advertisement for audio cassettes.

Flats plan for former caravan site advertisement for a new housing development.

Judo club strikes silver advertisement for a local sports club's achievements.

Conservatories advertisement for home improvements.

Crystal Palaces advertisement for a large indoor market.

Prup
main
of TVs as
pass
Let P's
Not clear
water

FROM: A G TYRIE
DATE: 16 MARCH 1987

CHIEF SECRETARY

cc Chancellor
Economic Secretary
Financial Secretary
Minister of State
Mr Cropper
Mr Ross Goobey
Mr Turnbull
Mr Pickering
Mr Hudson

X
too much
courses
La
let P's
not

... I attach a short passage on the Labour recosting for you to use in Wednesday's Debate.

AG

A G TYRIE

Ch
Did you see bit in
Observer's profile of Gould?
which said Anneses left out
of Labour's jobs package because
he got figures wrong!

miss it: do
you have a
photo?

AA

DRAFT FOR THE CHIEF SECRETARY: LABOUR COSTINGS

Of Labour's so-called "jobs package" the IFS have said: "The anti-unemployment programme is still rather vaguely formulated, and has not been costed in detail." (page 5)

Dagenham East

2. So the RHG for (Gould's) was sent away to produce a new "jobs programme". It even included a few numbers. It was also, incidentally, remarkably similar to the so-called "Alliance" alternative budget.

3. I have now examined the RHG for (Gould's) handiwork, entitled "New Jobs for Britain". With the help of other statements made by Labour spokesmen, I have been able to assess its impact on public expenditure. I can tell the House that Labour's so-called "jobs programme" would cost X billion, Y billion more than their own estimate of £6 billion. I would be happy to provide the details, should Hon Members opposite be interested.

4. The party opposite is also committed to a so-called "poverty package". The RHG for Sparkbrook has told us many times that this so-called "poverty package", coupled with the "jobs package", are the only pledges which the Labour Party would honour immediately.

5. The RHG for Sparkbrook has costed their "poverty package" at £3.6 billion. I have examined this "poverty package" in detail in close consultation with my RHF

the Secretary of State for Social Services, and I can tell the House that it costs £5.75 billion.

6. So the cost of Labour's programme, as they put it, "for immediate implementation", is not £10 billion, as they would have us believe, but X billion.

7. I have also kept careful track of statements made by Labour spokesmen since I issued a detailed list of their spending commitments last July. I have listened carefully. I have taken due note of the RHG for Hull East's statement in the House on 6 November that the Labour Party has abandoned its pledge to introduce a 35-hour week, a minimum wage, and to a policy to introduce early retirement.

8. It will be of great interest to the House, and to the electorate, to know that Labour have given these pledges up. I have therefore removed these from my table of Labour's spending commitments.

9. Unfortunately for the RHG for Sparkbrook not all spokesmen for the Party opposite have been as careful about what they say as the RHG for Hull East. I have identified several further pledges. Some of these were confirmed by the Labour Party Conference.

10. These include pledges on energy, a Christmas bonus, a winter premium, a general pledge to increase health spending, a pledge to spend money on alcohol abuse,

Scottish devolution, crime prevention, grants and on pensions.

11. With these new pledges taken on board and the abandoned pledges removed I can tell the House that the full year cost of Labour spending plans now total X billion.

12. X billion would represent Yp on the basic rate of income tax or an increase of VAT to X.

CONFIDENTIAL

PWP
(Hattersley)

FROM: A P HUDSON

DATE: 16 March 1987


 CHANCELLOR

ROY HATTERSLEY'S PROPOSAL TO RESTRICT ALLOWANCES TO BASIC RATE

We discussed Roy Hattersley's proposal to restrict some or all of the personal allowances and reliefs to the basic rate only. I have obtained the following figures from Richard Eason (IR), who is Brian Mace's opposite number on the statistical side.

2. Restricting all the main reliefs to the basic rate only would yield £600 million in 1986-87. (As it happens, the yield for restricting the personal allowances is the same, £600 m.) The breakdown for the reliefs would be roughly:

	£ million
Mortgage Interest Relief	270
Retirement Annuity Relief	100
Superannuation	160
BES	25
Donation to Charity	15

Giving mortgage interest relief at the basic rate only would bring some 170,000 people into higher rates. The Revenue do not have ready information for the other reliefs.

3. Basically, if the reliefs, but not the personal allowances, were restricted to the basic rate only, the higher rates would begin at the total of the basic rate band plus the personal allowance. That means, in 1986-87, £19,535 for a single person; £20,855 for a married man; and £23,190 for a two-earner couple. All of which are well below the £24,500 where Mr Hattersley's top 5 per cent begins.



4. We need to be a bit careful in attacking Hattersley on this, because I think you may see some attraction in the idea yourself, and you asked FP to look at it after the Budget. But we can certainly attack Hattersley for not doing his sums properly - his scheme might avoid the punitive higher rate Labour had before, but at the cost of increasing tax for people well below the top 5 per cent. Do you want to deploy this in your wind-up speech? Or should we save it for a separate press release later? Perhaps we can decide this once we see how much Hattersley makes of it on Wednesday, and how much attention this gets.

A P HUDSON

FROM: MISS C E C SINCLAIR
DATE: 20 MARCH 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Sir Peter Middleton
Mr Scholar
Mr Culpin
Mr Cropper
Mr Tyrie
Mr Ross-Goobey
Mr Hudson
Mr Mace - IR

*(at least) double the
basic rate of IT
then 10% off for
behaviour change.*

COST OF LABOUR PARTY PROPOSALS

1. GEP's revised costing of the Labour Party's spending proposals is around £34 billion. We estimated that this would require either an increase in the basic rate from 27p to 56p in the pound, or an increase in VAT to 49 per cent. The Chief Secretary used these figures in the Budget Debate on 18 March.

2. The original costing of £28 billion, equivalent to a basic rate of 53p, or an increase in VAT to 43%, were set out in the Chief Secretary's letter of 31 July to Mr Hattersley. These figures have been used consistently ever since, despite subsequent changes which Customs and Revenue have made to their respective estimates of the 1986-87 tax base. This was a conscious policy decision, to avoid confusion.

3. The 53p calculation assumed a basic rate of 29p and a 1986-87 tax base. Our new 56p calculation assumed a basic rate of 27p and a 1986-87 tax base. The latter was done in error, for which we apologise. The result is that a £34 billion increase in expenditure involves an estimated 29p increase on a basic rate of 27p, with the implication that each 1p brings in £1,172 million in a full year, not £1,300 million as in the Financial Secretary's written answer on 16 March (see Annex A) or the £1,450 million for 1988-89 as on page 43 of the Autumn Statement (since revised down to £1,410 million in the FSBR).

*1300
- 130

1170*

4. There is no problem about the VAT 49 per cent, which rounded will stand with either the Autumn Statement tax base estimate for 1987-88, or with more recent estimates.

5. What should we do next? I suggest that the first move should be to concentrate on the £34 billion and not the 56p, and where there is no escaping giving an income tax figure to say something like "well in excess of 50p in the £".

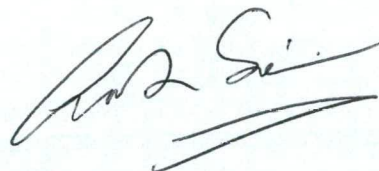
6. If we are asked in detail about the 56p one possibility would be to say that to raise such a large amount of revenue, we thought it right to estimate ^{that} a 1p increase would yield only around £1,200 million a year as opposed to the £1,300 million figure given for smaller changes. This was because the Budget introduced several tax changes (eg profit-related pay, personal pensions) of which more use would be made with a sharply higher basic rate.

7. The problem with this line is that we have always hitherto said that our calculation assume no behavioural changes; and that if we were to assume them we might expect them to be much greater than this.

8. An alternative would be a more open approach - to say, if pressed, that the 56p assumed a 1986-87 income base, represented a full year estimate of a 29p increase in the new basic rate of 27p in the £; that on the assumption of a 1987-88 income base the basic rate would need to rise from 27p to 53p to raise the £34 billion; and that neither estimate took account of behavioural effects.

9. A point here is that there is no particular "rightness" about assuming a 1987-88 tax base for the full year effect of Labour's policies. They could not be brought fully into effect in 1987-88.

10. Which of these approaches would you prefer to use?



MISS C E C SINCLAIR

*MR De
MR PR
@ aut*

*not
- au in
1987-88
thru*

rate for a local authority in respect of the financial year 1988-89. In considering whether and in what cases to exercise this power, he will be able to take into account, among other things, the extent to which the rate which any local authority have determined for that year may have been inflated to take account of its liability to pay grant penalties.

Seals

Mr. Hancock asked the Secretary of State for Scotland if he has any plans for a seal cull in the next year.

Mr. John MacKay: No. It was announced in May 1985 that there would be no culling of grey seals in Scotland until further notice. A further programme of research into the interaction of grey seals and fisheries is in hand, and the need for grey seal management will be reviewed in the light of the results of this research which is likely to take some time to complete.

Consultative Committee on the Curriculum

Mr. Pollock asked the Secretary of State for Scotland if he will announce the Government's decisions on the policy review of the Consultative Committee on the Curriculum.

Mr. John MacKay: I have today written to Sir James Munn, the chairman of the Consultative Committee on the Curriculum, to tell him of the Government's decisions on the recommendations of the policy review carried out last year and I have arranged for copies of the letter, its appendices and of the policy review itself to be placed in the House of Commons Library.

I have made clear to Sir James the high value I place on the work of the CCC and my appreciation of the commitment of both the voluntary participants in its activities and of the permanent staff of the Scottish Curriculum Development Service. The Government endorse the arguments in favour of continuing the CCC on broadly its present remit. I have, however, decided in principle that the management of the SCDS could be strengthened and the efficiency and effectiveness of both the CCC and the SCDS improved by incorporating both bodies into a single company limited by guarantee. Our aim is that this should be achieved in consultation with the new CCC by 1 August 1988, subject to agreement on a satisfactory basis for incorporation.

I have also decided that the organisation and the educational effectiveness of the SCDS could be substantially strengthened by bringing it together into one unit with the support staff of the new CCC. Our preference is that the new organisation should continue to be located within the campus of a college of education. I have

therefore asked the CCC to negotiate with the Northern college with a view to locating the combined body on its Dundee campus.

The campus has much to offer the new CCC including the fact that it is to become the open learning centre for the college of education sector and I believe that, among the available alternatives, it has the strongest claims. It will be of great value to the Northern college — and to Dundee — to have the opportunity of housing a major educational body such as the CCC.

The interests of staff will be taken into account in planning the reorganisation, which I would expect to be completed by 1 August 1989 at the latest.

Full details of the Government's response to the recommendations of the policy review are set out in the appendices to the letter to Sir James Munn. I believe that our decisions provide a sound basis on which the CCC and the SCDS can continue to make a major and highly relevant contribution to improving the curriculum for young people and to providing support to help teachers implement it.

NATIONAL FINANCE

Taxation

Mr. Meacher asked the Chancellor of the Exchequer if he will publish a table which sets out for a two child family on (a) half average earnings, (b) three-quarters average earnings, (c) average earnings, (d) one and a half average earnings, (e) twice average earnings, (f) five times average earnings and (g) 10 times average earnings, the increase, in net income, to be derived from (i) a 1p cut in the standard rate of income tax, (ii) an increase in personal allowance, over and above indexation, which incurred the same cost as a 1p cut in standard rate income tax, (iii) an increase in child benefit which incurred the same cost as a 1p cut in standard rate income and (iv) an increase in income tax thresholds which incurred the same cost as a 1p cut in the standard rate of income tax, in 1986-87.

Mr. Norman Lamont: Information based on full year direct revenue or expenditure cost at forecast 1987-88 levels is in the table. The income tax calculations assume that all the main personal allowances would be increased by the same percentage. Each of the measures would have a cost of about £1,300 million in a full year at 1987-88 income levels. The income tax changes are compared with the 1986-87 tax regime indexed according to the statutory provisions. It has also been assumed that the only income tax allowance or relief available to the married couple is the married man's allowance and that the wife has no earnings.

*Increase in income after tax (£ per week) compared with indexation in 1987-88 for married man with two children
Multiple of Average Earnings¹*

	$\frac{1}{2}$	$\frac{3}{4}$	1	1½	2	5	10
Increase derived from:							
(i) 1p cut in basic rate	0.41	0.97	1.54	2.68	3.44	3.44	3.44
(ii) 6 per cent. increase in personal allowances	1.23	1.23	1.23	1.23	1.69	2.54	2.54
(iii) Increase in child benefit							
£2.00 per week ²	4.00	4.00	4.00	4.00	4.00	4.00	4.00
£2.60 per week ³	5.20	5.20	5.20	5.20	5.20	5.20	5.20
(iv) 5 per cent. increase in income tax thresholds ⁴	1.00	1.00	1.00	1.00	3.08	9.25	9.25

Handwritten note: Ann's Con't for 1987

POLITICS TODAY

No. 7 18th April 1977 20p

Mr. Healey's Tenth Budget

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Conservative Research Department

20/3/87

I. THE TAKE-AWAY NOT GIVE-AWAY BUDGET

On 29th March 1977 Mr Healey presented his tenth Budget in three years. He had earlier encouraged hopes that it would be a generous one in terms of personal taxes. He did propose to cut tax rates by a net £1.5 billion—after imposing severe increases in tax on motorists and on cigarette smokers. But the cuts fell far short of the £6 billion which would have been needed to restore the position Mr Healey inherited in 1974, or even to restore the position a year ago. Overall, he expects to take £4 billion more in all forms of taxation this year than last.

The next stage of pay policy—described by Mr Healey as the key to reducing our inflation rate (*Hansard*, 29th March 1977, Col. 264)—was left as a blank cheque to the trade unions. The reduction in the basic rate of Income Tax from 35 per cent to 33 per cent, worth £960 million in a full year, is to be made when a satisfactory agreement on the next pay round has been reached. But Mr Healey gave no hint of what would constitute a satisfactory agreement.

The uprating of pensions and other social security benefits was similarly left vague. It seems probable that many people retiring before 65 will find themselves losing a considerable part of any increase they receive in pension because personal allowances have not been raised enough to keep pace with inflation (see page 128). What Mr Healey presented was in many ways a menu without prices.

Mrs Thatcher said of Mr Healey's proposals that it seemed as though "... in this Budget he was really apologising for much of the damage that he had done in his other nine Budgets. We are glad that he is repenting the high level of direct taxation that he has imposed on people and to some extent, the other levels of taxation that arise from the high level of public expenditure ... Looking at the Budget as a whole one finds that it is still a take-away Budget rather than a give-away Budget. ... There really is no Budget judgement this year, because it is an IMF Budget. ... Finally, this is not a revival Budget for Britain. That is what we were hoping for. Instead it appears to be a survival Budget for the Labour Government" (*Hansard*, 29th March 1977, Cols. 288, 294).

Ill-founded Optimism. A year ago, on 6th April 1976, Mr Healey spoke confidently of progress during the previous year and of the prospects ahead:

"I think the British people really began to come to terms with the facts of life in the middle of last year. We were on the edge of the precipice and we pulled ourselves together just in time. That was when the trade unions decided on the £6 pay limit. Ever since then things have been looking up. We have cut our balance of payments deficit by more than half. We lost only a quarter as many days through strikes last year as we had lost three years earlier. It is an impressive record and it has

transformed Britain's reputation in the world. . . if we stick to it, by the end of next year we really shall be on our way to that so-called economic miracle we need. . . In the next twelve months, unemployment will be on the way down and our output will be growing fast" (Budget Broadcast, 6th April 1976).

This year Mr Healey said:

"... after all the agony we went through last year we have seen a transformation since the decisions I took last December. The pound has been steady, 16 cents higher than the low point it reached last Autumn. Interest rates are already down 5 per cent and the building societies are talking of cutting mortgage rates in a few weeks' time. And that means that the cost of living will be lower by the end of this year than I expected before Christmas. . . . The most striking thing is the confidence which the whole world has been showing in our present policies. . . (Budget Broadcast, 30th March 1977).

The 'transformation'—such as it is—has come about, and overseas confidence has revived, simply because it is now the IMF not Mr Healey who calls the tune. The pound has steadied—at 25 per cent below the level when Labour took office. Interest rates are coming down—from the highest level they have ever reached.

In April 1976, Mr Healey anticipated for the ensuing 12 months a rate of growth of 4 per cent; inflation falling to single figures; investment rising and unemployment starting to fall. In the event, output grew by barely 1 per cent, and the rate of inflation fell to 12.9 per cent by July. Since then it has accelerated, as a result of the disastrous devaluation of sterling last year. Prices rose by 16.2 per cent in the twelve months to February 1977; and during the latest three months they have risen even faster, at an annual rate of 21.6 per cent. There are almost 100,000 more people unemployed than a year ago, and the number may well rise to 1½ million by the end of the year. The number of days lost through strikes in the first quarter of 1977 is the worst for three years.

The Prospects and the Objectives. Once again, Mr Healey is optimistic: "I believe this time we can make a decisive break in the vicious circle and indeed turn it into a virtuous one" (*Hansard*, 29th March 1977, Col. 264).

Once again, he has two key aims: to bring down inflation towards the level of our main competitors, and to improve the performance of manufacturing industry.

The prospects are noticeably less rosy than a year ago. Assuming that the Budget proposals are fully implemented, total output and manufacturing output are expected to increase by a modest 1½ per cent between the second half of 1977 and the second half of 1978 (½ per cent of this as a result of the Budget changes). World trade is expected to grow by 8 per cent, compared with 12 per cent in 1976. Increasing exports and

import substitution are expected to account for most of the increase. Private manufacturing investment is expected to increase by 15-20 per cent by mid-1978—after a fall of 14½ per cent between 1973-5 and 5 per cent between 1975-6. A 'substantial surplus' on the balance of payments is forecast for 1978. Inflation is expected to fall to a rate of 13 per cent by the end of 1977, and to single figures by mid-1978. Real take-home pay should at least stabilise. But there will be no increase in private consumption; there may be some decline.

Of unemployment, Mr Healey said, "I would not expect any fall in the level of unemployment. Indeed, I fear that some further rise would be more likely" (*Hansard*, 29th March 1977, Col. 259). Other forecasters are almost unanimous in predicting a rise to 1½ million. Against this, Mr Healey estimates that the job-creation or safeguarding proposals in his Budget will provide 150,000-200,000 jobs; and the tax changes about 100,000 by the end of 1978—equal to about a third of the jobs lost since the Labour Government took office in 1974.

Government Borrowing: Commitments to the IMF. Mr Healey's estimate last April was that the Public Sector Borrowing Requirement for 1976-7 would be almost £12 billion. As a result partly of lower spending and borrowing by government departments, nationalised industries and local authorities, and partly because of higher than forecast tax revenue, the PSBR is now expected to be below £9 billion, and would fall on existing policies to £7.4 billion in 1977-8. As a result of the Budget proposals, with a net reduction in taxation of £1.5 billion, and the sale of £500 million of the Government's holding of BP shares (first announced by Mr Healey on 15th December 1976), the PSBR is expected to be £8.3 billion in 1977-8, slightly below the ceiling agreed with the IMF (£8.9 billion). It is expected that domestic credit expansion and growth in the money supply (M3) can both be contained within their targets—£9 billion and 9-13 per cent respectively in 1977-8.

2. SUMMARY OF THE PROPOSALS

Direct Taxation

Personal Taxes

Income Tax—immediate changes

Single and wife's earned income allowance raised by £70 to £805;

Married allowance raised by £140 to £1,225 (a larger increase than the single allowance in part compensation for phasing out of child allowances);

Additional personal allowance (single parent families) raised by £70 to £420;

Age allowance for those over 65 raised by £70 to £1,080 for the single and by £140 to £1,695 for the married.

Income Tax—conditional change

—Basic rate of income tax to be cut from 35 per cent to 33 per cent when a satisfactory pay agreement is reached.

Thresholds to Higher Rates of Tax. The threshold to the first higher rate (40 per cent) raised from £5,000 to £6,000; other rate bands raised as follows:

45 per cent rate threshold raised from	£5,500 to	£7,000
50 " " " " " "	£6,500 to	£8,000
55 " " " " " "	£7,500 to	£9,000
60 " " " " " "	£8,500 to	£10,000
65 " " " " " "	£10,000 to	£12,000
70 " " " " " "	£12,000 to	£14,000
75 " " " " " "	£15,000 to	£16,000
83 " " " " " "	£20,000 to	£21,000

The top rate of tax is unchanged. The top marginal rate on investment income including the investment income surcharge thus remains at 98 per cent.

Investment Income Surcharge. The threshold to the surcharge at 10 per cent is raised from £1,000 to £1,500, and from £1,500 to £2,000 for people over 65. The threshold to the 15 per cent surcharge remains at £2,000, but is raised to £2,500 for people over 65. (The threshold was set by Lord Barber at £2,000 in 1973: to maintain its real value it should now be approximately £4,000.)

Other Personal Tax Changes

Retirement Annuities. Ceilings on tax relief for premiums paid by the self employed are raised from £2,250 to £3,000.

Overseas Earnings. 25 per cent of overseas earnings of UK residents working abroad for thirty days or more in a tax year to be exempted from tax.

Capital Gains Tax. Improved rollover relief for the transfer of an overseas branch in a separate non-resident company; and modification of rules on company take-overs, amalgamations and reconstructions.

Tax Avoidance on artificial capital losses, by shifting value from one asset to another and artificial schemes involving annuities, to be stopped.

Indirect Taxes

VAT is unchanged.

Petrol, Derv and light hydrocarbon oil duty raised by 5p plus ½p. consequential increase in VAT—yield £300 million in a full year. Duty on other oils (other than paraffin) raised by 1½p to 2½p. per gallon: yield £150 million. Bus operators' rebate will be raised to cover the increase. Duty on gas used as road fuel raised by 2½p. per gallon.

Vehicle Excise Duty raised from £40 to £50 on private cars; similar percentage increases on commercial vehicles up to 4 tons; and larger increases on vehicles above this weight. Full year yield £210 million.

Cigarettes. Duty on packet of 20 raised by 4p (pipe tobacco unchanged) to yield £150 million in a full year.

Company Taxes

Corporation Tax. Rate unchanged.

Stock appreciation. Relief to continue for 1978-9 as well as 1977-8.

Small businesses' profit limit for reduced rate of Corporation Tax raised from £30,000 to £40,000; limit for marginal relief from £50,000 to £65,000.

Payroll Tax. Churches and charities to be exempted from 2 per cent surcharge on employers' national insurance contributions.

Other Measures

Temporary Employment Subsidy. Applications to be submitted up to end of 1977-8; to be payable for 18, instead of 12 months at reduced rate of £10 for final 6 months.

Training Provision and Job Creation Programmes expanded (announced on 3rd March). Combined cost, with extended TES, £297 million over 2 years.

Disabled. Subsidy of £30 per week for 6 weeks for employers taking on disabled people.

Unemployed Teachers. Programme of retraining in mathematics and science.

Small Firms in Special Development Areas. Subsidy of £20 a week for six months for each additional worker taken on (experiment for 6 months).

Long-term Unemployed. Experimental 6 months scheme for assisting return to work.

Inner Cities. £100 million additional construction work over next two years.

Exchange Control. Powers over raising of sterling finance by resident companies controlled by non-residents to be strengthened.

Oil Companies. Consultation on restricting tax relief for taxes paid to oil producer countries.

BP Shares. The sale of £500 million BP shares, announced in December 1976, to go ahead.

3. TAX CHANGES

Revenue from Income Tax. Despite anything that may have been said by

Mr Healey in his Budget speech, the fact is that he is budgeting for another increase in revenue from Income Tax in 1977-8. The Income Tax payable by each household, on average, will rise from £869 in 1976-7 to an estimated £902 in 1977-8, even when the conditional cut in the standard rate from 35 per cent to 33 per cent has gone through.

Yield of Income Tax and Yield per Household

	Yield of Income Tax*	Income Tax Per Household
	£ million	£
1973-4	7,444	389
1976-7 out-turn	17,093	869
1977-8 before tax cuts	19,860	990
1977-8 after tax cuts	18,095	902

*Includes small amounts of surtax.

Without the lower standard rate and the modest improvements in personal allowances in the Budget, the yield of Income Tax would have come to about £19.8 billion in the new financial year, a 16½ per cent increase on 1976-7. This illustrates the tendency for Income Tax revenue to rise steeply in a period of inflation.

This year's tax cuts are, therefore, only relative. The Income Tax yield in 1977-8 will be lower than it would have been otherwise. Meanwhile, of the apparent reduction of £2,250 million in direct taxation, some £600 million has only been made possible by putting additional tax on motorists and smokers.

Income Tax Allowances. The starting points for Income Tax, represented by personal allowances, have been raised by insufficient amounts to compensate for the inflation that has taken place since April 1976. The single and married persons' allowances are raised by 9½ per cent and 13 per cent respectively; the equivalent allowances with age relief are only raised by 7 per cent and 9 per cent. Inflation between April 1976 and April 1977 is expected to turn out at well over 15 per cent. Thus, once again, people will find the real value of their allowances reduced, so that they will be paying Income Tax on yet higher proportions of their earnings. The following table shows how the personal allowances have lagged behind prices since the last Conservative Budget; it also shows the levels to which the allowances should have been raised in the 1977 Budget if their real values had been maintained (Column 5).

Personal Allowances 1973/4-1977/8

	1973/4	1976/7	1977/8	Increase over period '73/4-'77/8	1973/4 revalued to 1977/8
	£	£	£	%	£
Single ...	595	735	805	+35	1,140
Married ...	775	1,085	1,225	+58	1,485
Age (single) ...	700	1,010	1,080	+54	1,340
Age (married)	1,000	1,555	1,695	+69	1,915
Child under 11	200	300	196*	+50	385
Retail Price Index ...				-1.92 (est.)	

*Reduced as part of switch to Child Benefits.

It was estimated before the Budget that the Chancellor would have had to cut direct taxation by between £6 billion and £7 billion to restore taxpayers to the position they were effectively in at the time of Lord Barber's 1973 Budget.

The Choice: Rates or Allowances. At least in one respect, namely the proposed cutting of the standard rate from 35 per cent to 33 per cent, the 1977 Budget has made a break with the past record of the Wilson/Callaghan administrations. This is significant in its impact on differentials, since it means that, within the £6,000 band of income taxable at the standard rate, the amount of tax relief will be proportionate to the amount of income. Differentials are thus maintained, whereas if the same relief had been given entirely by raising personal allowances, the value of that relief would have been at a uniform flat rate in money terms for all taxpayers within the standard rate band.

Higher Rate Bands. The increase in the starting level for higher rate taxes, from £5,000 to £6,000, and the corresponding increases in the upper rates, bring a measure of tax relief to middle and upper incomes. However, they do not go very far towards easing the severe squeeze applied to such incomes since Mr Healey became Chancellor. The threshold for higher tax rates was £5,000 in 1973. It is now going up to £6,000. The inflation-adjusted equivalent to £5,000 in 1973 would by now have been £9,600.

Child Allowances—Child Benefits. The Budget confirmed the earlier announcement that child income tax allowances would be reduced for 1977-8 as part of the switch to Child Benefits. This switch conceals the fact that for 1977-8 the Chancellor is not raising the value of Child Tax reliefs in general for the bulk of the population: the Government is likely

to be under heavy pressure to raise the Child Benefits in November when the voucher books come up for renewal.

Overseas Earnings. The changes made in the tax treatment of employees who live in the United Kingdom and work part of the time abroad will give useful relief from excessively high tax rates. However, they will be complicated to administer, and there will inevitably be odious comparisons between those who are deemed to be at, in Mr Healey's words, "the sharp end of the export drive" as they carry out their work in foreign lands and, as Sir Geoffrey Howe put it in the Budget debate, "the engineer or craftsman, the man who is sweating his guts out in Derby, Crewe or Rotherham who is treated as if he had nothing at all to do with it" (*Hansard*, 30th March 1977, Col. 433).

Sir Geoffrey suggested that if marginal rates were more reasonably in line with those of other countries, there would be less need for special arrangements such as these for people who happen to be involved in overseas business.

Investment Income Surcharge. At an early stage in his Chancellorship, Mr Healey put an ugly blot on his record when he cut the threshold for Investment Income Surcharge. As introduced by Lord Barber, the threshold took effect on £2,000 of investment income. Mr Healey halved the figure to £1,000 for people generally and cut it to £1,500 for people over 65. His present proposal to lift both thresholds by £500 (see page 125) still leaves them far below the £4,000 level which would be called for if the original 1973 figure of £2,000 were to be fully adjusted for inflation.

Indirect Taxes. Contrary to some expectations, Mr Healey did not restore the standard rate of Value Added Tax to 10 per cent in order to help finance his Income Tax reductions. This would have raised at least £650 million. Instead, he concentrated his indirect tax increases on motorists and road transport (£485 million) and on the tobacco duties (£140 million in a full year). Cigarette prices are raised by approximately 4p for twenty, bringing the total duty up from 19p to 46p during the term of the present Government. Duties on drink were not raised (although of course they had been lifted by 10 per cent last December). The Chancellor was probably apprehensive of a downturn in consumption or, maybe, of adverse reaction from our EEC partners.

National Insurance Surcharge. When the two per cent National Insurance surcharge was introduced as part of last December's emergency measures, the Conservative Party fought hard for relief for employees of churches and charities. The Government has now conceded this relief, following the precedent established in the case of Selective Employment Tax in 1966. This will help compensate churches and charities for the inevitable loss of income from covenant sources when the reduction of the standard rate of Income Tax is confirmed.

Company Taxation. The basic rate of Corporation Tax is unchanged at 52 per cent. For small businesses the profit limit for the preferential rate of 42 per cent is raised from £30,000 to £40,000 and the marginal tapering relief is raised accordingly. Because of delay in reaching firm agreement on a permanent scheme of Current Cost Accounting, the Government is extending the interim system of stock relief not only for 1977-8 but for 1978-9 as well. **The Chancellor** has recognised the serious uncertainty caused by growth of deferred tax reserves in company balance sheets, saying:

"On the question of deferred tax a good deal has been said about the troubles that companies meet when they seek to raise finance because of the existence in their balance sheets of large deferred tax provisions. But for the normal continuing business there is little or no risk that any substantial part of the deferred liability will in fact arise. This should now be better understood in the financial world" (*Hansard*, 29th March 1977, Col. 276).

4. INDUSTRY

For British industry Mr Healey's tenth Budget was little better than negative. The *Financial Times's* April survey of business opinion reported that "most businessmen consider that Mr Healey did not go far enough" (*Financial Times*, 4th April 1977).

Naturally, when contrasted with a long series of earlier Budgets which reflected Labour's underlying hostility to private industry, Mr Healey's latest Budget offered some relief. It did make a gesture in the direction of the tax cuts long advocated by Conservatives in order to restore incentives for middle management and skilled workers. It did extend stock relief provisions until 1979. It did ease Corporation Tax for the smaller companies. Furthermore, as **Mrs Thatcher** observed, Mr Healey was by these Budget proposals "really apologizing for much of the damage that he had done in his other nine budgets" (*Hansard*, 29th March 1977, Col. 288).

Not Enough. On the other hand, the Chancellor has only removed a small proportion of the immense weight of taxation he has placed on management and skilled workers over the last three years. Increased petrol and Derv duty can only increase distribution costs. The stock relief scheme remains only temporary and more firms are becoming concerned about the increasing amount of deferred tax which is now overhanging them. Mr Healey disappointed many firms in failing to offer any sort of tax relief to companies on the substantial losses resulting from the sharp decline in sterling caused by Labour's mishandling of the economy. He failed to relax damaging dividend controls. Above all, the Budget will make no real contribution towards reversing the disastrous trend of declining industrial profitability which before all else has stifled investment and limited growth in output in recent years.

'Negligible' Effect. Commenting on the negative nature of the Budget, most industrialists approached by the *Financial Times* said that "the Budget generally followed the lines they had expected and would make no difference to the business situation at large or to their own company's prospects. Not one company had considered it necessary to alter their investment or manpower plans" (*Financial Times*, 4th April 1977). The industrialists considered that the effect of the tax cuts on the motivation of skilled workers would be 'negligible'.

For industry and the economy at large the Budget does nothing to stimulate a rapid growth in profitability, investment, production or employment. Britain's share of world trade declined in 1976. And, as Mr Healey himself said, "if our industrial performance fails to improve, our balance of payments will deteriorate, and then we should be faced with a choice between a deflation which throws men and women out of work, or a depreciation which raises prices" (*Hansard*, 29th March 1977, Col. 265).

5. SMALL BUSINESSES

The Budget contained some concessions for small businesses and the self-employed. Although they are steps in the right direction, their practical effects will be small. They amount to no more than belated recognition of the plight of small firms—itsself largely the result of this Government's many hostile measures.

The main points in the Budget affecting small businesses were:

Corporation Tax. (a) The existing system of stock relief will be maintained until 1979; and (b) the preferential level of profits below which profits are taxed at 42 per cent increases from £30,000 to £40,000. In addition, the limit for marginal relief—the band of profit taxed at between 42 per cent and 52 per cent—will be increased from £50,000 to £65,000.

Income Tax. Because the small business owner relies primarily on retained earnings for investment, the raising of personal allowances and of higher band thresholds, together with the raising of the investment income surcharge threshold, are welcome. But the amounts involved are minimal.

Self-Employed Retirement Annuity Premiums. The Budget raises the limit on the amount of premium qualifying for tax relief from £2,250 to £3,000. This again is belated recognition of Conservative arguments—Mr David Mitchell, MP for Basingstoke, proposed in Parliament in May 1976 that the limit be raised to £3,000; and since then prices have risen by 12 per cent.

The Small Firms Employment Subsidy (see p. 133).

6. PAY RESTRAINT AND UNEMPLOYMENT

Poor Prospects. In his Budget speech Mr Healey talked once more about achieving "the fastest possible return to a high and sustainable level of

output and employment, which remains this Government's overall economic objective" (*Hansard*, 29th March 1977, Col. 256). The latest figures for 10th March 1977 show how far he is from achieving this three years after he delivered his first Budget. 1,268,000 people (5.5%) were out of work in Great Britain on a seasonally-adjusted basis. Although slightly lower than the February figure this is still the highest level for any March since 1939.

The Chancellor said that the figure—which compares with 554,900 (2.4%) before Labour took office—was “unacceptably high”, but he also said: “I would not expect any fall in the level of unemployment. Indeed I fear that some further rise would be more likely” (*ibid.*, Col. 259).

Pay Restraint: Stage Three. Mr Healey's hopes for improvement were placed on the shaky foundations of the Social Contract and the Government's industrial strategy. He argued that a further round of pay restraint would help in three ways:

“... it means lower prices for the goods we produce at home because wage costs are lower. It means lower prices for the goods we import from abroad because the £ sterling is worth more. And these two advantages help to bring down interest rates—which cuts the cost of everything we buy on credit, like housing, and helps employment by stimulating industrial activity and investment” (*ibid.*, Col. 264).

Several important union leaders do not, however, share Mr Healey's view that “the December measures and this Budget together should help to get another round of pay policy.” Mr Joe Gormley of the NUM described the proposed tax-pay trade-off as “blackmail”; ASTMS General Secretary, Mr Clive Jenkins, said of the proposed concessions, “I think that they have made sure, and I am glad of this, that there won't be a Phase Three”; and Mr Hugh Scanlon of the AUEW said, “We don't want to be in the position where we trade a pay deal for taxation”. Nor was this reaction limited to the usual union opponents of pay restraint. Even Mr Jack Jones, the so-called architect of the Social Contract, said of the Budget, “It seems to fall short of expectations”; while Lord Allen, chairman of the TUC Economic Committee, commented, “the prospect for Phase Three has not been encouraged by this over-cautious Budget.”

Mr Healey's claim that pay restraint would assist the £ ignores the fact that last year's agreement did not prevent the disastrous depreciation of sterling in the autumn.

Buying Time. In an effort to alleviate some of the worst effects of the continuing high level of unemployment and, no doubt, some of the pressure on the Government from its own backbenchers, a handful of measures were announced.

The *Temporary Employment Subsidy* of £20 per week per head is available for a 12 month maximum period to employers in respect of employees

they would otherwise have made redundant. The scheme is to be extended to allow applications to be made until March 1978. Where firms in receipt of the subsidy come to the end of a 12 month payment period during 1977-8, and where jobs are still at risk they can apply for a further subsidy at a reduced rate of £10 per week for six more months. These changes are expected to cost £214 million and the Government claims they will help 327,000 employees.

A new *Small Firms Employment Subsidy* is being introduced, which will be available to employers in private manufacturing industry with less than 50 workers. It will only be paid in the Special Development Areas and offers £20 a week for six months for every new full-time job created. It does not open for applications until 1st July 1977. The Government maintains that it could help 5,500 people at a cost of £3 million.

The Government is also proposing to introduce an experimental *job introduction scheme for disabled people*, offering them a trial period of employment to give them a chance to prove their capabilities. Prospective employers will be given a £30 a week grant towards wages for a six week trial period. It will run initially for 12 months and may help 2,000 people at a cost of £360,000.

Mr Healey also announced special help for unemployed teachers, some of whom are to be trained in mathematics and science where there are shortages at present.

Finally, a £100 million construction programme for the inner cities in England, and similar work in selected areas in Scotland, Wales and Northern Ireland, was announced.

Conservative View. While these measures may bring relief to a number of people, taken together they will have little real impact on the problem. The help for the disabled should be measured against the fact that 79,825 disabled people were registered as unemployed in January 1977. This represents 14.7 per cent of those registered for employment, an appalling total that can only be marginally affected by the new scheme.

No estimate is yet available of the number of jobs that will be created by the inner city programme. But building employers estimate that the extra money represents about half a week's work. It will certainly not be anything like enough to compensate for the loss of 40,000 jobs in construction and 25,000 in related trades which the Government estimates was caused by their December expenditure cuts.

As Sir Keith Joseph, Shadow Industry spokesman, stated in the Budget debate: “For every job visibly saved by the Government's measures, there is a portion of a job—sometimes quite a large portion—that is invisibly lost somewhere in the economy” (*Hansard*, 31st March 1977, Col. 614).

7. THE MOTORIST

The Budget increases will add substantially to transport costs, and in particular to the cost of motoring. Excise duty on fuel was increased by 5p to 35p a gallon—automatically increasing VAT by a further ½p—while vehicle excise duty was increased for cars from £40 to £50, and for goods vehicles by between 25 and 40 per cent.

The average tax levied on a gallon of petrol is now only just under 45p, i.e., an increase of 100 per cent from February 1974 levels: vehicle excise duty has also been increased by 100 per cent under Labour.

Mr Healey's Excuses. In his Budget speech, the Chancellor proffered two explanations for these increases: the need to save energy, and "reasons of transport policy". There is no evidence that these increases will lead to any significant energy savings. The fact that road transport is not a promising area for energy saving was indeed amply demonstrated in a Memorandum from the Department of the Environment to the 1974/75 Select Committee on Science and Technology:

"Without drastic interference in consumer choice—for example by petrol rationing, or by seeking to double car occupancy without increasing total passenger mileage—no single measure applicable in the transport field, even in the long term and to the fullest conceivable extent could save more than about 2 per cent of total primary energy and most would save much less" (H.C. 487, 155 i-xiv, p. 215/6).

As for the reference to transport policy, in view of Labour's previous record there are two possible interpretations: the desires (a) to drive freight from road to rail, and (b) to discourage private motoring by making it more expensive. With regard to the first of these, the Government's Consultation Document on Transport (April 1976) dismissed the notion of any large-scale transfer of freight from road to rail as a "pipe-dream".

Private Motoring. 80 per cent of passenger journeys in this country are by car: 55 per cent of all families, and 70 per cent of those living in rural areas, now own cars—and most of the rest would like to. The burden will fall on people in all walks of life. Increases in the costs of motoring will of course be felt particularly heavily in rural areas where public transport services are in many cases deficient or non-existent.

The increase in petrol tax would have been defeated when it was voted on at the end of the Budget debate on 4th April, had not the Liberals backed down on their original intention to vote against it. The first practical test of the Liberal-Labour pact found the Liberal Party split and unable to exercise the influence over Government policy for which only two weeks before they had made extravagant claims.

8. RETIRED PEOPLE

Among retired people and those approaching retirement, first impressions of the 1977 Budget may have been quite favourable. General reliefs in personal taxation were accompanied by rises both in the ceiling for retire-

ment annuity premiums and in the threshold for investment income surcharge.

However, when these reliefs are viewed in their inflationary context they become much less impressive.

As shown on page 128, the increases in income tax age allowances were substantially less than the rate of inflation during the preceding twelve months. Between the 1976 and 1977 Budgets prices rose by more than 15 per cent. The age allowances rose by 7 per cent for single people and by 9 per cent for married couples. In real terms, retired people have therefore been paying tax on a steadily increasing proportion of their incomes. The point at which age allowance starts to be phased out, i.e., £3,250, has not been raised at all in this Budget.

The increase from £2,250 to £3,000 in the ceiling for tax relief on retirement annuity premiums paid by the self-employed represents a useful advance and brings the figure into line with 1973 in real terms.

The £500 rise in the threshold for investment income surcharge only restores the level to what it was in 1973 in *money* terms. Inflation has moved the general price level up by over 90 per cent since 1973, so a starting point of nearly £4,000 is required to restore the threshold to its original value in *real* terms. It has a long way to go.

Retired people will meanwhile suffer heavily from the increased taxes on motoring (see p 134) and from the higher charges of the nationalised industries.

The financial picture for retired people will only be complete when the new social security benefits, due to take effect from November, are announced in a few weeks' time. It is fairly certain that they will reveal a sharp worsening in the impact of direct taxation on retirement pensions.

9. CENTRAL GOVERNMENT TAXATION

	1964-5	1971-2	1972-3	1973-4	1974-5	1975-6	1976-7*	1977-8† (forecast)
	£m	£m	£m	£m	£m	£m	£m	£m
Income Tax	3,088	6,432	6,478	7,058	10,237	15,040	17,030	18,065
Surtax	184	348	350	305	186	109	63	30
Profits Tax	423	2	—	—	—	—	—	—
Corporation Tax	—	1,554	1,525	2,245	2,850	1,996	2,650	2,560
Petroleum Revenue Tax	—	—	—	—	—	—	—	5
Capital Gains Tax	—	155	210	320	381	387	320	330
Development Land Tax	—	—	—	—	—	—	1	5
Death Duties (Estate Duties)	297	451	460	405	339	212	124	70
Capital Transfer Tax	—	—	—	—	—	118	260	320
Stamp Duties	80	166	225	190	197	281	272	320
Other	0	2	2	2	1	—	—	—
Inland Revenue	4,072	9,110	9,250	10,525	14,191	18,143	20,720	21,705
Value Added Tax	—	—	—	1,425	2,497	3,455	3,750	4,250
Purchase Tax	883	1,430	1,390	380	—	—	—	—
Oil	674	1,443	1,545	1,580	1,549	1,542	2,060	2,550
Tobacco	984	1,125	1,180	1,065	1,337	1,679	1,885	2,150
Spirits, beer and wine	575	999	1,070	945	1,133	1,563	1,955	2,050
Betting and gaming	32	156	170	186	238	265	285	315
Car Tax	—	—	—	100	122	180	225	250
Other	274	180	370	469	531	568	740	835
Total Customs and Excise	3,172	5,333	5,725	6,150	7,407	9,252	10,900	12,400
Vehicle Duties	187	473	486	535	532	781	850	1,068
SET (net)	—	342	224	112	1	—	—	—
National Insurance Surcharge	—	—	—	—	—	—	—	1,159
Total Taxation	7,431	15,259‡	15,685‡	17,250‡	22,132‡	28,176	32,470	36,332

*Provisional

†Including special tax on profits.

‡Overall total includes net figure for SET.

§After Budget changes, including those conditional on agreement being reached on pay restraint.

Sources: Inland Revenue Statistics 1975, Customs and Excise Reports, Financial Statement and Budget Reports, 1973-4, 1974-5, 1975-6, 1976-7 and 1977-8.

Chapter 4

THE GRUNWICK AFFAIR

EVEN before the end of Phase 2, the strike record in 1977 was bad, after two good years. More than a million days were lost in March alone. The car industry was, as usual, particularly hard hit, both by strikes of its own workers and by stoppages in ancillary industries, notably electrical component manufacture in July and August, most of them reactions to pay restraint or demands by skilled groups like toolroom workers for special treatment or separate negotiation. Such a demand also led to a damaging strike of aircraft maintenance engineers, and at the peak of holiday movement in August air traffic was disrupted by a go-slow and subsequent strike by assistant air traffic controllers demanding payment of an increase of pay negotiated in 1975 but frozen by Phases 1 and 2 of the pay policy. Port Talbot steelworks were brought to a halt for ten weeks in April-June by a strike of 520 electricians. Strikes by power workers, lift engineers and firemen, among others, directly hit the public in the autumn. The total of working days lost through industrial action in 1977 was 9,985,000, far from a record but much higher than in the previous two years.

The most extraordinary industrial dispute of the year, however, occurred in a small company in a far from essential industry, the north London firm of Grunwick, processors of films. It began on 23 August 1976, when a number of workers walked out, to be joined by others to a total of about one-fifth of the work-force. The strike was essentially for the right to be represented by a union in negotiation with management, none of the workers having hitherto been members of a union. The majority of the Grunwick workers were Indian and Pakistani immigrants, mostly women. The strikers found a willing union in the Association of Professional, Executive, Clerical and Computer Staff (APEX). The company was advised that if it wished to avoid the risk of compulsory reinstatement of some of the strikers it must dismiss all of them, which it did. Shortly afterwards APEX successfully sought to enlist the support of the trade union movement generally in a contest which it evidently could not win on its own, for the factory continued operating with a workforce who showed no signs of wanting to strike or join a union.

The dispute reached the status of a national *cause célèbre* in two ways. First, at the instance of APEX, postal workers began early in 1977 to 'black' Grunwick mail, contrary to a legal decision (later overturned by the House of Lords) in the case of *Gouriet v Union of Postal Workers*, which concerned an attempted 'blacking' of mail for South Africa (see Pt. XIII, Ch. 2, Law in the UK). This interference with the mail was not officially supported by the UPW, and eventually ceased, after various

vicissitudes, including the suspension of some recalcitrant postal sorters. Secondly, in June members of other unions from different parts of the country took part in a sequence of mass pickets of the Grunwick factory. (Three Government Ministers had appeared at different times on the picket lines.) These were met by large forces of police endeavouring to protect workers entering and leaving the factory, subject to the pickets' right of peaceful persuasion, and inevitably led to violence: on 14 June there were 84 arrests and on 23 June, when 2,500 picketers appeared and a policeman was severely injured, there were 53, including Mr Scargill, the militant leader of the Yorkshire miners, who was later cleared.

The mediation of the Advisory Conciliation and Arbitration Service (ACAS) was offered but rejected by the company. However, APEX exercised its statutory right to have ACAS determine the issue of recognition of a union for purposes of collective bargaining, a determination not binding in law. ACAS, having polled the dismissed strikers but not the workers presently employed, particulars of whom the company refused its request to supply, recommended recognition. The Grunwick management sought a declaration that the finding was invalid, was rebuffed in the High Court (Lord Widgery, LCJ) but succeeded in the Court of Appeal, where Lord Denning, MR, described ACAS's partial poll as a 'fatal mistake'. ACAS appealed to the House of Lords (see Pt. XIV, Ch. 2).

The next stage was the Government's appointment of a Court of Inquiry consisting of Mr Justice Scarman (later elevated to Lord Justice), a trade unionist and the chief industrial relations executive of British Leyland. Its report was published on 26 August. After reviewing the history of the dispute and rapping both parties on the knuckles for heightening the confrontation, it recommended that the strikers be reinstated or, if no vacancies existed, be financially compensated, and that the company give effect to its own declaration of willingness to allow any worker with a grievance to be represented by a union to which he or she belonged. The key question of union recognition for collective bargaining purposes was left to be settled after the House of Lords decision in the ACAS case.

Since this little local dispute had taken the shape of a contest of general principle, the most important part of the Scarman report was its reflections on the clash of rights and freedoms claimed respectively by the contestants. Those, it said, with which the company's stance was associated were the right to conduct a legitimate business within the law as one judged best, the freedom to refuse to join a union and the right to free choice of employment. Those with which the union's stance was associated were the right to join a union, the freedom of peaceful assembly (picketing) and the right to just and favourable conditions of work. All these rights and freedoms on both sides, the report observed, were enshrined in the European Convention of Human Rights, the Universal Declaration of Human Rights or the European Social Charter. The report continued:

All rights and freedoms for which each side contends are recognized by English law, but failing agreement their adjustment to each other is to be sought by the processes of conciliation and arbitration under the guidance of ACAS. The sanctions of the law (such as they are) are indirect and are not those associated with the execution or enforcement of a judgment delivered by a court of law.

In short, the Scarman inquiry passed the dispute back to the contestants and ACAS, with certain recommendations having no legal force.

The union, APEX, accepted the report and offered to negotiate in a conciliatory way on its implementation, promising in particular not to seek a closed shop. The Grunwick management, however, in the person of Mr George Ward, managing director, flatly rejected the recommendations on reinstatement or compensation for the strikers, on the grounds that no vacancies existed and that the loyal work-force would refuse to work alongside those who had been harassing their lives and threatening their jobs for the past year. Mr Ward went further, denouncing the court of inquiry as having been established for a political purpose and having reached conclusions unrelated to its findings of fact, which he claimed wholly substantiated Grunwick's case. The philosophy behind the report, declared Mr Ward,

is the philosophy of the corporate state. . . . The report makes constant references to Grunwick's scrupulous observance of the law and praises the company for this. But the praise is qualified. . . . Grunwick is held to have behaved according to the 'letter of the law', but somehow to have fallen short of apprehending the niceties of 'the policy of the law' as the Government and powerful vested interests would wish that policy to be. But when this 'policy of the law' is examined, it turns out to have nothing to do with law of any description and everything to do with conciliating trade unions. . . . Perhaps Britain would be happier if the individual had less freedom, though Grunwick does not think so. But it is a matter for the British people as a whole through their representatives in Parliament and not for courts of inquiry. So long as an area of freedom exists, a good citizen has every right to enjoy it.

Thus a dispute over a few workers in a small factory was elevated to a controversy on fundamental political, constitutional and social issues.

The politicians were not slow to engage in it. Mr Booth, Secretary for Employment, vehemently denied that the Scarman inquiry was biased towards collectivism or was in any way political. Sir Keith Joseph, Opposition spokesman on industry, speaking on 1 September, criticized the Scarman report as either naive or slipshod in important respects. Mr James Prior, however, Opposition spokesman on employment, claiming to speak with the voice of the Shadow Cabinet and Mrs Thatcher, who was abroad, defended the Scarman inquiry and called for mediation. Later Sir Keith palliated this conflict of views as a difference of emphasis, his being on a point of principle, Mr Prior's being on pragmatic concerns; in particular, he agreed (as did Mrs Thatcher) with Mr Prior's view that experience had shown it was impossible to ban the closed shop by law.

The reconciliation was reinforced by the publication, before the Tory party conference (see p. 13), of an official Conservative pamphlet called

The Right Approach to the Economy, to which both Sir Keith and Mr Prior appended their names. It argued that a legal ban on closed shops could be not only ineffective but even harmful, but that closed shops must be subject to certain conditions, including a secret ballot of all workers, no enforcement against workers already employed, and exemption for individuals with strong convictions against joining a union, with a right of legal appeal. This compromise policy was adopted by the conference with scarcely any dissent.

The Grunwick strike—which was not itself about the closed shop—meanwhile continued. The APEX leadership eschewed any further invitation to mass picketing, but called on the whole trade union movement for support; and on 6 September the Trades Union Congress in Blackpool carried unanimously, though evidently with little enthusiasm, a motion admonishing all affiliated unions to continue and intensify financial and practical aid, and inviting the International Confederation of Free Trade Unions to help in stopping Grunwick's overseas business. The local strike committee, against the wish of APEX, went on with plans for mass picketing, and even attempted in mid-October to cut off Grunwick's water by vainly trying to persuade repair workers not to make good an interrupted supply. The mass picketing inevitably led to more violence, notably on 7 November when 42 police and scores of demonstrators from a crowd of 4,000 or more were injured and 113 people were arrested. At the end of November it was reported that the strike committee had voted against seeking any more mass pickets. Their case was not helped by a finding of the Central Arbitration Committee on 12 December that pay and conditions at Grunwick were not, as alleged by APEX, lower than those of similar workers elsewhere; but the strikers retorted that substantial improvements in the past year had been the result of their action.

A further blow fell on them when the unanimous judgment of five Law Lords was published on 14 December. While sympathizing with the dilemma of ACAS, the House unanimously upheld the Court of Appeal. Grunwick, said Lord Diplock, had done nothing unlawful. An employer was under no obligation to cooperate with ACAS in its consultations or inquiries in a recognition issue.

As the year ended, the strike was still in force, but mass picketing had ceased, the company continued in full operation, and the affair had ceased to agitate the general public.

KEY POINTS FROM THE 'TIMES' - TEN YEARS AGO*

MARCH 1977

- March 1st 'Leyland is in danger of bleeding to death, Minister says'
- March 2nd 'Mr Rees meets police on pay as call for right to strike grows'
In pursuit of their pay claim police officers were pushing for the right to strike. Of the 43 Force Areas, 12 were balloted and 12 said 'yes' to strikes over low pay.
- March 3rd 'No more State cash for Leyland unless strikes end'
National Enterprise Board tells the Government no more funds for BL unless strikes end. Deadline set for improvement in firm's economic position or money to be turned off.
BL Shop Stewards' Chairman, Derek Robinson, said: 'We shall not be accepting threats from the Government...' and added that the only thing stopping the unions working out a rational wage structure was Government pay policy.
- March 4th, 5th, 7th, 8th, 9th, 10th No copies of The Times published due to dispute with NATSOPA over refusal to work normally.
- March 11th 'British Leyland tool-room workers reject formula for a return to work'
Strike Committee rejects peace formula worked out by national leadership.
- March 12th 'Mr Steel states Liberal terms for keeping Labour Government in Office'
First hints of Lib-Lab Pact.
- March 14th Tax cuts alone unacceptable.
NUPE tells Healey that in addition to tax cuts restoration of £1,348 million public expenditure cuts also required in return for 3rd term of pay restraint.
- March 15th Inflation (worked out on 3 month annualised figure) 21.8 per cent, over previous 12 months average 16.6 per cent.
Leyland weekly losses between £10 million and £15 million.
- March 16th Rebel BL tool-room workers leader defied a union/management/Government backed ultimatum to return to work.

/...2

* Headlines in bold

- March 16th
(cont'd) **'Police Federation boycotts talks on pay increase'**
Federation representatives boycotted Police Council talks on pay over Government refusal of their pay claim on social contract grounds.
- March 18th **'MPs say armed forces have been reduced to danger level'**
- March 19th Mr Healey says: 'I do believe income tax is too high and I would like to be able to reduce it'.
Motion of no confidence tabled by Conservative Party.
- March 21st **'Government considers deals with Liberals and Unionists of means to avoid election'**
'Economists call for £3,000 million tax relief'
'MPs note anger over increasing burden' of personal taxation.
Rising calls for income tax cuts.
- March 22nd Callaghan involved in frantic negotiations to avoid an Election.
- March 23rd Lib-Lab Pact begins.
- [March 29th Mr Healey's Tenth Budget]

Lib-Lab Pact

The Lib-Lab Pact was signed on 23rd March 1977 and finished on 4th August 1978.

Nationalisation

Aircraft and Shipbuilding Industries Act, completing the nationalisation of the aircraft, aviation, shipbuilding, ship repairing and marine engineering industries, came into force on 1st July 1977. A General Election in March 1977 would have stopped this process : the Lib-Lab Pact allowed them time to become law.

National Health Service

The National Health Service Capital Expenditure Budget was cut by £100 million during 1977-8, from a level of £472 million in 1976-7 to £370 million (Source Cmmd 7049, February 1977).

Education

Education spending fell in real terms in each of the three years after 1976-7 so that less was being spent on education in 1979 than in 1973 (Source Cmmd 6721, February 1977).

Training : Cuts in teacher training were so deep that Mrs Shirley Williams, Education Secretary, was herself forced to admit that they were 'drastic' (Daily Telegraph, 14th April 1977).

Defence

Between 1977-9 planned defence expenditure was cut by £2,512 billion at constant 1977 prices (Source : Hansard, 17th February 1978, Cols 431-432).

In September 1977 the Lib-Lab Government earned a serious rebuke from Dr Luns, NATO's Secretary General, about the cumulative effects of the defence cuts.

Economy

29th March 1977 - Mr Healey's Tenth Budget

Mr Healey's tenth budget in three years. Made an attempt to reduce income tax from 35 per cent to 33 per cent - although the reduction depended on when a satisfactory agreement on the next pay round being reached.

.... Details of the Budget Proposals are attached (Politics Today, 18th April 1977).

Average inflation rate during 1977 : 16 per cent.

Trade Unions

Number of working days lost through strikes in 1977 : 10,142,000

During the Lib-Lab Pact the Liberals made no effort to get Labour to reverse the 1976 Trade Union Act which strengthened the Closed Shop.

The Grunwick dispute which had started in August 1976 was still raging in the Summer of 1977. On 14th June there were 84 arrests
.... on the picket line (Annual Report 1977).

BRIEFING ON TORQUAY FOR CENTRAL COUNCIL MEETING

FRIDAY 20th, SATURDAY 21st MARCH 1987

1. INTRODUCTION

Torquay (population 226,800) is the centre of the Torbay conurbation - main activities in the Torbay Travel to Work Area (TTWA) are hotels and catering; retailing; public administration and defence, medical and others services. Torbay is a designated tourism development action point. The local council is Conservative controlled.

2. POLITICAL

* Local MPs: Patrick Nicholls - Teignbridge - majority 8,218
Sir Frederic Bennett - Torbay - majority 6,555
Anthony Steen - South Hams - majority 12,401

* Devon County Council
Con 37 - Lib 23 - SDP 13 - Lab 10 - Indep 2

Since the County Council elections in May 1985 the Alliance and Labour have formed a coalition, having Chairmanship of all committees of the council.

Torbay District Council
Con 28 - Alliance 7 - Indep 1

The Conservative group under Mr Tony Key has control of Torbay Council. A by-election, caused by the resignation due to ill health of a Conservative councillor, will take place on 2 April. Mr Peter Effer will fight the seat for the Conservatives, campaigning on the excellent record of the private sector in helping develop the town's amenities.

3. EMPLOYMENT AND TRAINING KEY POINTS (JANUARY 1987) TORBAY TTWA

- * total unemployed 8,365 rate 18.5% (compares with national rate of 13.4%)
- * unfilled vacancies 230 : 3% down on previous year.
- * placings : April 1986 - January 1987 5064 (a 7% increase on previous year)

- * Job Release Scheme; 76 people currently benefiting
- * Young Workers Scheme; 13 people currently benefiting
- * New Workers Scheme; 1609 people currently benefiting (Devon and Cornwall)
- * Restart (Devon) - 7527 interviews given - 91% offered training or a job.
- * YTS; 254 currently on training schemes in Torbay local authority district
- * Adult training : 223 planned starts (1986-7) represents a 140% increase on 1985/6.
- * Enterprise Allowance Scheme - 1,624 currently benefitting in Devon (3,582 entrants since 1983).
- * Since May 1979 Government assistance of £1.1 million has been committed to regional aid schemes and has helped create 400 new jobs (Torbay TTWA)

4. HEALTH - TORBAY DISTRICT HEALTH COUNCIL

* PATIENT CARE

Year end Sept	In-patient patient cases	% change over previous year	Out-patient attendances	% change over previous year
1982	25,721	0.0	138,884	0.0
1983	26,610	3.5	140,135	0.9
1984	28,812	8.3	140,766	0.5
1985	29,812	3.5	148,940	5.8
% CHANGE FROM 1982 to 1985		15.9		7.2

* MANPOWER

At Sept 30th	All staff	% change over previous year
1982	2,812	0
1983	2,922	3.9
1984	2,922	0
1985	3,081	5.4
% CHANGE FROM 1982 TO 1985		9.6

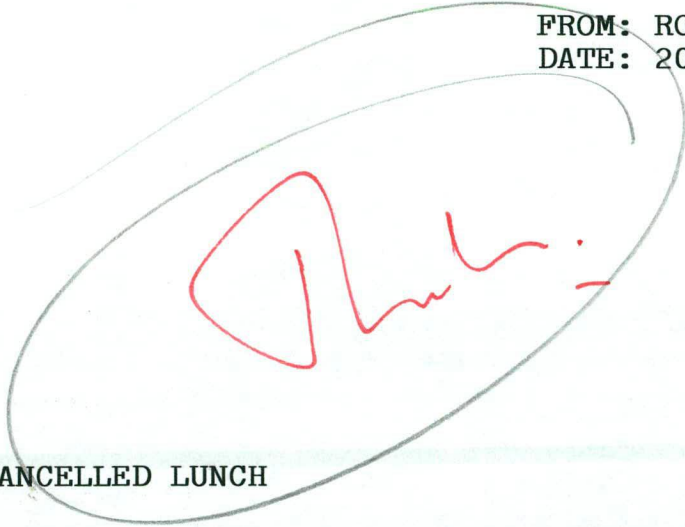
* HEALTH SERVICE FINANCE

Year	Gross revenue expenditure (in cash terms)	% change over previous year (in real terms)
1982/83	25,464	0
1983/84	28,273	6.3
1984/85	31,008	5.2
1985/86	35,258	7.3

5. LOCAL AMENITIES

- * the Torquay Marina is a proven success attracting thousands of tourists annually. The associated Pavilion complex is being redeveloped and a new car park constructed - both are expected to be opened at Easter.
- * The English Riviera Leisure, Conference and Exhibition Centre will open on the 1st May. It is expected to create 120 jobs and will provide restaurants and sports and conference facilities. It is estimated that the project has already attracted £22 million in advance hotel bookings for the whole of Torbay.
- * The redevelopment of the Fleet Street and Swan Street shopping area into a £25 million shopping complex is now at least two years behind schedule. The original developers, John Laing, dropped out because of financial difficulties. The delay has left many shops empty and boarded up angering local people. The council has now chosen a new company, Rosehaugh, to complete the project.

FROM: ROBERT CULPIN
DATE: 20 MARCH 1987



CHANCELLOR

HATTERSLEY'S CANCELLED LUNCH

These are the Jenkins/Waugh pieces I mentioned.

ROBERT CULPIN

CONQUEROR

MI

THE TREASON OF THE HACKS

Peter Jenkins on the silence of Fleet Street over the boycott of Wapping

NOW that I have resigned from the *Sunday Times*, and am about to join the *Independent*, I feel more able to say something about the recent dispute. There was nothing to prevent me from doing so before, as my contract of employment with Rupert Murdoch gave me a total editorial freedom within the confines of my weekly column. However, I chose to say nothing because I judged that nothing said from the well-known barbed wire of Wapping would carry much conviction outside. I did not wish to be suspected of special pleading.

My leaving the *Sunday Times* coincides with the ending of the dispute and, last week, with the lifting by the Labour Party of its ban on journalists employed by the Murdoch newspapers. This embargo was imposed at the instigation of Neil Kinnock himself and it meant that, officially at least, the Murdoch papers were to receive no handouts of any kind, policy statements or the texts of speeches; were to be excluded from all press conferences, including Kinnock's weekly Lobby briefing; and shunned in every way by Labour politicians and officials. The TUC imposed a similar ban.

The grounds for this anathema were, to my knowledge, at no time clearly stated. Were journalists who worked for the four papers to be declared *persona non grata* because of Labour's abhorrence of the papers they worked for and of the way in which Murdoch had made his short march to Wapping? Or were they being blacked as members of the National Union of Journalists who had ignored their union's instruction to strike in support of the striking, and subsequently sacked, printers? It was as well, perhaps, that the National Executive Committee of the Labour Party did not make its reasoning explicit. Most of the journalists who moved to Wapping were members of the NUJ but by no means all of them. In any case, it is far from clear — and may soon be tested in the courts — that the NUJ was acting properly within its own rules in instructing the chapels at the four papers to carry out its centrally determined will or whether it should have allowed the decision to them. What is more clear, indeed almost certain, is that the NUJ was acting illegally in

ordering its members to withdraw their labour without a ballot, which is required under the 1984 Trade Union Act.

If the Murdoch journalists, including myself, were being blackballed by the Labour Party because we were 'scabs' then the Labour Party was making itself accomplice to the unlawful acts of a trade union against its own members. Moreover, as Neil Kinnock must have known well, the NUJ is a union under the kind of left-wing mismanagement which can be only an electoral embarrassment to him. Even if this were not so, there is surely a question about the propriety of a political party involving itself in an industrial dispute in a manner which raises questions about the freedom of the press. If, on the other hand, the Labour Party was engaging merely in arbitrary political discrimination — picking and choosing which sections of the media it would deal or not deal with — then that, it seems to me, sets a scarcely less ominous precedent for the freedom of the press as a whole. The ban of the Murdoch papers from Labour-controlled public libraries, against which not a finger of liberty was



'Look here, will you stop saying, "You're a man after my own heart."'

raised, was another omen.

Not surprisingly, Kinnock's ban was operated with almost total hypocrisy and cynicism. Handouts were handed out under the counter and — as the Labour Party must have calculated — other journalists, sometimes for money, fed information to the Murdoch papers. When the Fulham by-election was called, the embargo was lifted for the duration. Telephone calls were made to the forbidden newspapers when party interest seemed stronger than principle — by Robin Cook, for example, then Kinnock's campaign coordinator. However, when it suited Kinnock to be spared the unfriendly attentions of the *Sunday Times* — for example, on his ill-starred visit to America — the ban was righteously enforced.

It had been left to MPs to decide whether or not they would operate it themselves (otherwise there might have been questions of privilege) and there was, or so I gather, a good deal of fraternising with the 'scabs' in the bars and corridors of the House of Commons. When this 'scab' ran into Neil Kinnock at the farewell dinner for Brian Walden given by London Weekend Television he was greeted in elaborately friendly fashion. Roy Hattersley, on the other hand, cancelled a lunch with me. That ought to have been news: Hattersley Puts Party Before Lunch.

I felt myself, as I have said, to have been in some difficulty in commenting upon these matters, both in their trivial aspects (lunch with Hattersley) and in what they suggested about the fitness of the Labour Party to form the government of this country. What I did not reckon with was quite how inhibited others would feel. Fleet Street has always found difficulty in covering Fleet Street. Dog, as we all know, doesn't eat dog; but today it seems that dog will not bark on dog's behalf.

It's easy enough to understand why other newspaper managements, and their editors, should not be as eager to leap to Rupert Murdoch's support as they were, for example, to Ian MacGregor's during the coal strike, nor to champion the working journalists of Wapping as they had the working miners. Murdoch had stolen a forced march on them and left them standing competitively; at the same time Murdoch, by being prepared to drop the atom bomb, had won the war for all of them. They could feel aggrieved and self-righteous at the same time — like Robert Maxwell who, richly, spoke of the 'British way' of doing things.

So the other papers were happy enough to draw their readers' attention to the public disturbances outside the Wapping plant, and the cost of these in police time and to the taxpayer. They did less to ensure that their readers had grasped that the printers who were screaming 'scab' outside the gates at Wapping belonged to the same unions whose members (NGA) continued throughout the dispute to print

the alternative colour magazine over at Watford and (Sogat) who were distributing the Murdoch papers throughout the country. We NUJ 'scabs' were a handful compared with Brenda Dean's 'scabs' and Tony Dubbins's 'scabs', and all the other 'scabs', including Neil Kinnock's own 'scabs'. Such is the character of the working-class struggle in Britain today.

That, however, is not my complaint. It is against the treason of the hacks. I am not speaking of the industrial correspondents, who are always in genuine difficulty when they find themselves becoming class-war correspondents, nor the photographers who get their heads and cameras broken in the course of duty. I am talking about my fellow columnists and commentators who, apparently, saw no issue of general importance involved in the unlawful intimidation of the NUJ or in the behaviour of the Labour Party or who, if they did, found no space or time to comment upon it.

The most glaring illustration of what I mean is that provided by the case of David Selbourne, a don at Ruskin College, Oxford, who wrote an article for the *Times* and, as a result, was shamefully persecuted by both students and fellow dons at a college where, it appears, the ethos of the picket line — even as exemplified by the London branches of the NGA and Sogat — takes precedence over the basic principles of academic freedom. This disgrace was brought to light by my former colleague at the *Guardian*, Hugo Young, in the most admirable fashion. Yet to the best of my knowledge not a word of protest was written by Hugo or anyone else — Peregrine Worsthorne, Alan Watkins, Ferdinand Mount — about the Labour Party ban against their colleagues on four national newspapers, our exclusion from the Labour Party Conference last year, or the — still continuing — intimidation from the NUJ which makes Ruskin College seem an academy of liberty and tolerance.

I cannot believe that, with any of the persons I have named, trade union solidarity can have been the explanation for their silence. They know all about the NUJ and the truth about the printing unions of Fleet Street. Nor are they the sorts to prostrate themselves intellectually to the commercial interests of their proprietors who were locked in mortal competition with the Murdoch titles. Perhaps they saw nothing worthy of their political comment in Neil Kinnock's language of priorities which, it would seem, attaches more meaning to the support of two petty trade union leaders than to placing himself on the side of press freedom — like Voltaire, even in hard cases. Perhaps they themselves saw no reason why the freedom of the press, of which they are a part, should extend to the papers of Rupert Murdoch. Or, perhaps, they simply thought that all is fair in love and political journalism. I cannot say. It is a matter on which they must speak for themselves.

RIOTING AND LUTON

*Tim Heald reports
on a solution to
football violence*

JOHN Pope's shop has been in the Dunstable Road, Luton for more than half a century. Men's outfitters of a solid, sensible traditional kind — the sort of place you'd go for braces. In the old days, of a Saturday morning, Mr Pope senior would rub his hands and say to his son, 'It'll be a good day today. We've got a home game.' A decade or so ago that memory became a bad joke. If Luton town had a home match Mr Pope junior put up the metal grilles on the windows and locked the door. 'There was some sort of aggravation every time,' he says.

Last Saturday Mr Pope was optimistically decking out a new spring window display featuring blossom on branches. It was the day of the Luton Town-West Ham soccer match and even two hours before kick-off a few fans were walking past the shop before turning up one of the dingy terraced roads opposite Kenilworth Road Ground. There had been police at St Pancras station, including two vans with dogs; a quartet at the ticket barrier at Luton and a couple of mounted officers in riot gear near the Dutchman, a Whitbread pub where the away supporters used to get tanked up before the last few hundred yards' walk to the terraces. There were a few wandering couples of police around the ground itself but they seemed very relaxed. The green-grocers all had fruit on display outside their shops. A small queue formed in Mario's Fish and Chip Restaurant. Desultory weekend conversation took place outside Malik and Bros Continental Food and Halal Meat. Mr Pope even had a basket full of hats on offer on the pavement. 'Unthinkable till this year,' he says.

The reason for the lifting of the Saturday siege round Kenilworth Road is wonderfully simple. Since the beginning of this season Luton Town FC has introduced a membership scheme and banned away supporters. You can't get into the ground without pushing your plastic membership card into a machine at the turnstiles. If it's in order you get a green light and go through; if it's not a message flashes on to the screen of one of the Epson computers in the control room and the security people are immediately despatched to the gate.

There have, of course, been the predictable bleats about 'infringement of personal liberty', but it's a lot less unpleasant than being frisked by police or — worse still — the civilian gorillas the Rugby Football Union was employing at the last Twickenham international.

Since the club introduced the scheme they have enrolled 30,000 members at a pound a time, mainly from their Beds, Bucks and Herts catchment area. They don't poach from their nearest rivals — Northampton and Watford — but they do have some members from further afield, notably the Sikh who wrote to say that Luton sounded like the only football ground where he wouldn't have to submit to racial abuse as soon as the 'fans' saw his turban. When they last ran a survey they found that 98 per cent of the members approve the scheme.

Certainly the notably laid-back police superintendent I encountered in the ground had nothing but praise for it. Policing levels have been reduced four times and they are hoping to do so a fifth time before the season ends. At other League grounds you get a real sense of 'them' and 'us' when you see the police lines drawn up. Not so in Luton.

Part of the theatre of modern football is the duel between opposing 'choirs' at each end of the ground. It can sometimes produce moments of magic. It was marvellous the other day to hear hundreds of Geordies belt out the Bladon Races as Newcastle United went into a brief lead against QPR — and bizarre to witness the 'sick-as-a-parrot' silence from the home fans at the other end.

There was none of that last Saturday at Kenilworth Road, although contrary to some national press reports there were a number of West Ham supporters in the main stand near me and my nine-year-old son. In other grounds the away supporters are caged behind bars. Children were sitting on the advertisement hoardings before kick-off. I even saw players signing autographs. People gave the impression of being there to watch football. As John Pope said earlier, 'There's nobody there to fight so they have to enjoy the game.'

Trials and tribulations of a Top Writer

AUBERON WAUGH

Is any party fit to govern whose deputy leader refuses to have lunch with Mr Peter Jenkins? Why did other newspapers neglect to report this frightening development in the Wapping dispute? One can scarcely believe they were ignorant of its constitutional importance, or its implications for the freedom of the press. Among all the thousands of journalists who did not comment on Roy Hattersley's historic decision, I single out four: Hugo Young, Peregrine Worsthorpe, Alan Watkins and Ferdinand Mount. Are these treasonous hacks fit people to comment on public affairs at all? Are they fit to remain members of the human race? It is very much to be hoped that the Government will set up a court of inquiry, under some suitably independent and widely respected figure to investigate the behaviour of the press generally and these four journalists in particular in totally refusing to comment on Roy Hattersley's unconstitutional, illegal and contemptuous attitude with regard to a genuine lunch invitation from a *bona fide* journalist.

I groaned when I heard that Peter Jenkins was joining the *Independent*. It has been such an intelligent, unpompous, unself-important newspaper up to now. Jenkins is exactly what it does not want. Why on earth did he wish to leave the *Sunday Times*? 'My contract with Rupert Murdoch gave me a total editorial freedom within the confines of my weekly column,' he announced in last week's *Spectator*. No doubt that is true, but there is editorial freedom and editorial freedom. Give editorial freedom to a nightingale and you will get a song of summer in full-throated ease. Give it to a pig and you will get a grunt. Somewhere between the two, Jenkins has never yet managed to surprise me with his use of this important privilege. One always knows exactly what he will say on any subject; one always knows his opinions will be boring and wrong. It is interesting to learn that his contract was with Rupert Murdoch personally, rather than with the Queen, or the editor, or the contracts department of the *Sunday Times*. But why, oh why has he chosen to end it, since he always writes the same high-principled self-important tosh wherever he is? One never thought the *Sunday Times* could get worse than it was under Evans and Giles, but somehow it has achieved it (with the possible exception of the books page, which shows some slight improve-

ment). Any diaspora of *Sunday Times* 'talent' must be seen as the opening of a Pandora's box of poisonous fungi. Please, please stay in Wapping, Peter.

Reading my February issue of the *Journalist*, the National Union of Journalists organ — its March issue does not appear to have arrived yet — I learn that despite the printing unions' having settled their dispute with News International, the NUJ is still in dispute. The national executive has imposed fines of £1,000 on 93 News International members found to have 'broken instructions' by working at Wapping. Peter Jenkins was not among them; in fact he was acquitted of this charge on 10 January. Should we praise him for his bravery or not? Underneath the account of these fines, there comes another item:

In a separate case, two members accused of being involved in an operation to syndicate material by Wapping journalists, against an NEC instruction, were fined £1,000 and £500 by the NEC on 31 January.

Polly Toynbee of the *Guardian*, who runs Top Writers, a syndication service, was found to have sent material by Peter Jenkins, of the *Sunday Times* to the Western Morning News in Plymouth. She was fined £1,000, Jenkins £500.

Once again, I was interested to learn that Polly Toynbee, who writes fearless articles about rape in the *Guardian*, saying how dreadful it is, also runs a syndication service called Top Writers for her husband, Peter Jenkins. Neither Hugo Young, nor Peregrine Worsthorpe, Alan Watkins nor Ferdinand Mount commented on this disgraceful interference in the freedom of the Press by the NUJ. 'My complaint', writes Jenkins, 'is against the treason of the hacks . . . I am talking about my fellow columnists, and commentators, who apparently, saw no issue of general importance involved in the unlawful intimidation of the NUJ or in the behaviour of the Labour Party or who, if they did, found no space or time to comment on it.'

Brooding about the Labour Party's behaviour, I feel it was quite right to refuse to talk to News International journalists, and should extend the ban to all journalists, on all newspapers. Similarly, newspapers should refuse to talk to politicians. They are nothing but liars and gourmandisers. Political reporting should be confined to accounts of parliamentary speeches and election manifestoes, Green and White Papers and Bills, commentary on them and

satirical parliamentary sketches. There is nothing to be gained by talking to the brutes. It encourages them to a lot of unnecessary activity, and infects the journalists concerned with their own self-importance. If they wish to influence events, they should join their local Labour Party, enrol in the ascendant faction and start kissing lesbian babies, or doing whatever may be required to impress the constituency association.

It is absurd to pretend that Labour's refusal to talk to various newspapers constituted an 'ominous precedent for the freedom of the press as a whole'. Nobody has to talk to anybody — not even to Top Writers like Peter Jenkins — and it would be insufferable if they did. Genuine press freedom is more threatened by the journalists themselves, who organise themselves into exclusive lobbies and promise to abide by rules of confidentiality.

I agree that slightly different issues are raised by the refusal of Labour councils to stock certain newspapers of which they disapprove in their public libraries, but that is a problem which is inherent in our system of local democracy. Either councils should have the right to control what they buy for their libraries or they should not. So long as they do, it will serve voters right if they vote Labour in their local elections and then cannot find their favourite newspaper, the *Sun*, in their local library. There is no earthly reason why Alan Watkins, Peregrine Worsthorpe or anyone else should be concerned to rescue them from the consequences of their own stupidity.

Finally, everybody agrees that the National Union of Journalists is a hopeless body, its activists drawn from the dregs of a profession which has always had its quota of embittered radicals and incompetents. Unfortunately, better journalists simply do not have time to do anything about it. For my own part, I refused to send in the bankers' order raising its subscription to £140 a year and thought I had thereby cancelled my subscription, in protest against its support of the printers and its failure to stop Murdoch declaring Fortress Wapping dry. This last strikes me as a much worse threat to press freedom than the Labour Party's behaviour, but we have not heard a squeak about it from Jenkins. That is what I call treason, but perhaps the absurd Mr Jenkins saw no issue of general importance involved.



ppp

**NOTE OF A MEETING
IN THE CHANCELLOR'S ROOM, TREASURY
AT 9.30 AM ON MONDAY 23 MARCH**

Present:

Chief Secretary
Financial Secretary
Miss Sinclair
Mr Cropper
Mr Ross Goobey
Mr Tyrie
Mr Mace - IR

LABOUR COSTINGS

The meeting discussed the handling of the tax consequences of the £34 billion. The following points were agreed:

- (i) We should focus on the income tax consequences. The VAT consequences should be held back for use if the Opposition claimed that the Government were planning to raise VAT themselves.
- (ii) We should not resile from the 56p income tax costing, but should change the line to say that Labour's proposals would 'more than double' the basic rate of income tax.
- (iii) It would not be in Labour's interest to challenge the 56p and say that it should be 'only' 53p. If this point was raised, we should avoid going into the details but should simply say that we had made a very modest adjustment of 10 per cent for behavioural changes - which would in practice be much greater.

CR

AP

A C S ALLAN

UNCLASSIFIED



A handwritten signature in the top right corner of the page.

FROM: A LYONS

DATE: 25 March 1987

MR CULPIN

HATTERSLEY'S CANCELLED LUNCH

The Chancellor has seen and was most grateful for the two Spectator articles covered by your minute of 20 March.

A handwritten signature in cursive script, appearing to read "A Lyons".

A LYONS

- 1. MR HAWTIN
- 2. CHANCELLOR

FROM: R M PERFECT

Date: 27 March 1987

cc: Chief Secretary
 Minister of State
 Sir P Middleton
 Mr F E R Butler
 Mr Cassell
 Mr Instone
 Mr Fellgett
 Mr Tyrie

Handwritten notes:
 210
 330
 Nigel
 (Red signature/initials in a circle)

ARTICLE FROM THE LEICESTER MERCURY 13 MARCH

You drew our attention to an article headlined "Labour finds loopholes to set new rates" - Mrs Ryding's minute of 16 March refers. We have discovered a bit more about the background to the story.

2. The article reports the housing chairman of Leicester District Council as saying senior officers had found "legal loopholes" which enabled him to increase housing allocations from £12 million to £36 million. Department of the Environment's version is a little less dramatic. The following table summarises the position:-

	£ million
Housing allocations	12
Spending power from receipts	13
Deferred purchase	9
Allocations transferred from other local authorities	2
Total spending	<u>36</u>

Housing allocations

3. Leicester asked for £52 million of housing allocations for 1987-88 but indicated they would settle for £32 million. They were allocated £12 million (80 per cent of their 1985-86 allocation).

Spending power from receipts

4. Leicester have £13 million spending power from receipts in 1987-88 and this accounts for most of the legal loophole Mr David Middleton claims his officers found.

Deferred purchase scheme

5. Department of the Environment report that Leicester have had a deferred purchase scheme in place for 1985-86, 1986-87 and 1987-88. We do not know how much longer the scheme lasts. This loophole was closed in July 1986 when the Government announced it would seek legislation banning future advance and deferred purchase schemes, though existing arrangements could be honoured. The necessary legislation is in the Local Government Bill now in the House. Leicester are likely to have to start paying for their deferred purchases in a year or two. The repayments will count as prescribed spending and so reduce the new capital programme they can afford in future years.

Allocations transferred from other authorities

6. Local authorities can transfer allocations between themselves, under Section 77 of the Local Government Planning and Land Act 1980. Oadby and Wigston Borough Council, North West Leicestershire District Council and South Bedfordshire have not used £1.65 million of their allocations in 1986-87 and are willing to "lend" them to Leicestershire District Council. This spending power can be brought forward into 1987-88 by using tolerance (which allows a local authority to carry forward up to 10 per cent of their allocations).

Manpower figures

7. The article also reports the Conservative leader, Michael Johnson, as saying "staff recruitment is at an unprecedented level in loony departments". Loony spending

tends to get reported as "other services" in the CIPFA figures which show that Leicester's spending per head on "other services" is very high. Indeed Leicester's spending per head on virtually all services is unusually high - even on rate collection.

Spending per head in 1986-87 on:

		£
	"other services"	Rate collection
Leicester DC	28.21	3.52
Blaby DC	3.62	2.58
Non-metropolitan district councils	7.87	2.79
Metropolitan district councils	17.96	3.43
All authorities	17.80	3.37

The joint manpower watch figures produced by Department of the Environment show that over the last year Leicester did shed 355 full time jobs but the number of part time employees rose by 92.

Conclusion

8. The detailed figures suggest Leicester is an inefficient local authority. The only loophole they have used was blocked on 22 July 1986 - though deferred purchase agreements entered into on or before that date can be honoured.

R. M. Perfect.
R M PERFECT

Mr. Hawtin
we should give the
Chancellor a comment
on this.



FROM: CATHY RYDING
DATE: 16 March 1987

FE/RB
16.3.

PS/CHIEF SECRETARY

- cc Minister of State
- Sir P Middleton
- Mr F E R Butler
- Mr Anson
- Mr Cassell
- Mr Hawtin
- Mr Pirie
- Mr Perfect
- Mr Tyrrie

**"LABOUR FINDS LOOPHOLES TO SET NEW RATE" -
LEICESTER MERCURY FRIDAY 13 MARCH**

The Chancellor has asked me to send to you a copy of the attached cutting from Friday's Leicester Mercury.

CR

CATHY RYDING

N. Pirie

I should be grateful if Mr. Perfect could do a note, in connection with Mr. Bellgett.

Mr Perfect
Please

AL
18/3

A
17/3

City Council rates meeting

Labour find loopholes to set new rate

by Joe Murphy, Civics Reporter

Creative accounting — in other words, exploiting legal loopholes — was the name of the game as Leicester City Council passed Labour's 4.9 per cent rate rise.

Labour pulled every trick in the book — and some new ones — to enable far more spending than the Government technically allows.

Tories condemned the practice but produced some "magic" of their own for a package to cut the rates, but increase spending.

Their gesture was futile against the big Labour majority and the budget was steamrollered through by the jubilant controlling group.

A new ploy was used to help boost next year's capital spending far beyond the Government-imposed restrictions.

For the first time, the council "borrowed" capital allocations from other

local authorities who have not used theirs.

This totalled £1.65 million and came from Oadby and Wigston Borough Council, North West Leicestershire District Council and South Bedfordshire.

Praise for the accounting skills of senior officers came from Labour's Mr. David Middleton, the housing chairman, who said they had "found legal loopholes".

This had enabled him to multiply the housing borrowing allocation from a "measly" £12 million to £36 million.

• Comment — Page 26

Accounting: 'Come to the professionals'

Tories unveiled a plan which they said could expand services — but cut rates by 12p in the £1.

It would chop down City rates bills by £240 a year for the average household,

yet expenditure (not counting grants) could increase by 5.7 per cent.

"If you want to learn about creative accounting you should come to the professionals," said their Chief Whip, Mr. Peter Kimberlin.

The 36p rate would be achieved by taking more from reserves to qualify for maximum Government grant — and then pay back the reserves while making a "profit".

But Labour said it would not work. Mr. Graham Bett described it as a "travesty of budgeting".



MR. MIDDLETON

Budget: Is it sensible or a waste?

Sensible, Socialist, rational and practical — that was Labour finance chief Mr. Graham Bett's description of the budget.

Wasteful, inefficient electioneering, and incompetent was the scathing response from Conservative leader Mr. Michael Johnson.

The price of City Council services was less than a packet of cigarettes a week on average — a bargain, said Mr. Bett.

He slammed as "incompetent" the Environment Secretary, Mr. Nicholas Ridley, and cited cases where Whitehall had got vital grant figures wrong.

Developments

Among major policy developments in £3 million of special items were, he said:

- £7,000 — for equipment to monitor nuclear accidents such as Chernobyl.

- £15,000 — Aids information campaign.

- £250,000 — Tower blocks security and maintenance.

Mr. Johnson reminded members that City rates rose by 80 per cent last year.

Money was wasted on "loony" schemes he said: "Staff recruitment is at an unprecedented level — not practical staff, such as refuse collectors, but in loony departments."

Referring to creative accountancy, he said chief officers' time had been wasted through political interference.

Mr. Gary Hunt, for the Alliance, said the budget deserved praise and criticism.

But the rate rise — a total of 89 per cent over the last two years — was far too high.

He called for a review of all departments to cut waste and ensure value for money.

What the rise means

The average city household will pay just under a penny a day extra for City Council services.

Taking the County Council's 5 per cent rise into account, the budget means his total rates bill will go up by 45.5 pence a week.

The rise was from 45.5p to 47.75p in the £1 — that is 4.9 per cent.

It means the council's £152 million budget is 4 per cent bigger than in the current year.

'Triumph over adversity'

The budget for capital spending was a triumph over adversity, said Labour leader Mr. Peter Soulsby — of his group's determination over a hostile Government's restrictions.

He said the Government had cut deeply into the council's ability to spend on homes, recreation and the environment.

Labour were determined to press ahead with an ambitious programme that would also create jobs.

*This is unwelcome and worrying.
But we do not have the power
to prevent it.*

FROM: J M HALLIGAN
DATE: 31 March 1987

1. MR GILHOOLY
2. CHIEF SECRETARY

cc Chancellor
FST
EST
MST
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr Hawtin
Mr Scholar
Mr Turnbull
Mr Pirie
Mr Fellgett

LOCAL AUTHORITY MANUALS' PAY

This note is to bring you up to date on developments. It does not require any action from Treasury Ministers.

Background

2. You will recall that as part of the 1985 pay settlement the employers and unions agreed to a joint review of the manuals pay structure. It was to comprise a job evaluation review which was to be the basis of a reformed grading structure. The original intention was for the job evaluation review to be completed in time for the 1986 negotiations. However, the two sides underestimated the amount of work involved and the job evaluation review has only just been completed. Meanwhile a normal pay settlement was reached in September 1986 worth 6.7 per cent, which Ministers publicly condemned as excessive. The employers ignored a Government suggestion to make a low offer pending the full-scale restructuring or to delay making any offer until the restructuring could take place.

Job Evaluation Exercise

3. The job evaluation study, which was a joint employer-union affair, has now been completed. It is fair to say that it is probably

the most detailed study ever carried out in the UK. It incorporated the principle of equal pay for work of equal value, which is at the forefront of many negotiators minds, especially following the recent Pickstone case. (Department of Employment Ministers will be circulating a general paper on that subject shortly).

4. From our point of view the study had two unwelcome aspects:

a. Cost. If the revised rankings of jobs were to be adopted with the present grading structure and pay rates the manuals paybill would increase by 1.4 per cent. About two-thirds of that arises because of the upgrading of existing jobs (mainly those currently done predominantly by women). About one-third arises to protect the pay rates of workers currently doing jobs that will be downgraded.

b. Loss of Flexibility. Following the grading changes the pay rates for at least 90 per cent of the 1 million manual workers will be set nationally. Previously individual authorities had some discretion to vary the point on the grading structure at which they placed different jobs depending on local recruitment/retention factors. Adopting the new grading structure will remove that discretion. [LACSAB report that this is what authorities want. They claim the national rate will be set at a level below which no authority would wish to pay and that individual authorities could then manipulate bonus schemes etc to reflect local labour market conditions.]

Restructuring

5. The job evaluation scheme was the first part of the exercise. The next is to translate the new grades into pay rates. One approach would be to simply apply the new grades to the present grading structure and associated pay rates and differentials. As noted above this would cost 1.4 per cent or about £50 million per year.

6. Another approach which the authorities have in mind is to tie-up the job evaluation exercise into a general exercise to widen differentials. This would be more costly but, if introduced alongside reforms to improve productivity, could have managerial benefits that would offset the cost.

7. The employers secretariat is currently consulting individual authorities about the best way to proceed before a 2 day negotiating session with the unions planned for 7/8 April. The options they have consulted upon are as follows:

i. Continue with the present pay rates and fit all jobs into that structure. Cost 1.4 per cent.

ii. Introduce wider differentials alongside new structure. Cost 4.12 per cent, if steps of 5 per cent between grades are introduced.

iii. Long term deal. A settlement from April/May 1987 to September 1988, which would involve (ii) and something (say 4.96 per cent) for a general increase from September 1987. The paybill cost of this package would be 9.29 per cent or 7.7 per cent on an annualised basis.

8. The consultation paper leans towards option (iii) because it believes that only this would allow the employers to make some changes in working practices and a more flexible working week that would obtain some productivity offsets.

Assessment

9. The manuals have done well in the last two years: 8.14 per cent in 1985, 6.7 per cent in 1986. A further increase now would be most unwelcome for public expenditure reasons (every 1 per cent costs £33 million) and because of the repercussive effect on the NHS ancillary grades. A long term deal might be worth trying if tied to genuine productivity savings but not at the kind of level that the employers seem to be envisaging.

Further Action

10. Mr Ridley will be meeting the employers side on Thursday to put forward the Government's concerns about cost and repercussions. He will try to persuade the employers to either stop at option (i), if they feel they must implement the job evaluation review, or to demonstrate that there really be productivity offsets if the approach of option (iii) is adopted. Our record of influencing these negotiations is poor and DOE officials do not expect the meeting to change anything. They have made preparations for Mr Ridley to issue a critical statement if the 7/8 April meeting produces an unacceptable result, making it clear that the Government will not finance the deal and encouraging individual authorities to think about whether they need implement it.

11. We have considered whether there is anything more to be done and, in particular, whether you should join Mr Ridley on Thursday. However, we doubt whether it is worth your time. Mr Ridley can be relied upon to say the right things and the meeting will probably be a predictable exchange of both sides well-known views for the public record. This is necessary to preserve the Government's position on public expenditure and to leave the NHS unions in no doubt that the exercise will not be reproduced in the Health Service. But, we doubt whether you need spend time doing this.

12. LG agree.

J. M. Halligan.

J M HALLIGAN

1. Cathy (x)

2. Andrew (x)

3. RJP



Ch

At your bilateral, CST
will raise:

X/ 1. Labour's elastic
poverty package

Y/ 2. LA manuals' pay.

Papers with you, I think;
copies attached.

AWK
1/4

CST will
like this.

3641/41

FROM: A G TYRIE
DATE: 31 MARCH 1987

CHANCELLOR

cc Chief Secretary
Economic Secretary
Financial Secretary
Minister of State
Mr Cropper
Mr Ross Goobey
Mr Hudson
Ms O'Mara

(pages 1/4)

LABOUR'S "ELASTIC POVERTY PACKAGE"

Hattersley's attempt to limit Labour's 'first year' commitments seems to have failed. I think we should challenge Hattersley in the House on this at the next opportunity.

- ... 2. Hattersley's line all along has been that the 'poverty package' would contain only three items: pensions, child benefit, long-term unemployment benefit, (for example, see his speech on 16 September 1986 to the BIM, attached).
- ... 3. Meanwhile, Michael Meacher is suggesting that home insulation and the winter premium are also to be funded from the same £3.6 billion, taken from the top 5% of income earners, and Neil Kinnock on two occasions has said that the same money would provide help for the disabled.
4. Labour cannot be allowed to get away with spending the same money three times. I have alerted John Major to the "elastic poverty package".

A.G.

A G TYRIE

EXTRACT FROM SPEECH BY MR HATTERSLEY, BRITISH INSTITUTE OF
MANAGEMENT OPEN DINING CLUB, TUESDAY, 16 SEPTEMBER 1986

financed in a number of other ways - the increases in government income which flow from growth, the savings that will follow a reduction in unemployment, the transfer of resources from one programme to another and the encouragement of new forms of investment in government projects. I propose to discuss all of those alternatives. But first I want to be absolutely precise about the framework within which we must initially operate.

First, we can and we will raise about £3.6 bn a year from taxation. That is the sum which has been provided in tax cuts for the most highly paid 5% individuals within the economy. I repeat that it is not our intention to reimpose all of the taxes which have been abandoned or reduced. We will, for example, remove allowances or taxes above the standard rate in preference to increasing the marginal rate. There is no shortage of alternatives. A tax partner at Price Waterhouse is now spending a summer sabbatical preparing options by which that total might be raised. That sum will be used for three specific and specified purposes:

- an increase in the level of state pension
- an increase in child benefit
- the establishment of long term unemployment benefit

In short, the £3.6 bn is a discrete package and an independent exercise in redistribution.

Apart from that contribution from the most highly paid 5% individuals within the economy, I do not anticipate an increase in the overall level of taxation for the ordinary taxpayer. Of course, the pattern within the total may alter.

During this year's budget debate we proposed an increase in borrowing of £6 bn - some of it to finance a cut in National Insurance Contributions, most of it to be used for public sector investment and services. That £6 bn figure was the product of a calculation of the borrowing total which would most benefit the economy. We will, of course, replace the meaningless and discredited Public Sector Borrowing Requirement with a public statement of the ratio of government debt to national income. At present the ratio is much lower in Britain than it is in some of our most successful competitors - Japan, Canada and Italy - and it would have remained so had borrowing been increased by the £6 bn which we proposed. The ratio which the extra borrowing would have produced is, approximately, the ratio I anticipate nominating for the Labour government. The figure which we specify will not be exceeded.

Setting a firm financial framework requires the Labour Party to accept the necessity of accepting a rigorous pattern of priorities. The Party - and the trade unions - have accepted that necessity. There is a general understanding that parts

of our programme will have to wait for the availability of necessary finance. And there is widespread agreement that we must not attempt what we cannot afford or promise what we cannot, prudently, carry out. The framework which I have set out will not be exceeded.

That does not, of course, mean or imply that in the medium and longer term funds cannot be provided for extra expenditure. It does mean that it cannot be promised or provided until we know that the money is there. Apart from the anti-poverty and job creation programmes which we specify, there can be no promises for the "first year". Other spending programmes have to await the increased resources which we know are certain to be available. It is worthwhile reminding ourselves of how they will be provided:

- a) Additional resources will come automatically from economic growth. Each 1% of growth provides an extra £1.5bn of Government revenue each year for distribution between tax cuts and public expenditure. The Government anticipated, at the time of their Budget, that there would be a cumulative fiscal adjustment of £9bn over the next three years.
- b) In addition, on the Government's own figures, there will be a cumulative total of £18.8 bn unallocated expenditure in the contingency reserves over the next three years.

Extract from Labour leaflet, Berby, March 1987

MICHAEL MEACHER

writes

At this time of year, uppermost in our minds must be the plight of those without sufficient warmth, particularly old people.

Freedom from the cold has become a key test for a civilised society, and will be a priority for the next Labour Government.

During February and early March there were 6,858 more deaths than those that normally occur at this time of year because of extra cold weather,

Labour's action plan is:

Increase the single pension by £5 per week and the married couple's by £8 per week.

Increase child benefit by £3 per week per child.

Establish a winter premium of £5 per week for the months between mid-December and the end of March for pensioners, and others living on the margins of poverty, to help pay fuel bills.

The next Labour Government would undertake a major programme of domestic insulation. This will also provide jobs and conserve energy.

These policies will be financed by raising revenue from the Top 5% income group of the population - the very people whose taxes have been cut most during the Thatcher years.

Yours sincerely,

Michael Meacher, MP
Shadow Secretary of State
for Health and Social Security

Health and the Environment

- Health is our most precious asset - ask anyone who does not enjoy good health.
- However, health is not determined simply by treatment obtained from the N.H.S., vital though this is. It is also determined to a large extent by our environment and our standard of living.
- Pollution, poor housing, radiation hazard, lead in petrol and indiscriminate building on our countryside all contribute significantly to ill-health.
- Similarly, poverty, unemployment, poor education, homelessness and poor diet have devastating effects on health, particularly in the elderly.
- In Britain the welfare state was introduced to help those who, for what ever reason, are unable to provide for themselves and their families adequately, either through ill-health, unemployment or age.
- It is vital that benefits are adequately protected against inflation and that the environment is safeguarded against damage.
- There is no knowing which of us may at some time need the welfare state. A Labour Government will provide the necessary safeguards for us all.

LABOUR PARTY



UNCLASSIFIED



FROM: N G FRAY

DATE: 1 April 1987

MR R M PERFECT

ARTICLE FROM THE LEICESTER MERCURY: 13 MARCH

The Chancellor has seen and was grateful for your minute of 27 March.


N G FRAY

JP

FROM: A G TYRIE
DATE: 3 APRIL 1987

CHIEF SECRETARY

cc **Chancellor**
Economic Secretary
Financial Secretary
Minister of State
Mr Cropper
Mr Ross Goobey
Mr Hudson
Mr Culpin

Handwritten notes in red ink:
1. I don't think (2) comes from (1)
off: suit a variety of work
don't work
(AST confirmed that's what CST did) AWK

... I attach a copy of **Hattersley's** speech, embargoed for 11 am tomorrow.

2. Some interesting points are:

- "This "five-year programme" confirms most of the £34 billion. Hattersley appears to have abandoned his attempt to claim that Labour's spending commitments would be limited to £10 billion;
- minimum wage, which we removed from the £34 billion, has been reaffirmed as Labour policy
- aid is a conspicuous absentee from Labour's plans.

... 3. I attach a couple of possible lines which we can give to the PA wire at 11 am tomorrow, if you think either of them appropriate.

AGT

A G TYRIE

No 1

For over a year I have pressed Mr Hattersley to come clean on Labour's spending plans. Finally he has done so. He has confirmed most of the £34 billion of pledges I costed last month.

2. Labour are already committed to increasing income tax; they would need to double the basic rate to pay for these spending pledges.

No 2

Mr Hattersley tells us he will be the next Chancellor. But he has put out an economic programme with promises to spend money on everything - except aid - without giving any indication of how much it would cost. Nor does he say how he would raise the money. The 'alternative economic strategy is dead'. Only the bribes are left.

FROM: A G TYRIE
DATE: 10 APRIL 1987

CHANCELLOR

cc Chief Secretary
Economic Secretary
Financial Secretary
Minister of State
Mr Cropper
Mr Ross Goobey

[Handwritten notes in red ink:]
[NB Hamilton's name policy] 22/3/87
Tax-based
Asst. Jackson

[Handwritten notes in red ink:]
Thanks
2. Pst for a special
mtg of min., advisors
& SPS, at a time
convenient for all
MM's

WORK IN HAND ON THE OPPOSITION

1. Most of the points below concentrate on public spending. I think a more general theme on opposition economic policies should be their lack of novelty. On Labour, as I have said before, I think we should draw out the similarities between Labour's economic policies and their Manifesto of 1983. On the Alliance, rather than attacking specific policies in detail, we might try the line that contrary to their image they have no new ideas, merely half-baked versions of failed policies. They have nothing fresh or distinctive to offer except packaging.

LABOUR

2. Key statistics for Labour's Campaigners.

I attach a Labour briefing note which has come our way. I think it provides a very good guide to likely Labour attacks during the Campaign. Paul Twyman and I are working on a point by point line to take for each of these which will be ready shortly after Easter, certainly for use in First Order PQs on 30 April. Officials have already very kindly been through this document to spot factual errors: you will see their pencilled corrections.

3. The Jobs and Poverty Packages

As you know Hattersley claims these cost £10 billion. His speech on 8 April reconfirmed that these are "the only two items of public expenditure to which (Labour) are specifically committed". I have asked Department of

Employment and DHSS respectively whether we can put a solid higher figure to each of these packages. Getting a firm figure for Hattersley's jobs package is proving problematic but the poverty package work is already done. John Major and I have discussed this on several occasions. He and Mr Fowler feel we may want to store up an attack on the poverty package until the Campaign itself.

4. Best of all, if it can co-ordinated, would be joint releases of figures for the jobs and poverty packages by DE and DHSS and a simultaneous speech by the Chief Secretary or yourself issuing the real cost of Labour's first year plans. I expect we should be able to justify about £15 billion.

5. The £34 billion

The Chief Secretary has asked me to think of ways of making the £34 billion newsworthy during the Election. We have already tried most of the possible ploys on this.

6. I expect the Campaign will throw up further opportunities. Labour spokesmen are unlikely to be able to go through the Campaign, many points behind in the polls, without issuing yet further pledges. We could, perhaps, issue a figure for those pledges, recognising that it would have to be a back of an envelope costing time; we could not ask officials to do it. We already have three items to add to the £34 billion: minimum wage, more spending on women, and the abolition of lighthouse dues.

✓ 7. I suggest we leave the 'headline total' unchanged.

8. Hattersley has now been forced to reinstate Labour's commitment on a minimum wage but he has not given the level at which it would be set. I think we should challenge Hattersley at every opportunity to tell us the level. Any figure that would remotely satisfy the unions would cost at least a billion.

9. Redwood

John came in to see me last week. I showed him the

vulnerability of his numbers. I suggested that he should try and get an independent institution to peddle them (a stockbroker's, an economic research unit or something). John told me that Tim Congdon owes him a favour so, with luck, Messels will do it. This will give us a number to use and we will be distanced from it.

ALLIANCE

10. Education

Kenneth Baker is planning to issue a figure for the cost of Alliance education policies. DES have already done a lot of work on this, some of which I have seen. I will see a copy before they launch it. I assume you are content.

11. David Owen on social security

David Owen made a number of fairly explicit pledges on social security in the House on Monday. DHSS, after a hiccup, have agreed to do some number-crunching.

M. May

PP

A G TYRIE



FROM: A P HUDSON
DATE: 21 April 1987

MR TYRIE

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Ross Goobey

WORK IN HAND ON THE OPPOSITION

The Chancellor was grateful for your 10 April minute.

2. We shall be fixing up a special meeting to discuss this.

A handwritten signature consisting of the letters 'A P' followed by a stylized flourish.

A P HUDSON



Raymond

Ch

Andrew Tyrie deserves credit for his splash in press on Alistair Mitchell's alternative Budget (especially Daily Mail lead, where Andrew is the "leading economist" quoted in third para (!)). Also in Guardian, Indep & Times.

AA

(press cutting 2/11, 2/12 & 2/14)

LABOUR'S BUDGET SECRETS

By JOHN DEANS, MARGARET STONE and TIM MILES

A HIDDEN Budget for a Socialist-run Britain threw the troubled Labour Party into fresh turmoil yesterday.

The controversial strategy included the printing of unlimited sums of money, abolition of mortgage tax relief, extra taxes on industry and a sharp cutback in the value of the pound.

One leading economist dismissed it as a return to the policies that bankrupted the country in 1976.

The policies were put forward by Left-Wing MPs Tony Banks and Brian Sedgemore with Labour moderate Austin Mitchell — as part of a report published yesterday by the all-party Commons Treasury Committee. The other members, five Tories and one Liberal, rejected their package in favour of a main report basically approving Chancellor Nigel Lawson's spring Budget.

Policies

The MPs' ideas are not backed by Neil Kinnock and his Shadow chancellor Roy Hattersley but still represent a sizeable body of opinion among many Labour backbench MPs and party activists in the country.

Mr Kinnock is bound to be embarrassed by the unveiling of this alternative Budget, which overshadowed a new Commons attempt by Labour's Treasury team to undermine Mr Lawson's handling of the economy.

And they were snatched up by jubilant Tories as the 'real' policies which a Kinnock Government would be forced to adopt after polling day when the Left would be all powerful.

Tory MP John Watts, a member of the committee, said the plans were blood curdling. 'And this is not an unfair representation of what the Labour Party would like to do if it ever got the chance.'

The Labour trio want to print more money by 'whatever amount is required' to produce three million new jobs and cut interest rates to 4 per cent. and slash the value of sterling by up to 28 per cent. against the West German mark and 20 per cent. against the dollar.

Corporation tax would be raised from 35 per cent. to 52 per cent. and a complex new income tax system would be introduced, helping low earners but burdening middle income and well-off taxpayers.

Child benefit would be raised to £20

a week for a first child and £15 for subsequent children at an extra cost of £4 billion.

But there would be a new £24,000 ceiling on mortgage tax relief, confined to the basic rate. Relief would be phased out entirely as interest rates fell.

The three MPs also call for a cut in National Insurance contributions from nine per cent to three per cent. This could be a substantial benefit for families on lower incomes.

But somebody has to pay — and it is high earning married couples who would bear the brunt.

Out would go the beneficial break which allows high-earning couples to be taxed separately for their earned income. At the moment it pays couples earning over £26,870 (provided the lower income is at least £6,986) to be individually taxed each with a single person's allowance.

Abolished

Their mortgage situation would also become worse. Married couples are already penalised because they can only obtain tax relief on a loan of £30,000, while single people living together can each claim tax relief up to £30,000.

If the ceiling for tax relief was reduced to £24,000 and higher rate tax relief abolished, then living together would become even more advantageous for tax.

The loss of the wife's earned income relief, currently the same as the single person's allowance of £2,425, would be another blow to working wives.

The Labour MPs' proposals on linking mortgage tax relief to investment income could in



"Typical of the Tories — on the day they ask everyone to avoid stress!"

fact hit many ordinary families with modest savings. If a family paid £5,000 a year interest on its mortgage, but £2,000 a year investment from savings or shares then only £3,000 would be eligible for mortgage tax relief.

This would hit higher rate taxpayers, but also ordinary families with money in high interest accounts with banks and building societies.

While Mr Hattersley last night disowned his colleague's proposals, the City and industry greeted them with despair.

Forecasters warned they would lead to spiralling inflation, massive increases in public borrowing and a reduction in investment.

Bill Martin, of Phillips and Drew stockbrokers, commented: 'The City would run a mile.'

'Inflation would approach 10 per cent and they would offset any objectives in reducing employment.'

Although the 'Budget' contained no plans for vehicle excise duty on petrol tax, a Labour researcher outlined

startling plans there too.

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Motor traders said the plans would damage car sales and the AA said ending road tax would mean 58 per cent of motorists paying more. Only those driving under 2,000 miles a year would save.

Cont...

Minority report proposals likely to embarrass shadow chancellor

Labour MPs put alternative budget

By Christopher Huhne,
Economics Editor

The three Labour MPs on the all-party Treasury committee of the House of Commons have led a dissenting minority report in reaction to the budget. The report, which proposes a large devaluation of the pound, tax rises for business and the phasing out of mortgage tax relief is likely to embarrass Labour's shadow chancellor, Mr Roy Hattersley.

The main author of the minority report was Mr Austin Mitchell, the MP for Great Grimsby, who has a reputation as a maverick and has already criticised his front bench over its presentation of economic issues. He was supported by

Mr Brian Sedgemore (Hackney S and Shoreditch) and Mr Tony Banks, (Newham NE) both well known leftwingers.

The report is likely to be seized upon by the Tories as an indication of what Labour might really do in office, if only because membership of the Treasury select committee has often proved a stepping stone to both Labour and Tory front benches.

Mr Mitchell said at a press conference yesterday that he had not consulted Mr Hattersley about the Labour MPs' proposals, which represented their views only.

The minority report, which is in the form of an amendment, goes substantially further than recent Labour front

bench pronouncements. It says that membership of the EEC has brought Britain "no economic benefits and enormous economic losses" and it recommends a cut in the UK contribution. It also says the pound is "far too high to sustain competitiveness."

Other proposals include a £20-a-week child benefit for the first child, a new reduced-rate income tax band, a cut in National Insurance contributions, and an increase in the money supply to help pay for it.

This is only the third occasion on which the all-party committee has split on what can be fairly trenchant criticisms of the Government. Mr Mitchell said that the main

draft report was bland because of the imminent general election.

However, Mr Terence Higgins, the committee chairman, pointed to passages critical of government policy on monetary and exchange rate matters.

The main report says there is now clear justification for assuming that the Government has an implicit target for the value of the pound. It questions the reasoning behind the Chancellor's commitment to set borrowing at 1 per cent of national income, and expresses concern about the prospect of public expenditure overruns this year.

Because the Government has raised its inflation forecast

from 3.75 to 4 per cent between the autumn statement and the budget, the report argues that the planning total for 1987-88 has been cut in real terms by about £1.4 billion in 1985-86 prices.

"The rate of growth of expenditure, which was to be about 2 per cent between this year and next, is now estimated to be 1.5 per cent in the case of the planning total and 1.1 per cent if debt interest is included. Both figures are below the average rate experienced since 1978-89," it adds.

The report says that the Chancellor should explain more fully why he is aiming to stabilise public borrowing at 1 per cent of national income.

43

32

Thursday, April 23, 1987

2/11

Labour's turn for an own

Before the 1983 general election, the Treasury committee of MPs produced a report distinctly embarrassing to the Thatcher Government, on the causes of rising unemployment. In this election season it is the Labour members of the committee who seem bent on scoring their party an own goal.

In its report on the Budget, published yesterday, the committee has split along party lines. The majority report is — as the three Labour rebels complain — somewhat bland and un-critical. It displays a few qualms about the control of credit, as interest rates come down; and requests more information about public debt targets “in future versions of the medium-term financial strategy”. It calls mildly for “greater clarity” about the use of indicators used to assess monetary conditions, but concludes on a note of optimism with respect to the balance of payments.

The alternatives proposed in the Labour MPs' minority report, however, are sufficiently way out to cause more embarrassment to their own party than to the Government.

The Treasury committee has always suffered from a second or even third-rank membership; with the exception of the chairman, it sadly seldom includes the most experienced Tory backbenchers, or the chief Labour spokesmen on the economy. The minority report is therefore the work of Messrs Brian Sedgemore, Tony Banks and Austin Mitchell.

Nevertheless, their report could have been highly interesting, as a considered reworking of the Budget arithmetic in line with Labour's declared priorities. Opposition proposals, traditionally published in the run-up to Budget day, inevitably suffer from the fact that only the Chancellor knows the real numbers — an unfair advantage it is hard to correct at speed during the Budget debate itself.

The committee's deliberations should have provided the agreeable opportunity for Labour to “spend” the £5½bn Nigel Lawson had within his original £7bn ceiling on borrowing — as well as whatever extra borrowing Labour plans — on agreed party policy lines.

Unfortunately, the three authors of the minority draft report decided to be lavish with their own particular views, designed to “affront vested interests, particularly in the City”.

This led them to toss in such policy proposals as an increase in corporation tax to 52 per cent, and a “phasing

out” of mortgage interest relief — which Roy Hattersley has gone to endless pains to try to assure voters would be retained by Labour for standard-rate taxpayers.

This phasing out would, it seems, be cushioned by a miraculous cut in short-term interest rates to 4 per cent, which would no doubt facilitate the “immediate” fall in the pound to \$1.30 (“at most”) recommended by the three, but hardly squares with Mr Hattersley's exchange-rate strategy. They also recommend the withdrawal of tax privileges from all pension funds “not fully invested in index-linked gilt-edged securities” — which again differs somewhat from Mr Hattersley's capital repatriation incentives — and the replacement of the Common Agricultural Policy by a 10 per cent tariff on goods imported from the European Community. Small wonder that the Alliance member of the committee chose to side with the majority.

goal 21°

3971/6

CHANCELLOR

FROM: P J CROPPER
DATE: 23 April 1987

cc Mr Culpin

AF
Wm
Law!
- Pse copy to
A Tyrie
with C comment

DAILY MAIL: FRONT PAGE

You may be interested to know that the attached article arose largely out of an opportunity created by Mr Towers (IDT) and exploited by Mr Tyrie. The latter is understood to be the "leading economist" referred to in the third paragraph.



P J CROPPER

LABOUR'S BUDGET SECRETS

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CONT...

Andrew

I think the comments
below are from the CST.

W

PWP

(v. valuable)

28/4/87

From Neil Kinnock,
Leader of Her Majesty's Opposition.

Dear Supporter,

The approaching local elections on May 7th will be a critical test for the Labour Party.

In the light of the Tory press smear campaign on Labour councils, what are our chances?

The fact is, they're excellent. And I can say that with a great deal of confidence. How? For three simple reasons.

First, our own private polls show a high degree of support for Labour across the country. Our chances of gaining control of a number of key councils is excellent.

Second, we will be fighting on our record. While others will try the usual tactic of smear and half-truth, of mud-slinging and personality politics, we will go with our record and our plans. The enclosed leaflet details Labour's approach to local government. Putting people first, investing in jobs, in services, in the community.

It is action that we can already claim to have achieved. For in many Labour councils around the country, we can quite clearly demonstrate that Labour can generate jobs, improve services, support the community, using the ratepayers' money with care and prudence.

so STUNNING CLEARLY FLAT ON BACKS EVERYWHERE ELSE

Third, our campaign will be stunning. The fact is, the magnificent financial support that thousands of ordinary people - members and non-members alike - have given us has allowed us to prepare a Local Election campaign that shows Labour's dedication and sheer professionalism to its best.

I have never, in all my years in the Labour Party, seen a better organised, better publicised, better presented or more powerful campaign.

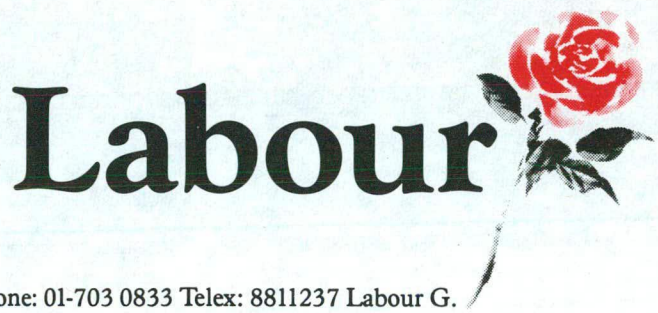
Help in January
never do
he
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But I need even more help from you. My purpose in writing is to ask you to add your financial support to our campaign. Frankly, in order to get ourselves this far, we have had to spend a great deal of money.

- NOTICED HOW HE KEPT OFF LAB POLS CONCENTRATED ON NOT WELD CUT TAXES ENOUGH

So I am appealing to you, and many other of our supporters around the country, to give us the financial resources we need to ensure that all of this preparatory work can be used not simply to good effect, but can be used for victory.

Any contribution you can make will be devoted to this cause. As I hardly



need remind you, for Labour to make an outstanding showing on May 7th is critical to our plans to win the coming General Election.

These local elections therefore take on an importance far beyond simply winning council seats ... though that alone is vital where Tory and SDP/Liberal Councils have abrogated their responsibilities to their communities and meekly gone along with Whitehall domination and Whitehall cuts. Our performance in the local elections will be a major test of our election machine, and of our standing in the polls.

As I said earlier, I have nothing but confidence in our strength to win. Thousands of Labour supporters, in wards and constituencies ranging from the crumbling inner cities to the threatened rural communities, will be devoting every spare minute they have to ensure the success of their candidates.

It is my task - indeed, it is my responsibility - to do everything in my power to help them towards final victory. It is a responsibility that I hope you will be able to share with me, by digging deeply into your pocket and making a significant contribution to our sparse funds.

Thank you for whatever way to choose to help us win magnificently on May 7th.

Yours sincerely,



Neil Kinnock



Labour's programme for Victory

'The Power of the Target Seats'

The following are Parliamentary constituencies in which Labour can achieve a majority at the forthcoming General Election with a small 'swing'. It shows how close Labour is to victory. If Labour can mount the most powerful campaign possible we can win these 'target' seats.

Aberdeen South
Amber Valley
Ayr
Barrow in Furness
Basildon
Batley & Spen
Birmingham Northfield
Birmingham Sellyoak
Birmingham Yardley
Bolton North East
Bolton West
Bradford North
Brecon and Radnor
Brentford & Isleworth
Bridgend
Brighton Kempdown
Bristol East
Bristol North West
Burton
Bury North
Bury South
Calder Valley
Cambridge
Cannock & Burntwood

Cardiff Central
Cardiff West
Chorley
City of Chester
Clwyd South West
Colne Valley
Corby
Coventry South West
Crawley
Croydon North West
Cunninghame North
Darlington
Davyhulme
Delyn
Derby North
Derbyshire South
Dewsbury
Dover
Dudley West
Dulwich
Dundee East
Ealing North
Edinburgh Central
Edinburgh Pentlands

Edinburgh South
Edmonton
Ellesmere Port & Neston
Elmet
Eltham
Erewash
Erith & Crayford
Exeter
Feltham & Heston
Finchley
Glandford & Scunthorpe
Glasgow Hillhead
Gloucester
Gloucestershire West
Gravesham
Great Yarmouth
Halifax
Hampstead & Highgate
Harlow
Hayes & Harlington
Hertfordshire West
High Peak
Hornchurch
Hornsey & Wood Green
Hynburn
Ilford South
Keighley
Kensington
Kingswood
Lancashire West
Lancaster
Langbaugh

Leeds West
Leicester East
Leicester South
Leicestershire North West
Lewisham East
Lewisham West
Lincoln
Littleborough & Saddleworth
Liverpool Mossley Hill
Luton North
Luton South
Manchester Withington
Medway
Mitcham & Morden
Newcastle-upon-Tyne Central
Newport West
Northampton North
Norwich North
Norwich South
Nottingham East
Nottingham North
Nottingham South
Nuneaton
Oxford East
Pembroke
Pendle
Peterborough
Plymouth Devonport
Putney
Renfrew West & Inverclyde
Rochdale
Rossendale & Darwen

Sherwood
Slough
South Ribble
Southampton Itchen
Southampton Test
Southwark & Bermondsey
Staffordshire South East
Stevenage
Stirling
Stockport
Stockton South
Strathkelvin & Bearsden
Streatham
Swindon
The Wrekin
Tynemouth
Vale of Glamorgan
Wallasey
Warrington South
Warwickshire North
Watford
Waveney
Wellingborough
Welwyn Hatfield
Western Isles
Westminster North
Woolwich
Worcester
Worcestershire Mid
Ynys Mon
York

The programme that Labour will be offering voters in the local elections on May 7th is a carefully detailed plan which will not only re-instate local democracy and hand power back to the people, but will also help councils deal with the key issues facing them. Our aim is to establish a dynamic partnership between Labour Councils and a Labour Government.

Labour's plans in detail



Getting Britain Back to Work. Labour councils will back local enterprise, helping with advice and investment to keep ahead in the modern world. Labour councils will build new roads, homes, schools and community centres, not only meeting local needs, but helping reduce local unemployment as well.



Chris Davies

Better Housing for All. Labour councils will build homes to ease the critical housing shortage, homes for the young, homes for the old, homes for first-time buyers. And Labour councils will start on the long job of repairing and improving council homes that have fallen into decay.



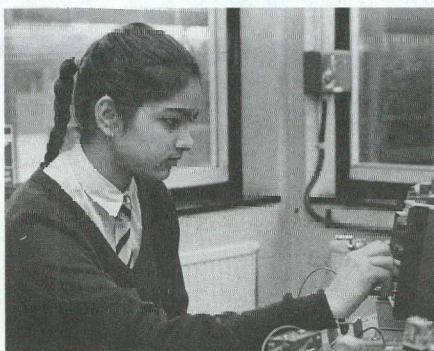
Jenny Matthews

Safer Streets. Labour councils will work closely with the police to make streets safe to walk down at night. Too many people are afraid of the lurking mugger or the mindless hooligan. Labour councils will provide better lighting in streets, estates and walkways, will provide grants for locks and entryphones, will make trains and buses safer.



Sally & Richard Greenhill

Better Transport. Labour councils believe in efficient public transport. They know how important buses and trains are to ordinary people. The answer is not the de-regulation seen under the Tories . . . unleashing hordes of cowboy operators on the popular routes, and cutting out the vital but less-used routes altogether. Labour councils will invest in public transport . . . and by making public transport better, will improve the lot of the private motorist too by easing the congestion in city centres.



Brenda Prince

The Education our Children Deserve. Labour councils believe in education. They're prepared to put money behind it . . . rather than keep chopping away at education budgets, as Tory and SDP/Liberal councils have been doing. Labour councils will invest in schools, in equipment, in books and in teachers to ensure our education standards improve.



Brenda Prince

Councils That Care. Labour councils believe in helping those who find it difficult to take care of themselves . . . the poor, the elderly, the disabled, the disadvantaged. Labour councils will help them, not ignore them. Local democracy means looking after all of the people, not just some.



Brenda Prince

Protecting the Rural Community. Life in the country has never been so difficult. Labour councils won't just work to halt inner-city decay, but will also halt rural decay. The closure of bus and rail services, the withdrawal of rural amenities, the threats to the green belt, the housing problems faced by young people . . . the problems of rural districts are recognised by Labour councils. Labour councils will invest in the rural areas, too.

Labour 



PLEASE
AFFIX
STAMP
HERE

The Labour Party
FREEPOST
London
SE8 5BP

This envelope does not require a stamp -
but if you use one, it cuts our costs.

FROM LARRY WHITTY
GENERAL SECRETARY OF THE LABOUR PARTY

Dear Supporter,

Neil Kinnock's enclosed letter tells you why we want your money. I'd like to explain what we do with it.

My job is running the organisation. In a non-election year, it costs four million pounds simply to maintain and mobilise our services to constituencies, to MPs, and to the press. We also need to maintain our organisation and to support our publications. It's a 'tight ship' we have to run. Frankly, we could do with substantially more money.

So in an election year you can imagine the kind of severe strain it puts on our resources.

Let me tell you a little about what goes on here, at Walworth Road, during a General Election Campaign.

Headquarters is virtually open for 24 hours a day. Staff work from early in the morning until very late at night to ensure that the people 'on the ground' get the support they deserve. It gets pretty crowded at times, too. Huge amounts of election literature have to be ordered and stocked awaiting despatch to the constituencies.

The telephones are constantly ringing - on an average we receive 1,400 calls each day. Our phone bill leaps by a huge amount during an election, as we have to remain in close touch with all our target seats.

Our Research and Information staff become even more busy. Our Library staff sort through a total of 160 different magazines and journals each week. This means we can brief our key constituencies, candidates and campaigners every day. When necessary we can quickly get statements out to the press. It's rather like running an edition of 'Grandstand' every day.

Press relations, particularly at election time, are critical. We suffer from a pretty savage mauling from the Tory press constantly. It's something we have to live with, but it doesn't mean we can afford to give up. Everything we can do to get our message across is worth the effort.

So, in an election, we'll be running Press Conferences and organising campaign tours for our senior spokespeople. It costs a lot of money and a great deal of time to make sure they go well.

We also send out press releases setting out our policy. Even the scale of this activity is very considerable. Our list of publications that we

Labour



The Labour Party, 150 Walworth Rd, London SE17 1JT. Telephone: 01-703 0833 Telex: 8811237 Labour G.

send major press releases to is no less than 1500. So every time a release is sent out, it costs us £270 in postage alone.

But Walworth Road is only one part of the campaign. We also maintain 11 regional offices around the country, each with their own full time staff ... although, it has to be confessed, nothing like enough of them.

Computers are becoming extremely important in the fight. Yet, when it costs a minimum of £800 to purchase a very basic computer system, supplying just one for each of the regional offices and our target constituencies it is a vastly costly exercise.

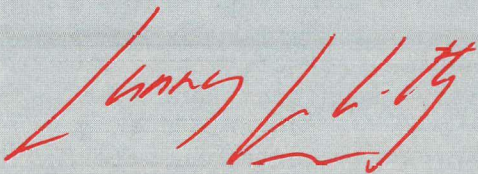
(In contrast, the Tories not only maintain over 300 full time agents around the country, but they've managed to persuade their City friends to stump up the cash for a huge computer system at Tory Central Office. No wonder they can afford to write computerised letters to Telecom shareholders so frequently.)

As I said, during an election, these sparse resources are stretched ever more thinly. Modern campaigning costs money, and a great deal of it. Nobody here is prepared to sit back and watch the slick Tory election machine roll over us. We're determined - every one of us - to fight back with every legitimate technique we can use, and to mount the kind of highly professional campaign that will allow us to win.

That's why your support is so vital. Any amount can be put to good use. £5 pays the postage for sending out 27 press releases to local newspapers to get the message across. £15 will pay for 1000 leaflets that could swing the handful of voters we need in a 'marginal' seat. £500 will keep our campaign bus on the road for 7 days.

So please support Neil, the people here at Walworth Road and the 12,000 Labour candidates in the coming local elections on May 7th. I know you will give what you can.

Thank you.



Larry Whitty

PWP

FROM: A TYRIE
DATE: 28 APRIL 1987

CHANCELLOR

cc: Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Ross-Goobey
Mr Cropper

LABOUR'S 'CONSERVATIVE MANIFESTO'

I attach a copy of Labour's 'Conservative Manifesto'.

2. A line to take on it is:

- (i) this is one of the worst pieces of smear campaigning in recent memory;
- (ii) Labour are clearly panic stricken to have sunk so low. The use of the Tory emblem, the torch, is clearly designed to mislead;
- (iii) there is a striking similarity between some of these smears and those used by Labour in the 1983 Election. For example:

NHS

"If the Tories were allowed to win this Election they would within five years end the NHS." (Mrs Gwynth Dunwoody, Sanback, Cheshire, 25 May 1982).

XI "In 1987 they plan the end of the National Health Service as we know it." (Page 7).

"The secret Tory manifesto would mean implementing the most extreme proposals in the Serpell Report - no railways at all in Cornwall, Devon and Somerset, no railways at all in Wales except for Cardiff and none in Scotland north of Glasgow and Edinburgh". (Denis Healey, Times, 7 June 1983).

"In 1987 they plan the axeing of rail routes all over the country." (Page 8)

AGS.

A TYRIE

THE

REAL

CONSERVATIVE

MANIFESTO



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*Where there is discord, may we bring harmony,
Where there is error, may we bring truth,
Where there is doubt, may we bring faith,
Where there is despair, may we bring hope.*

Margaret Thatcher, May 1979

Margaret Thatcher has already earned her place in history – not as Britain's first woman prime minister, but as the champion of the rich, the destroyer of British industry, the enemy of the welfare state.

The first two terms of Thatcher government were bad enough. A third term is unthinkable. It means more factories closed, more hospitals shut, more people left on the dole, more made homeless, more condemned to poverty.

The reality of what another Thatcher victory would mean daily becomes clearer in the government's policy statements and press leaks, in ministers' speeches and in the outpourings from Norman Tebbit at Conservative Central Office.

We are promised "The Next Move Forward". But with every day that she rules, Mrs Thatcher is moving Britain backwards, closer to the grimness of the 1890s than to the needs of the 1980s.

A third term Thatcher government, she promises, will eradicate socialism.

By socialism, she means the National Health Service, free education, a commitment to reducing unemployment, decent social services, proper pensions, and the care of the young, the sick, the old and the disabled.

This booklet is the Tories' real manifesto, in their own words.

Some of its contents they will shout from the roof tops. Other parts form their hidden agenda.

It is a preview of Mrs Thatcher's plans for a national nightmare.

1. A PROMISE TO THE PEOPLE

The Tories specialise in secret manifestoes. Their ability to lie and conceal convincingly is a rare Conservative success.

They lied to us in 1979. And in 1983.

Nothing if not consistent, they are lying to us again now – hiding the horrors of a third term behind a mixture of breakable pledges, distorted realities and downright untruths.

In April 1979 they told the country: "We have absolutely no intention of doubling VAT". It was raised from eight per cent to 15 per cent almost overnight.

They told the country they had "repeatedly committed ourselves to ensure that pensioners share in rising prosperity". In 1980 they broke the link between pensions and earnings. Pensioner couples are now £11.40 a week worse off because of the change.

Mrs. Thatcher told the country: "We have no intention to raise [prescription] charges". Prescription charges have risen twelve-fold.

They claimed they had no plans to put up school meal charges. They have now been raised from 25p to an average of 62p.

The record so far

In 1983 they played the same, cynical game. They concealed from us their secret plans to:

- Abolish the death grant, paid to 600,000 households.
- Axe the maternity grant, claimed by 500,000 mothers.
- Abolish help with heating for pensioners and the poor, available to two million households.
- Cut mortgage tax relief for the unemployed.

- Slash the state earnings-related pensions scheme.
- Do away with housing benefit for 1.4 million low-income households.
- End child benefits paid to families on unemployment or sickness benefit.
- Reduce student grants.
- Cut the number of hospitals and hospital beds.
- Cut the number of teachers.
- Completely deregulate bus services.
- Take away teachers' rights to negotiate pay, and ban unions altogether at GCHQ.
- Impose a poll tax in Scotland.
- Privatise a whole range of national assets (including the naval dockyards, a proposal that even Ronald Reagan's America rejected).

What's in store

That was the secret manifesto of 1983. Too many people were conned. And now in 1987 they plan:

- Big rises in VAT, hitting the poor and the pensioners who gain nothing from tax cuts, but will be expected to pay for them.
- Massive increases in rents, amounting to a doubling, for council house tenants.
- The end of the National Health Service as we know it.
- The wholesale sell-off of council estates, above the heads of tenants.

- A stop to local authorities providing home helps and meals on wheels to those in need.
- A poll tax for the whole of Britain.
- More tax cuts for the rich.
- More cuts in public services.
- More pit closures as the mines are privatised.
- The death of Britain's steel and shipbuilding industries.
- The axeing of rail routes all over the country.
- The destruction of local government democracy as schools, social services and housing become fair game for the private sector.
- The run-down of state education, with schools as money-making concerns, loans in place of grants, and even vouchers for primary and secondary schooling.
- The return of the unscrupulous Rachmanite landlord, with a rent free-for-all in the private sector.
- A penal regime for the unemployed brought under the total control of Employment Secretary Lord Young.
- Rising unemployment, with more than *three million* men and women still without a job in 1990 – on the government's own projection.
- Green Belt property speculation.
- The end of the Unemployment Register.
- The privatisation of prisons.

- The privatisation of water boards, and consequently even the water we drink.

If she could find a way to do it, Mrs. Thatcher would privatise the air we breathe.

But first she would deny she was planning to do so.

2. EMPLOYMENT: THE ACID TEST

If unemployment is not below three million in five years, then I am not worth re-electing.

Norman Tebbit, May 1983.

These are the words of the chairman of the Conservative Party, two weeks before the last general election.

There are going on for one million people each with a reason why Mr. Tebbit should now fulfill his declaration of intent to resign. For, using the same methods of calculation in force when Mr. Tebbit made that bold statement, there are presently 3,729,800 unemployed.

It is only through *nineteen* changes to the way the figures are worked out that the Tories now claim that the number of employed is 3.3 million.

Even if we disregard the cynical way in which the figures have been manipulated, the total still supports Mr. Tebbit's recognition that he is unfit to hold office.

Just around the corner

For the government, unemployment is always about to fall.

Year after year, the same old story is repeated:

1980: unemployment at 1,665,000

"We are reaching the trough of the recession and it will start to turn towards the end of next year."

Margaret Thatcher, November 1980.

1981: unemployment at 2,520,000

"There are now clear signs that the worst of the recession is over."

Margaret Thatcher, June 1981.

1982: unemployment at 2,917,000

"After three years of battling, we are beginning to see the regeneration of our economy."

Margaret Thatcher, March 1982.

1983: unemployment at 3,105,000

"I am very wary of predicting when [unemployment will start to come down] . . . If people give us a fair chance then unemployment will come down."

Margaret Thatcher, May 1983.

1984: unemployment at 3,084,000

"I believe that the levelling off [of unemployment] starts this year."

Margaret Thatcher, January 1984.

1985: unemployment at 3,235,000

". . . there are grounds for hoping the better trend will continue."

Tom King (then Employment Secretary), August 1985.

1986: unemployment at 3,271,000

"The country has never had as good a time as it has today."

Lord Young, May 1986.

1987: unemployment at 3,297,000

"It is my belief now that unemployment will continue to fall."

Lord Young, March 1987.

These pathetic quotes make it clear that this government has no idea of employment trends and consequently can have no strategy for tackling unemployment.

Apparently, it is not the Tories' desire or intention to get people back to work. It is their desire instead to remove the unemployed from the figures.

Today in 1987, there are 432,600 people who are without work but who have been removed or debar-

red from the register through "adjustments" by the government.

Region by region, here are the unemployed who aren't included in the statistics:

South East	92,800	Yorks & Humber	42,200
East Anglia	11,500	North West	59,700
South West	31,900	North'	33,500
West Midlands	44,800	Wales	27,800
East Midlands	26,800	Scotland	48,600
		N. Ireland	17,200

But even fiddling the figures is no longer enough.

For eight years they have been removing the unemployed from the register. Now, after the election, they plan to abolish the register altogether, and replace it by a census of employment.

It is the fiddle to end all fiddles. Officially, the unemployed will no longer exist.

Workfare: how they do it in the US

If asked, the government will deny that it is considering the US Workfare scheme that imposes a work test and work requirement before any benefit is paid out.

But the facts speak differently.

Already, in the new **Job Training Scheme**, much of Workfare is being put into practice. All young people under 25 years of age are obliged to join the JTS and do not have the choice of the Community Programme instead.

Under the Community Programme, a wage is paid above the benefit rate. Under the JTS only benefit is paid. If they refuse JTS or a job, they lose benefit (though Lord Young is at pains to deny this).

But the Tory plans go further than that.

- **In 1980 Norman Tebbit planned to make young people's training compulsory.**

- **In 1984 Lord Young expressed his view that no benefit should be paid to young people outside training schemes.**
- **In 1985, during the social security reviews, the government considered banning teenagers from claiming social security benefit – and wanted the Manpower Services Commission to take direct responsibility for any payments to teenagers.**
- **In 1986, the Department of Employment commissioned a study on imposing work requirements before paying benefits; the study, based on American schemes, is being compiled by the privately-run University of Buckingham.**
- **A Manpower Services Commission official has been sent to the US to investigate Workfare.**

Already, the Tories are in discussion as to how, if they win the election, the Department of Employment will police the growing army of unemployed men and women.

One scenario would give Lord Young, rather than a social security minister, charge of paying and setting benefits – including rates for children. He would have the power to vary benefits at his discretion, and therefore be able to dictate where the unemployed should live, how far they should travel in search of work, and what they should do. From the safety of the House of Lords, he will be responsible for implementing Tebbit's "on yer bike" policy.

As the prime minister said in a letter (23.1.87) about the new proposals to change the benefit service:

I can confirm that one of them was to concentrate responsibility for the payment of benefits to the unemployed within the Department of Employment.

As I indicated in my earlier letter, the joint study team has been stood down for the present. Further detailed study would be needed before the options could be refined.

The unemployed would be official second-class citizens – with different and lower rates of benefits, different rules and a different regime.

The last word

While ministers assure us, just as before the last election, that unemployment is at last falling, a government document not intended for public consumption reveals that, if Britain continues on its present course, **well over three million will still be out of work at the end of the decade.**

The figure – 3,117,000 – comes from *Regional Job Deficiency Projections*, a report to the European Commission.

Region by region, the report confesses to the failure of government policies:

- **The North West:** unemployment in 1990, 430,000; outlook “frighteningly bleak”.
- **West Midlands:** unemployment in 1990, 330,000; another 125,000 manufacturing jobs to disappear, and “little prospect of improvement”.
- **North East:** unemployment in 1990, 223,000; there are “few indications of recovery”.

The report paints a brighter picture than a welter of official and academic evidence: from the OECD; London Business School; the National Institute; Cambridge Econometrics; Warwick University; and the Henley Centre.

But even so, it blows apart Mrs Thatcher’s claim that under her: “I believe we shall see full employment again”.

3. TWO WHERE ONCE THERE WAS ONE

The ‘two nations’ philosophy of Mrs Thatcher’s brand of Conservatism has been kept from any official manifesto.

In fact, the 1983 Conservative manifesto pledged:

To maintain an effective regional policy which is essential to ease the process of change and encourage new businesses in areas which have been dependent on declining industries.

Disraeli, the original ‘one nation’ Tory, would turn in his grave if he could see how this promise has been kept.

Regional policy has been abandoned. What’s left of it will be dismantled in its entirety under a third-term Tory government.

With regional disparities in wealth, income and opportunity more marked than at any time since the war, Mrs. Thatcher’s solution to the North-South divide is to widen it by:

- **Dismantling what is left of regional aid.**
- **Lowering wage rates in the North.**
- **Continuing the policy of separate economic development for North and South.**

Regional aid has already been cut in half in real terms since 1979 – and this year it will be cut in half again. By 1990, government plans will reduce regional aid expenditure to less than *one-fifth* of its 1979 value.

The figures speak for themselves:

Regional Aid 1979-90 (1985 prices)

79/80	£8.90m	88/89	£161m
86/87	£411m	89/90	£172m
87/88	£188m		

The government has written off the bulk of the country it is supposed to serve.

Worker mobility

Chancellor Nigel Lawson believes Northerners are paid too much, and supports the "on yer bike" approach to unemployment.

"Geographical pay variations would encourage workers to move to the work and the work to move to the workers," he says.

Yet he ignores evidence presented to him in a government report on mobility which suggests that it is the level of **investment** which attracts employers to certain regions.

Thus there is no rationale to support the claim that replacing national pay bargaining with local negotiations would solve regional problems.

Indeed, far from lower wages meaning more jobs, lower wages depress the local economy and produce fewer jobs in the service sector.

Studies expose as myth the other claim that migration is the cure for unemployment: even in the South East, eleven people are chasing every job; thousands who have taken the Tebbit advice have suffered for it.

Oblivious to the subtle economic arguments of his colleagues, Nicholas Ridley put the Tory attitude to North and South quite bluntly: "If you are living in a cheaper area . . . you obviously don't need the same income as someone living in a very expensive area".

Mr. Tebbit would like to go further still: regionally varied unemployment benefit rates, leading to Northern homelands where the unemployed can congregate – barred from moving South unless work becomes available, and obliged to return home as soon as the work is done.

And when the gloves are off, the Tories are quite happy to unload the government's responsibility to work to end the North-South divide, and just blame the Northerners themselves. They are, says Indus-

try Minister John Butcher, "workshy"; Health Minister Edwina Currie blames their problems on ignorance and potato crisps; Mrs Thatcher dismisses them as "moaning minnies".

For her, and for a third term of Conservative government, two into one won't go.

4. THE SALE OF THE CENTURY

... and in the next parliament we will privatise most of what remains.

Nigel Lawson, October 1986.

Privatisation is Mrs. Thatcher's great success story, and her 'Britain for sale' policies will go on unabated at any price, no matter what the effect on jobs or national security, no matter what the cost to the nation.

Not only will we lose control of vital assets in return for bargain-basement prices, but we'll lose vital income from profitable industries and holdings.

Her sponsors in the City and the private sector have made millions from this sell-off of the nation's assets.

The biggest killings will be made in the City. Fees, already totalling £500m in eight years, will soar to around £1,250m – we pay out £250m a year just for transacting the sales.

Advertising alone has cost £100m: the next batch would pay to build a dozen hospitals.

Once the real Tory manifesto plans are put into practice, the government will have sold industries, services, hospital land, stocks and shares and other assets to the tune of almost £27bn.

Water, electricity, railways, post services, steel coal and shipbuilding will all be sold off at knockdown prices. This is not a threat, but a promise, delivered repeatedly by ministers who insist that privatisation is worth the job losses, the higher prices and, in many cases, decreased efficiency.

The sheer scale of the projected sell-off policies are revealed in the figures:

79-80:	£ 377m	81-82:	£ 494m
80-81:	£ 405m	82-83:	£ 488m

83-84:	£1142m	86-87:	£4750m
84-85:	£2091m	87-88:	£5000m
85-86:	£2702m	88-89:	£5000m
		89-90:	£5000m

What's next on the list

Oil, gas and telecommunications were just the start. Even the Royal Dockyards have gone, leaving an American company in charge of our biggest dockyard at Devonport.

By the end of this year, the government will have completed the sale of British Gas, British Airways and half of British Telecom. In addition Rolls Royce is to be sold off.

Around £3bn will be raised by selling the remaining shares in British Petroleum. Once that is done, Britain – unlike all other oil-producing nations – will not own a single share in North Sea oil.

Trade and Industry Minister Paul Channon has already appointed consultants to prepare British Steel for sale.

British Coal chairman Robert Haslam has let slip that the entire coal industry is being prepared for privatisation – leading to more job losses on top of the 113,000 already gone under Mrs. Thatcher.

British Rail is on the list, with an expected 15,000 job losses and the axeing of rail routes all over the country. This despite 53,000 rail redundancies to date and a massive loss of stations and trains.

The Centre for Policy Studies, Mrs. Thatcher's personal thinktank, has revealed plans to privatise the post – sell off Girobank next year, the parcels division in 1989, the letters division in 1990, and the counter services to follow.

As for shipbuilding, due for privatisation in 1988, Treasury Minister Norman Lamont has admitted: "The industry is now so small that if it declines much further it will simply disappear."

With the remaining yards in danger of closure, the island state of Europe will face the future without a merchant shipbuilding industry.

5. PHASING OUT LOCAL GOVERNMENT

There are local authorities in America who contract every activity out – even police and fire services. Folk memory has it that there is even one authority which meets once a year to award the contracts, has lunch, and goes away again for another year. I wouldn't mind paying those councillors more generous attendance allowances. We may not get quite that far in this parliament, but I cannot see why some in local government resist what is obviously right.

Nicholas Ridley, October 1986.

Local government is an obstacle that Mrs. Thatcher and her axe man, Environment Secretary Nicholas Ridley, are determined to emasculate and remove.

The Tory strategy is to contract out as much as possible of local authority services and charge the highest prices for those they can't privatise.

Democracy, in the form of the right of the community to vote for the level of service provision it sees fit to meet local needs, would be phased out altogether under a third term of Conservative government.

Some senior Tories now want:

- **Education** to be taken away from education authorities and put under central government with head teachers as their local managers.
- **Housing** to be brought under urban development corporations or housing associations.
- **Local services** pushed into the private sector by the wholesale policy of contracting-out.

Already the Tories are committed to privatising

refuse services, cleaning services for buildings, vehicle maintenance, ground maintenance, and catering. Waste disposal and sport and recreation are also now on their list.

And last year Nicholas Ridley warned:

There will also be an order making power to add further services to the list – there can thus be a succession of private services during the next two or three Tory parliaments.

Would anything be safe from privatisation?

When Social Services Minister, Ray Whitney promised that "certain social service activities are to be exempted". But they do not include the home help service, or meals on wheels.

In fact a 1984 DHSS review of personal social services called for increased privatisation of the care of children and pensioners.

Home is what you make it

Council rents, says Nicholas Ridley (7.11.86), should be nearly doubled.

The average local authority rent is £16 a week. We think the economic cost of those houses is £28 a week, and the private sector would need to let that house at £30 a week if a good landlord with ordinary finance is even going to cover his costs, let alone much of an element for profit.

Housing Minister John Patten goes further: all council houses should be sold or pushed into private management.

Responsibility for the homeless will be contracted out.

Housing authorities will be scrapped and replaced by private landlords, home owners, co-operatives and housing associations.

The government has already taken powers to pass control of housing from elected authorities to urban

development corporations.

Even in Scotland, where more than 40 per cent of houses are publicly owned, Housing Minister Michael Ancram has spoken of "taking power to accelerate the process of sell-offs".

Housing investment has been slashed by almost three-quarters. In 1979, 66,000 council houses were built in England and Wales; last year the figure was down to 18,000. By the end of the decade it will be down to zero – another Thatcher "success".

These policies are being pursued against a background of record house prices and mortgage interest rates.

A six-fold rise in mortgage arrears has been accompanied by an increase of just one third in loans. The number of homes repossessed has risen tenfold since 1979.

All this should be considered against the pledge made in the 1983 Conservative Manifesto:

Our goal is to make Britain the best housed nation in Europe.

6. LEARNING THE HARD WAY

I would like to do an experiment on education vouchers.

Margaret Thatcher, July 1982.

For all that they talk of improving state education, the Tories are more interested in expanding private education.

Privatisation of schools is more than a dream. Under Education Secretary Kenneth Baker, it is becoming a reality. And not just because six per cent of Britain's children are now wholly in the private sector.

Mr. Baker is already establishing privately backed city technology colleges which will create two-tier education within our towns and cities. He wants polytechnics run by business, and universities made dependent on private cash. Already the government plans to take direct control of polytechnics and large colleges, without reimbursing local education authorities.

Mr. Baker is a "wet", while the lower tiers of the Education Department are dominated by the privatisation fanatics. According to Under Secretary Bob Dunn:

The ultimate target should be schools which were independently run, whether or not they were independently owned, each responsible for its provision and the costs of that provision.

Schools minister Angela Rumbold, part of the No Turning Back group of Conservative right-wingers, favours nothing short of a voucher system, and a free market in education.

Lest such views be dismissed as unrepresentative (even coming from an Education Minister), in Sep-

tember 1982 the Cabinet discussed a thinktank report on ending free state schooling and higher education.

And a year later, Tory ministers in the Family Policy Group looked at ways of helping parents set up their own schools.

Just last March a confidential paper prepared for Conservative Central Office suggested that state schools should be sold off to private companies.

And we all know Mrs. Thatcher favours vouchers.

The great debate

It is of course true that these proposals are not new, just part of a continuing debate between those Tories who, like Rab Butler, favour a proper system of state education and those on the lunatic right. Only it appears the lunatic right will continue to gain ground.

The Hillgate Group, which includes Baroness Cox and Prof. Roger Scruton, proposes that all state schools should be pushed into the private, charitable or voluntary sector.

Their document, *Whose schools: a radical policy*, claims that local authorities have "a standing ability to corrupt the minds and souls of the young". It argues for the centralisation of education under a new inspectorate, thus, presumably, transferring the "ability to corrupt" from democratically-elected local authorities to a democratically-elected Conservative government.

Stuart Sexton, political advisor to former Education Secretary Sir Keith Joseph, wants to go further.

Schools would be free to charge what they want, and parents would have to top up the price of their children's education if they run short of vouchers. The vouchers themselves would be taxable, worth no more than £750 a year for primary education and £1,250 a year for secondary schooling.

Even the Conservative Education Association views the proposals as "practically hopeless" – "rad-

ical ideas that have very little relevance to the everyday experience of those involved in education".

Lest Kenneth Baker be thought too far removed from the fanatics, in 1979 when individuals now in the Hillgate Group called for abolition of ILEA, it was he who produced the report that made abolition Tory Party policy.

In the meantime, according to the government's own white Paper, the number of school places lost under the Tories will top half a million by 1990.

And while more and more taxpayers' money goes to support the private sector – now £64m a year on Assisted Places – spending on state education has fallen by £400m in real terms since 1979.

7. MAKING A HEALTHY PROFIT

I do not believe that services should be free.

Junior Health Minister, Edwina Currie, July 1986.

Slowly but surely, government ministers are moving Britain towards a health service where the care you receive depends on the health of your bank balance.

Such a privatised service would not bother Mrs. Thatcher. She always uses private health care.

No Turning Back, a group of Tory MPs with ministers as supporters, want:

- **Caring for profit**, with the highest bidder performing operations and providing services.
- **Major tax concessions** for private medical insurance.
- **NHS hospitals** sold off to private health-for-profit companies.
- **Private "management teams"** to run NHS hospitals if they cannot be sold off.

Candidates for privatisation under a third term of Conservative government include:

- **Contracting out the treatment of NHS patients to private hospitals.**
- **Paying the private sector for use of equipment by the NHS.**
- **Subsidising the treatment of private patients in NHS hospitals.**

- **Allowing private operators to run geriatric care for the NHS.**
- **Allowing private hospitals to use NHS staff and equipment, sometimes free of charge.**
- **Selling off NHS land and property.**
- **Subsidising private patients through tax concessions.**

HMO: how they do it in the US

Last April the government published a Green Paper making glowing references to the American system, particularly to Health Maintenance Organisations (HMOs).

HMOs are (often large) centres that provide a whole range of health care services – from dentistry to surgery to psychiatry – often on one site. Most centres are run by a few large companies that compete against one another for patients, as Sainsbury's or Safeways compete for customers.

People enroll with an HMO to provide them with all or any of the health care which they might need in the next year. This is normally done by their employers – for those in work, of course.

It's like taking out insurance – if the person gets sick the HMO provides treatment; if one HMO chain raises its prices people are free to join another; if the person stays healthy they have paid their premium all the same, and so the HMO makes a profit.

The last point gives the clue to who would be the HMO's favourite customer: someone who is young(ish), well-paid, well-housed, well-fed and barring accidents unlikely to fall ill.

Those who are old, poor, chronically sick or disabled – just the ones who need treatment – would of course be a loss-making customer, and it is precisely such people that the American HMOs tend to discourage from enrolling.

Just what the doctor ordered

Some of the government's plans for the services provided by GPs, dentists, opticians and chemists are spelled out in its document *Primary Health Care*.

It expresses the hope that "private primary care services will develop"; suggests that GPs should be able to charge their patients for medical checks; discusses how to encourage commercial health care "shops"; and says the government might consider getting the NHS to foot the bill.

Doctors would earn more if they perform "better" – according to a "performance review" which may cover "prescribing patterns and hospital referral rates". In other words, GPs may be rewarded for prescribing fewer or cheaper drugs and for sending people to hospital less often.

The government says it would welcome the views of "interested parties" on whether medicines are available only on prescription, and whether they are bought from chemists or from any sort of shop. In other words, more types of drug may be privatised by taking them out of prescription-only group and insisting that people pay what the market will bear.

8. REDISTRIBUTING POVERTY

I see the extension of the VAT base as an essential part of the Budget strategy and a necessary counterpart to the reduction of income tax.

Chancellor Nigel Lawson, March 1984.

A poll tax is fair only in the sense the Black Death was "fair": it is indiscriminate, striking young and old, rich and poor, employed and unemployed alike.

Tory Reform Group, September 1986.

Incentive is a cornerstone of the Thatcher philosophy. The rich need the incentive of getting richer. The poor need the spur of their poverty to escape it.

While the rich enjoy tax cuts, the poor will pay for them in VAT rises on essential goods. Children's clothing, food, lighting, heating – even funerals – are threatened.

Government proposals mean that the bulk of tax may be raised by indirect VAT taxes on purchases. Mrs Thatcher has been absolutely clear in her view that increased VAT is the key to low taxation.

At the same time, the richest few who have benefited most – by around £12bn – since the government came to power, can expect further tax cuts. Already top rates have gone from 83p in the pound to 60p.

Hardest hit would be the sixteen million people on low incomes for whom the government's response to ever-rising poverty has been to increase it.

A third Tory government would return Britain to a Poor Law state:

- **Benefits for the unemployed** would be cut further and made subject to stringent tests. And the Ministerial Steering Group on government strategy has discussed privatising the National Insurance system — forcing people to take out their own insurance against unemployment.
- **Child benefit** — already cut in value — would again be at risk.
- **Private pensions**, already promoted under the present regime, would increasingly replace state support for old age pensions. So far the pension has fallen from 21 per cent of average earnings to only 17 per cent. It could fall as low as 10 per cent.

No Conservative told the country in 1983 that they would immediately after the election impose a social security review.

There was no manifesto commitment to abolish the death grant and the maternity grant — but they have been axed.

There was no threat announced to the state earnings-related pension scheme — but it has been undermined.

Heating additions went unmentioned — but they will go in 1988. Additional needs payments were not mentioned in the manifesto, but are all to go.

No-one said that the Tories would set up a Poor Law fund to replace emergency payments — and that claimants would have to beg and borrow for essential household goods.

Already their policies for 1988 mean:

- The removal of around 2m households from housing benefit.
- The removal of around 600,000 households, mainly pensioners, from supplementary benefit.

- An extra 20 per cent community charge burden on the poorest who currently pay no rates.

Among proposals made by the Conservative Central Policy Review Staff in 1982 was one to reduce public spending by refusing to allow benefit to rise in line with inflation.

During the social security reviews a number of proposals were put forward by Tory thinktanks close to the prime minister. Within days of a Tory election victory, they would be fighting their way back on to the political agenda.

- **Unemployment benefit phased out, or restricted to the first six months.**
- **The end of all cash benefits for unemployed teenagers.**
- **Further erosion of the state earnings-related pension scheme.**
- **Abandonment of Wage Council protection for three million workers.**

The Conservatives make no secret of their desire to cripple trade unions; the prime minister is on record as saying she longs for a world without unions.

The objective of the exercise is not only political; according to Sir Geoffrey Howe it is to promote “the long-term lowering of real wages”.

The inspiration for anti-union legislation is the writings of Prof F. A. Hayek, whose work Mrs Thatcher greatly admires. His argument is that unions are “monopolies” which use their power “in a manner which makes the market system ineffective”.

Keep it in the family

These moves signal what the Tories call their “fam-

ily policy" — proposals to force parents and families, no matter how poor they are, to take full financial responsibility for the old, the handicapped, the sick, and the young.

Proposals of the Family Policy Group of 1983 which have yet to be legislated include:

- Measures to compel and encourage mothers to stay at home, to reduce working mothers in jobs.
- An attack on provision in the community for the elderly, the sick and the disabled.

The group actually asked:

What more can be done to encourage families in the widest sense, to reassume responsibilities taken on by the state, for example, responsibility for the disabled, elderly, unemployed sixteen year olds?

Their document ignored the fact that 90 per cent of the elderly, nearly 100 per cent of the young, and most of the sick, out of hospital, are cared for by relatives and families.

And it spearheaded an attack on the income of single parents:

Do present policies for supporting single parents strike the right balance between ensuring adequate child support to prevent poverty and encouraging responsible and self-reliant behaviour by parents?

It called for lower benefits for the poor:

Redefining the lowest possible income by determining a new "minimum" safety net for welfare needs.

It wanted to pass the buck to charities: the present EEC arrangements for food distribution would become the norm rather than the exception — with

the Salvation Army rather than the DHSS responsible for meeting the welfare needs of the old and the poor.

Poll-taxed

Tories talk of reducing the tax burden. Yet under the new poll tax being introduced in Scotland, and with a third term set for England and Wales, the rich lord in his castle pays exactly the same tax as the poor man in his cottage.

Someone on £100 a week will pay exactly the same tax as someone on £2,000 a week.

Couples now paying £1,250 in rates because they have a large property will pay only £550 — while a council house couple now paying £375 will pay the same £550.

Everyone, no matter how poor they are, will pay the tax, at anything between £1 and £5 a week.

- **Young people** on YTS will be eligible.
- **Students** who receive no grant or contribution from their parents will be obliged to pay up.
- **Pensioners** on no more than £30 a week, and unemployed men and women on no more than £29 a week, will be forced to pay.
- **Even the homeless** living in temporary hostels will not be exempt.

The government says that the poorest will have to pay around 20 per cent of the tax. The truth is that it could be as high as 80 per cent.

9. FOOTING THE BILL FOR TRIDENT

If you say to me, would it do harm to reduce the defence budget by seven per cent, I would think that is an unthinkable denial of resources in the defence budget.

Michael Heseltine, then Defence Secretary, May 1985.

The Tories present themselves as the only party with the policies to maintain Britain's defences. But the figures don't add up.

Real funding for the defence budget for the five years from 1984/85 is to be cut by 7.8 per cent. At the same time they intend to increase the proportion of this declining budget being spent on Thatcher's nuclear illusion.

Half the £10bn Trident cost will be spent in the US on American jobs and ballistic missiles.

The staggering cost of an independent nuclear deterrent means that conventional defences — the Army, Navy and Royal Air Force — will continue to be cut.

Conventional spending will drop by 12 per cent by 1989/90 — and the frightening result is a cut of one third in spending on all new non-Trident equipment.

And this does not even take into account the planned defence spending review that will follow a third Thatcher victory.

Britain's air defences will continue to be run down. For the next six years the nation's defences are dependent on a tiny force of obsolete propeller-driven Shackleton warning aircraft, with primitive detection equipment.

The debacle over Westland that cost the jobs of two cabinet ministers will cost many more. Massive redundancies are the fate of Westland as the govern-

ment fails to give the firm sufficient helicopter orders.

Already, Tornado jets desperately needed by the RAF have been sold off to Saudi Arabia to help balance the defence books.

But the Royal Navy has so far borne the brunt of the economies needed to pay for Trident. Under the Tories, the 50-frigate navy will not be maintained. *Jane's Defence Weekly* fears at least four frigates will go.

Cuts in vital conventionally-armed submarines are planned, and insufficient new ships will be built to replace our ageing navy fleet — Britain's defences will increasingly depend on out-of-date ships.

Remember the Falklands?

Tory MPs are among those frightened by the run down of the merchant navy. They voice their fears at every opportunity in the Commons; senior Tory MP Edward du Cann has warned: "We could not mount another Falklands operation now if we wanted to".

The army will not escape unscathed. Both manpower and material will be sacrificed to pay for the Polaris replacement.

Yet all these economies may be in vain. President Reagan has already proposed a global ban on all ballistic missiles. So we would have to cancel Trident. That is why Mrs Thatcher is cool in her support of superpower deals to reduce the world's nuclear arsenal. She is determined to keep the British bomb, regardless of what the Americans and the Russians do.

Under the Tories, Britain will continue the existing policy of using nuclear weapons first in war. Only last year Mrs. Thatcher supported plans to reintroduce chemical weapons to Britain.

While the rest of the world moves in one direction — towards peace — Mrs. Thatcher blindly marches in the opposite direction.

A RECORD TO BE PROUD OF

Margaret Thatcher goes into a general election with this message for her MPs, candidates and supporters: "Fight with pride. Fight on our record".

Stick with her vision, her supporters tell us, and we will be rewarded with "that little bit of heaven on earth" — Thatcher's Britain in the 1990s.

She is dedicated to her vision, proud of the way she has fought for her people.

Proud of her record on the Health Service.

Proud of the crippling of local government and trade unions.

Proud of her record on unemployment.

Proud of the North-South divide.

Proud of a devastating rundown in our schools.

Proud of a housing crisis.

Proud of low spending and low taxes.

Proud of privatisation.

If these are Mrs Thatcher's successes, then Britain must beware a third term of her rule.

For surely, after so many years of success, failure must be lurking round the corner.

C. Some of the best ones marked X in paras 5, 9 + 10. ~~///~~ PWP

FROM: A ROSS GOOBEY

DATE: 28 APRIL 1987

CHANCELLOR OF THE EXCHQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Tyrie

*Thanks.
For file enclosed*

1983 SMEARS

I have trawled the newspapers of the 1983 campaign for the useful quotes, particularly in the light of "The Real Conservative Manifesto". I have also appended one or two Liberal/SDP quotes.

2. 9th May 1983 - David, now Lord, Basnett:

"Another four years of Thatcher means further rises in unemployment, further cuts in living standards, the destruction of British industry and the abandonment of the welfare state".

3. 8th May 1983 - Denis Healey:

"Every government since the Second World War had entered office saying it would not have an incomes policy, but every government had finished with one produced hugger-mugger in a crisis".

4. 10th May 1983 - Michael Foot:

"By the end of the year ... inflation will be up, unemployment up and the balance of payments will be in a serious situation".

5. 14th May 1983 - Neil Kinnock:

"Unemployment will soar to six million if the Conservative Party win a second term of office".

6. 17th May 1983 - Denis Healey:

"Another Conservative term would result in a further half million unemployed".

19th May 1983 - Denis Healey:

"The CPRS report showed that Ministers were lying when they said unemployment would not reach 3 million, the report had warned them that it would".

8. 22nd/23rd May 1983 - Draft report of NEDC.

Michael Foot and Neil Kinnock charged that the report was "suppressed".

Neil Kinnock (22nd May):

"The Government has been told by the NEDC that under present government policies the slump in Britain could and would only get worse".

9. 29th May 1983 - Gwynneth Dunwoody:

X The Government will "sell hospitals to the private sector; allow the private sector to run geriatric care, use the private sector to cut long waiting lists; allow the private sector to buy specialised NHS facilities".

"We should expect a new Tory government to begin its work of dismemberment by November."

10. 30th May 1983 - Denis Healey on an 8-page "secret manifesto":

"Unemployment will continue to rise requiring tax rises or further spending cuts. There is little doubt that they will opt for the second course although they may be forced to do the first as well".

X
X
The Government would "end statutory redundancy payments; stop increasing old age pensions in line with the cost of living; de-index the pay of public servants like nurses and policemen. They will replace National Insurance benefits with private insurance except for means-tested supplementary benefit.

"They will means test child benefit or scrap it altogether, and it is proposed eventually to turn over the whole education system, like the health service, to private insurance-based provisions".

1. **30th May 1983 - Roy Hattersley:**
"Public money will finance private medicine and there would be asset-stripping by private medicine which would secure NHS services at cut-price rates".
12. **3rd June 1983 - Michael Foot:**
"The Tories offer no hope of unemployment falling".
13. **5th June 1983 - Peter Shore** publishes Treasury discussion papers on public expenditure.
14. **6th June 1983 - Denis Healey:**
"Mortgage interest rates would rise immediately after the General Election if the Conservatives win".

"Growth in 1984 will be less than 2%".

"Without North Sea oil the economy would collapse".
- Peter Shore:**
"We are in for yet another 1.5 million increase in unemployment and frankly that's a (sic) minimum conservative estimate that anyone could give".
- Denis Healey:**
"No railways at all in Cornwall, Devon and Somerset, no railways at all in Wales except for Cardiff and none in Scotland north of Glasgow and Edinburgh".
15. And after the election: **30th June 1983 - Peter Shore:**
"Reducing income is at the heart of the Government's strategy for loss of competitiveness is a real and sustained attack on the living standards of the nation at work".
16. As for the Liberals and SDP:
- 16th May 1983 - Roy Jenkins:**
"If Mrs Thatcher stays in office, Britain would become like Jaruzelski's Poland".

17. **9th May - David Steel:**

"The reason Mrs Thatcher has had to go now is that things are going to get worse".

18. **18th May - David Steel:**

"The latest production figures show just how weak are the Government's claims of an upturn. We are clearly stuck on or around the bottom".

19. **20th May - David Owen:**

"The Government has bought the short-term success that they claimed (on inflation) by throwing well over two million people on to the dole queues. A temporary drop in inflation, bought at the price of trebled unemployment, is too high a price to pay".

Arg
A ROSS GOOBEY

FROM: A G TYRIE
DATE: 29 APRIL 1987

~~Personal~~
PWF

CHANCELLOR

Good w

cc Chief Secretary
Mr Cropper
Mr Ross Goobey

LABOUR'S REAL MANIFESTO

I am helping John Deans write the real Labour Manifesto, unattributably of course! He won't get it written in time for tomorrow so I expect it will appear on Friday. In the meantime I think it best not to feed the idea to other newspapers and let Deans have an exclusive.

AG

A G TYRIE

FROM: A G TYRIE
DATE: 5 MAY 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Ross Goobey

WORK IN HAND ON THE OPPOSITION: UPDATE

There is a danger of over-egging the costings pudding. But reading Hattersley's latest book over the weekend, it is clear he is worried that the costings exercise has tarnished his efforts to restore credibility to Labour's economic policies.

LabourKey Statistics for Labour Campaigners

1. I sent you a draft briefing note immediately after Easter giving a factual response to each of Labour's claims. You thought a different document would be more useful, giving our best bull point in each of the areas Labour cited. Alastair Ross Goobey is preparing a note.

Jobs and Poverty Packages

2. I attach a note which sets out numbers which we could issue for the cost of these packages. Barry Kalen's help has been invaluable in preparing this.

3. The poverty package numbers are pretty robust. You will notice that the table lists only the basic three items here. It ignores the fact that Kinnock thinks a disability scheme is part of the poverty package and Meacher thinks that a winter premium is included.

4. The jobs package is more problematic. On the basis of Labour statements about the jobs package the attached list is the closest we are going to get to a robust figure. Although vague references are made to the items on this list in "New Jobs for Britain", (to which Labour are committed to implement as part of their emergency programme) only by cross-referring to other sources can ... firm numbers be calculated ^{in some cases}. I attach the extracts from the worksheets on the £34 billion exercise which give the quotations from "New Jobs for Britain", and backup sources. If pressed during the campaign these are the sources you would point to.

5. As you know, Kenneth Clarke has flown his own kite and issued figures of £10 billion (first year) and £19 billion (third year) for Labour's jobs package. This was unfortunate. I have seen DE's calculations and we cannot possibly use them. They are not compatible with the methodology of the £34 billion in many respects. I have asked his office not to allow the figures to be used again. Fortunately they obtained little, if any, coverage. Conveniently the table I am suggesting adds up to £10 billion, like Mr Clarke's first year figure.

6. Handling

Perhaps the best time to issue a 'grand total' for Labour's emergency programme would be immediately after the publication of their Manifesto, which is almost bound to regurgitate the same proposals. The Labour leadership will try to deflect attention from their other pledges by pointing to this 'modest package, costing only £10 billion' etc. By claiming that the programme would cost 50% more we might be able to force Labour on to the defensive right at the start of the campaign.

7. I suggest a simultaneous press release from Norman Fowler and Kenneth Clark (or Lord Young) with a speech by the Chancellor or Chief Secretary issuing the £15½ billion "grand total" for the emergency programme. Of course all this is contingent on the contents of their manifesto.

Alliance

8. Redwood

John Redwood left a message to say that he has persuaded Messels to do some work on Alliance costings. With luck they will issue a figure shortly. I think this is by far the best solution to the tricky problem of Alliance costings.

Education

9. The DES' work on costing the Alliance's education policies has been completed. They came up with a figure

of £5 billion. Brian Gilmore has seen this work and tells me that it is not reliable for us to put our name to.

David Owen on Social Security

10. DHSS have now costed Owen's speech in the House on 6 April, attached. They estimate it at £3 billion. Treasury officials and I have seen the basis of these calculations. They do not seem to contain any howlers and the methodology is broadly (though not exactly) the same as that used for the £34 billion exercise. I think we can give the go-ahead to Mr Fowler/Mr Major to issue a 'DHSS costing'.

Act.

ITEMS IN THE MAIN COSTINGS CORRESPONDING TO LABOUR PARTY'S JOBS
PACKAGE AS SET OUT IN "NEW JOBS FOR BRITAIN"

Item number in main costings	£ million
<u>Economic Enterprise (excluding cuts in NICS)</u>	
1. Increase industrial support by 50 per cent	620
2. British Investment Bank	50
	670
 <u>Capital Investment and Infrastructure</u>	
3. Energy conservation	130
4. Energy - power stations/acid rain	680
5. Water and sewerage	270
6. Railways	280
7. Housing - new build	2700
8. Housing - rehabilitation	310
9. Roads	370
14. Schools: buildings	170
	4910
 <u>Raising the Quality of Services</u>	
10. (Public service employment), plus parts of 16, 17 and 32 (see note 2)	3440
 <u>Training for Skill</u>	
11. Training for adult unemployment	720
12. Training for young people	310
 <u>Job Release Scheme</u>	
13. Job Release Scheme	310
 TOTAL (excluding cuts in NICS)	10360

Notes

1. The Labour Party's proposed NIC changes are not a public expenditure measure, and are not included in the £34 bn or this table. This is something up our sleeve if Labour say we have exaggerated.

2. Item 10 of the main costings nets off 73,500 jobs from items 16, 17, and 32, and so comes to a cost of £2600 million. In this table these 73,500 jobs are added back, to get to the Labour Party's 300,000 jobs for this part of the package, and costed at the same average public service pay cost as the remaining 226,500 jobs.

3. The Labour Party's own costings were given in Mr Gould's Press Notice accompanying "New Jobs for Britain":

	£million
Economic Enterprise (<u>including</u> cuts in NICs)	1000
Capital Investment and Infrastructure	1900
Raising the Quality of Services	2000
Training for Skill	800
Job Release Scheme	200
	—————
	5900

4. The Labour Party's costings are net of the benefit savings and tax flowbacks from the claimed increase in employment. Our costings only net off benefit savings from the Training and JRS items, which are targeted directly at the unemployed, but assume that fewer people will in fact be taken off the register than Labour claims.

LABOUR PARTY "POVERTY PACKAGE"

	£ million
1. Increase retirement pension by £5 for single people and £8 for couples (included in item 23)	2800
2. Increase child benefit by £3 per week (item 22)	1950
3. Pay long term scale rate to the unemployed after a year on benefit (item 29)	570
	<hr/> 5,320 <hr/>

Note

1. Items above costed by Labour Party at £3600 million, excluding means-tested and linked benefits. Above costings include raising these benefits in line.

PROPOSAL

Increase industrial support by 50 per cent.

SOURCE DATE

I have sidelined the quotations where 'New Jobs for Britain' does not provide enough information to cost the pledge.

"New Jobs for Britain" (March 1987)

"This will require direct investment in new plant and technology." John Smith in Tribune, 8 November 1985:

"... the whole industrial support system and the various schemes that used to support industry. Now quite clearly there has got to be an enormous expansion of that ... (50 per cent) at least and more." P 8

ASSUMPTIONS USED

Cost is calculated by adding 50 per cent to the 1985-86 estimated out-turn in the PEWP and then deducting the White Paper provision for 1987-88.

COST

£620 million.

PRICE AND PROVISION BASIS

1987-88 at White Paper prices.

FULL YEAR/OTHER

Full Year.

TIMESCALE

Full annual cost assumed in first year.

IMPLICATIONS FOR OTHER PROGRAMMES

None. Assumed to be part of "Economic Enterprise" component of "New Jobs for Britain".

OVERLAPS

None.

COMMENTS

None.

CONTACT POINT

J W Stevens IAE 2 45/G 4512

PROPOSAL

A British Investment Bank.

SOURCE AND DATE

"New Jobs for Britain"(March 1987) (Economic Enterprise Section)
"We shall also...establish new institutions such as the British
Investment Bank to help provide the investment we need."
"Investing in People"(February 1987)
"Labour wants to set up a British Investment Bank to provide
industry with long term loans so it can invest in modern machinery."
Also:Speech by Roy Hattersley 17/5/85. Labour Party announcement
19/9/85
Interview with Roy Hattersley (Financial Times 19/9/86)
"Britain ... lacks an institution which offers substantial
amounts of medium and long term credit - very often at
preferential interest rates to special category customers."

1 p9

ASSUMPTIONS USED

Assumed that £2 billion lent in year one with 4 percentage points
subsidy on 60 per cent of loans.

COST

£2 billion x 4 per cent = £80m x 60 per cent = £48m in year one.
Rounded to £50 million.

PRICE AND PROVISION BASIS

No provision presently exists for a BIB.

FULL YEAR/OTHER

First Year

TIMESCALE

IMPLICATIONS FOR OTHER PROGRAMMES

Establishment of BIB may reduce take up under Loan Guarantee
Scheme and Business Expansion Scheme or may even render
either or both of these schemes redundant. No allowance for
either of these possibilities is made in the costing.

OVERLAPS

COMMENTS

Cost of BIB would build up in future years as loans fail to
be repaid. Likely rate of default is inevitably speculative.
At best, BIB would duplicate work of existing financial markets;
at worst - and more likely - would expropriate taxpayers' or
pensioners' money to divert into doubtful projects which
would not pass normal commercial viability test.

CONTACT POINT

R Molan IAE 3 99/G x4632

SOURCE  DATE

"New Jobs for Britain" (March 1987)

"A programme to insulate the 90 per cent of the 7.2 million households in receipt of housing benefit which lack these advantages. Insulation would provide important social benefits and better living conditions, save energy, stimulate industry and create thousands of jobs at relatively low cost."

p14

OK. i.e. Does not require a further source.

ASSUMPTIONS USED

a) Households in social groups D and E not insulated to current recommended levels (not confined to cost-effective insulation) = 6.7m.

b)	No. of households*	Average cost/job	Total cost
Lofts	2m	£175	£350m
Hot water cylinders	4.2m	£10	£42m
Draught proofing	5m	£55	£275m
Total			£667m

(* overlap where more than one form of insulation).

c) Assumed that proposal does not cover cavity wall insulation (not currently provided for under community insulation projects). This would add further 3.8m households to the 6.7m estimated above.

d) A nationally co-ordinated programme of insulation might possibly be able to achieve some reduction in costs eg. by savings in cost of materials.

COST

£667m over 5 years = £130m

PRICE AND PROVISION BASIS

1987-88

FULL YEAR/OTHER

Full year

TIMESCALE

Five year plan.

IMPLICATIONS FOR OTHER PROGRAMMES

--

OVERLAPS

--

COMMENTS

Assumed to supercede proposals for "a national programme of home insulation (for the elderly), mentioned in the 'Freedom and Fairness' campaign pack (22 April 1986) and for £525 million over four years energy conservation programme proposed in 'Reconstruction of Britain' (October 1981), endorsed in "A New Partnership, A New Britain" (1985).

CONTACT POINT

Ms S E Burton PE L 2771 x4791

SOURCE AND DATE

"New Jobs for Britain"(March 1987) (Infrastructure section)

"We also need a major programme for the construction of new coal-fired power stations and, from the viewpoint of both energy efficiency and pollution control, we must refurbish and desulphurise existing plants."

"Investing in People"(February 1987)

"Labour is committed to meeting the EEC standards, and calls for a reduction of acid rain by 30 per cent by 1993... In future we will develop coal and alternative energy sources, such as wind and wave power, instead of new nuclear power stations. And we will slowly phase out the existing nuclear power stations while preserving jobs and energy supply. Radioactive discharges into the sea must stop, as must the present search for sites for low and intermediate level waste. Sea dumping will not be resumed. We need a major scientific inquiry into waste disposal."

NEC statement to 1986 Labour party conference - "A much enhanced research and development budget for the novel sources of energy."

p14

ASSUMPTIONS

See "cost" below.

COST

DEn EXPENDITURE		£ million	
Policy	Full year effect		Remarks
a. End fast reactor research	-70		Programme currently financed partly by CEGB
b. More research on nuclear waste disposal	+60		Double current level
c. More research on renewables	+50		
ELECTRICITY INDUSTRY CAPITAL EXPENDITURE			
Policy	Full year effect		Remarks
a. Control power station emissions to reduce by 30 per cent by 1993:			Estimates net off this Government's commitments. Timetable difficult to achieve.
Sulphur dioxide	+110		
Nitrogen oxide	+50		
b. Storage not disposal of all radioactive waste	+100		Net of cost of building disposal site now planned.
c. Replace nuclear power stations with coal.	+380		Assumes nuclear stations are retired as quickly as consistent with construction of new coal capacity. All existing stations shut by 2000
TOTAL COST	£680 million		

Energys (contd)

ITEM 4 (contd)

PRICE AND PROVISION BASES

1987-88

FULL YEAR/OTHER

Full year

TIMESCALL

Average capital spend (for electricity industry) over period to 1992-93.

IMPLICATIONS FOR OTHER PROGRAMMES

-

OVERLAPS

-

COMMENTS

Would have effect of increasing ESI running costs and would imply increase in
in electricity prices by about 5 per cent by 1992 and about 15 per cent by 2000.

CONTACT POINT

Mrs P Diggle PE 1 29A/1 4704

PROPOSAL

Investment in water and sewerage systems.

SOURCE AND DATE

"New Jobs for Britain"(March 1987) (Infrastructure section)
 "Our programme sets out policy for...substantially improving the nation's ... water and sewerage systems." p4
 Also "Investing in People"(February 1987)
 "Labour is committed to the investment needed to ensure good quality sewerage and water supply."
 Also "The Reconstruction of Britain" - TUC 1981 updated in "Public Investment in the Economy" - TUC 1984 and endorsed in "A new Partnership, a New Britain" (TUC/Labour party (August 1985)
 "Over 5 years a partial replacement programme could cost £1,000 million."

ASSUMPTIONS USED

On the EFL effect; that none of the extra investment is found by increased internal resources i.e. from higher profits or generally available grants.

COST

£1,326 million over five years or £265.3 million per annum on the EFL. Rounded to £270 million.

PRICE AND PROVISION BASIS

Original figure was £1,000 million over 5 years (1981/82 price level). Updated to 1987-88 prices.

FULL YEAR/OTHER

Full Year.

TIMESCALE OVER WHICH EXPENDITURE ASSUMED TO BUILD UP

Assumed that expenditure is equal in all 5 years. No indication to assume otherwise.

IMPLICATIONS FOR OTHER PROGRAMMES

TUC claims this programme would demand 5000 construction jobs. To the extent that these are filled by the currently unemployed, the social security programme should benefit.

OVERLAPS

None.

COMMENTS

The previous estimate of £250 million a year for the cost of this policy was based on the £1,000 million uplifted by 25 per cent (a Central Office assumption) to current price levels.

CONTACT POINT

C A Sharp PE 2 26/1 x4927

SOURCE AND DATE

"New Jobs for Britain"(March 1987)

"Our programme sets out policy for...substantially improving the nation's rail networks." "It also makes sense to invest in ... the modernisation of our rail network."(Infrastructure section).

"Investing in People"(February 1987)

"Labour is also determined to maintain and improve Britain's rail network, and will commit a major investment programme, including full main line electrification."

Also "Fresh Directions"(March 1987)

"British Rail's investment plans will be boosted by an updated replacement programme for rolling stock, locomotives, and track and signalling equipment."

"The Reconstruction of Britain" TUC 1981. Endorsed in "A New Partnership, A New Britain"(TUC/Labour August 1985).

"The railways badly need to renew worn out assets ... Adding up the average annual total gives a five-year total of £360 million on renewing assets, £180 million on main line electrification and £50 million on other service improvements."

ASSUMPTIONS USED

Additional cost would be added to EFL Programme for electrification assumed to cover all main lines not already in programme.

COST

£870 million over 5 years = £174 million a year, uprated from 1981-82 prices to 1987-88 prices. Cost £231 million, rounded to £230 million. Plus £50m for main line electrification. Total cost £280m.

PRICE AND PROVISION BASES

1987-88.

FULL YEAR/OTHER

Full Year.

TIMESCALE

a)TUC specify that after authorisation, it would take 2 years for most expenditure to take place and 6 years for investment to peak. Figures appear to be averages over 5 year period.
b)No time scale for main line electrification specified. DIP estimate programme would take 20-30 years.

IMPLICATIONS FOR OTHER PROGRAMMES

OVERLAPS

COMMENTS

Cost of main line electrification based on joint BRB-DIP estimate of capital costs of various possible programmes for main line electrification in 1981. Largest option - resulting in 80 per cent of passenger and 70 per cent of freight traffic being hauled electrically - at a cost of up to £1,250m at 1987-88 prices over 20-30 years (implies £40-60m a year). Mid-point of estimate taken.

CONTACT POINT

S M A James PE 3 05A/1 x4906

PROPOSAL

100,000 new local authority house starts a year.

SOURCE AND DATE

"New Jobs for Britain" (March 1987) (Infrastructure section)
 "Total housebuilding is down under the Tories by over 100,000 a year...the case for restoring the housing programme to a level which earlier experience shows is perfectly feasible... is overwhelming."

p4

Also "Investing in People" (February 1987)

"We need to improve existing homes and build new ones."

'The Reconstruction of Britain', TUC 1981. Endorsed in "A New Partnership, A New Britain" (TUC/Labour August 1985)

"This rebuilding programme would take place over the next 8 years. It will involve building a million new council houses."

ASSUMPTIONS USEDCOST

£2700 million a year (100,000 new starts at £27,000 each).

PRICE AND PROVISION BASIS

Latest 1987-88 DOE estimate of average completion costs of local authority houses.

FULL YEAR/OTHER

Full Year.

TIMESCALE

Full cost in first year.

IMPLICATIONS FOR OTHER PROGRAMMES

National programme. No additional territorial implications.

OVERLAPSCOMMENTSCONTACT POINT

M C Retenson LG 2 18/1 x4746

PROPOSAL

SOURCE AND DATE

SOURCE AND DATE

ASSUMPTIONS USED

COST

PRICE AND PROVISION BASIS

FULL YEAR/OTHER

TIMESCALE

IMPLICATIONS FOR OTHER PROGRAMMES

OVERLAPS

COMMENTS

CONTACT POINT

Housing rehabilitation.

"New Jobs for Britain"(March 1987) (Infrastructure section)

"The case...for giving local authorities greater freedom and resources to maintain their existing stock in proper condition is overwhelming."

Also: "Investing in People"(February 1987)

"There will be a new programme of housebuilding improvement and repair."

'The Reconstruction of Britain', TUC 1981.(Endorsed in "A New Partnership, A New Britain" (TUC/Labour August 1985).

"This Renovation programme I would take place over the next 8 years. It will involve ... renovating 200,000 empty and hard-to-let council houses."

Assumed that there would be 25,000 renovations a year at £12,500 each. Majority of renovations would be for hard-to-let housing.

£310 million.

1987-88

Full Year.

Full annual cost assumed in first year.

National estimate: no territorial implications.

None.

£12,500 a property is DOE's rough estimate of renovation cost.

M C Betenson LG 2 1B/1 4746

p14

PROPOSAL

Increase roads spending.

SOURCE AND DATE

"New Jobs for Britain"(March 1987)

"Our programme sets out policy for substantially improving the nation's roads." "It also makes sense to invest in the infrastructure of our roads." (Infrastructure section)

"Investing in People"(February 1987)

"Roads, schools and hospital all need to be improved."

"Charter for Transport" (1985)

"Labour is determined to ensure a selective programme of road building.

ASSUMPTIONS USED

10 per cent increase over 1987-88 provision for roads (local and national, capital and current) of £3,676 million.

COST

£370 million

PRICE AND PROVISION BASIS

1987-88

FULL YEAR/OTHER

Full year

TIMESCALE

Immediate

IMPLICATIONS FOR OTHER PROGRAMMES

-

OVERLAPS

-

COMMENTS

-

CONTACT POINT

Kim Elliman HE 1 11A/1 x4718

pt and dpt4

PROPOSAL

Expand public services

SOURCE AND DATE

"New Jobs for Britain"(March 1987)

"...making necessary improvements in the quality of services, in health, the personal social services, education and other areas. This will provide an additional 300,000 jobs, principally in the public sector."(p4. See also ibid., pp 15-16, Better Services for the Nation section)

P. 4 ok. Robert same

ASSUMPTIONS USED

1. From the 300,000 jobs deduct the following from other items in the costing:

NHS employees (Item 32) 26,000

(assume 3/4 of extra NHS spending is pay costs, assume some unit pay cost as below)

Nursery teachers (Item 17) 13,500

Nursery nurses (Item 17) 20,000

Teachers (Item 16) 14,000

73,500

Leaving 226,500 jobs not covered by other costings.

2. Assume average public sector wage of £192 per week (see item 45), uplifted by 15 per cent to take account of pension and National Insurance contributions = £11480 per year.

COST

Cost therefore 226,500 x £11480 = £2600 million (ie no allowance for equipment, accomodation etc)

PRICE AND PROVISION BASIS

1987-88

FULL YEAR/OTHER

Full year

TIMESCALE

2 years

IMPLICATIONS FOR OTHER PROGRAMMES

None.

OVERLAPS

Overlaps with items 16, 17, 32 already netted off.

COMMENTS

-

CONTACT POINT

B S Kalen GEP1 98/3 x5645

PROPOSAL

Provide 75,000 adult traineeships for the unemployed.

SOURCES DATE

"New Jobs for Britain", March 1987
 "The training programme will provide: adult traineeships for the unemployed totalling 75,000 by the end of the two year period."

p12

OK.

ASSUMPTIONS USED

Extra 75,000 places on old JTS at gross public expenditure cost per place of £3,164. (Programme builds up to 75,000 places filled at any one time.)

COST

75,000 x 6328 = 475m. Add 2.75% for N.Ireland (£13m) = £488m, rounded = £490m gross. Some savings would arise on social security benefit expenditure. Assume 75,000 (extra full year places) x 1.0 (percentage coming off benefit) x 50 (average number of weeks off) x £45 (average weekly benefit saved) = £169. Additional benefit saving in N.Ireland = £5m. Total benefit saving = £174m. Total net therefore £490-170 million = £320 million.

PRICE AND PROVISION BASIS

1987-88 prices and provision as in 1987-88 DE Main Estimates.

FULL YEAR/OTHER

Full year cost

TIMESCALE

Expenditure could build up to full year cost shown within 2 years.

IMPLICATIONS FOR OTHER PROGRAMMES

Net of savings on social security benefit expenditure.

OVERLAPS

None.

COMMENTS

Very unclear what the proposal means and therefore what gross and net costs would be.

CONTACT POINT

D Rayner JAE 3 25/6 x4452

PROPOSAL

Project based scheme for training adult unemployed providing 100,000 places.

SOURCE DATE

"New Jobs for Britain", March 1987.

"The training programme will provide: a project-based scheme for training the adult unemployed (the balance of those at present on the Community Programme) - with a Training Plan at the heart of each project - providing 100,000 places at the end of two years."

p12 OK

ASSUMPTIONS USED

Extra 100,000 places on Community Programme at gross public expenditure cost per place of £4,640, each place also including 11 weeks' training at typical skillcentre rate of £92 a week. So total gross cost per place = £5,652.

COST

100,000 x £5,652 = £565m. Add 2.75% for N.Ireland (£16m) = £581m; rounded = £580m gross. Some savings would arise on social security benefit expenditure. Assume 100,000 (extra full year places) x 0.90 (percentage coming off benefit) x 50 (average number of weeks off) x £45 (average weekly benefit saved) = £203m. Additional benefit saving in N.Ireland = £6m. Total benefit saving = £209m. Total net cost £370m (rounded).

PRICE AND PROVISION BASIS

1987-88 prices and provision as in 1987-88 DE Main Estimates.

FULL YEAR/OTHER

Full year cost

TIMESCALE

Expenditure could build up to full year cost shown within 2 years.

IMPLICATIONS FOR OTHER PROGRAMMES

Net of savings on social security benefit expenditure.

OVERLAPS

None

COMMENTS

Very unclear what proposal means and therefore what gross and net costs would be. If training assumed to cover 22 weeks rather than 11 weeks, gross cost rises to around £685m, net to £475m

CONTACT POINT

D Rayner IAE 3 25/G x4452

PROPOSAL

Foundation training programmes for 75,000 young people.

SOURCE AND DATE

"New Jobs for Britain", March 1987.
 "The training programme will provide: a foundation programme for 75,000 young people, 50,000 of whom would otherwise have been on YIS and 25,000 of whom would have been unemployed."

p13 OK

ASSUMPTIONS USED

All 16 and 17 year old unemployed school leavers guaranteed a place on 2 year YIS, so unless Labour proposing compulsory entry to YIS (unlikely), assume proposal entails premium of £500 per place on top of existing gross cost per place of 2-year YIS for all 75,000 places, plus existing gross cost for 25,000 of these.

COST

$75,000 \times £500 = £38m$; $25,000 \times £2,700 = £68m$. Total = £106m. Add 2.75% for Northern Ireland (£3m) = £109m; rounded = £110m gross. Some savings would arise on social security benefit expenditure. Assume 25,000 (extra full year places) \times 0.90 (percentage coming off benefit) \times 50 (average number of weeks off) \times £18.50 (average weekly benefit saved) = £21m. Additional benefit saving in Northern Ireland = £1m. Total benefit saving = £22m. Total net cost £90m (rounded).

PRICE AND PROVISION BASIS

1987-88 prices and provision as in 1987-88 DE Main Estimates.

FULL YEAR/OTHER

Full year cost.

TIMESCALE

Expenditure could build up to full year cost shown within 2 years.

IMPLICATIONS FOR OTHER PROGRAMMES

Net of savings on social security benefit expenditure.

OVERLAPS

None.

COMMENTS

Very unclear what proposal means and therefore what gross and net costs would be.

CONTACT POINT

D Rayner IAE 3 2576 x4452

PROPOSAL

Extended training scheme for 75,000 unemployed young people leaving school, YIS or further education.

SOURCE AND DATE

"New Jobs for Britain", March 1987.

"The training programme will provide: an extended training scheme for young people, designed for those who currently graduate from school, the YIS or further education on to the dole, providing a further 75,000 places and linking directly to the other elements in our programme."

p13
OK

ASSUMPTIONS USED

Costing based on assumed extra year on YIS for 75,000 young people at gross public expenditure cost per filled place of £3,700 (ie gross pe cost per filled place of YIS of £2,700 plus extra £1,000 per place because entrants would be older than existing YIS trainees).

COST

75,000 x £3,700 = £278m. Add 2.75% for Northern Ireland (£8m) = £286m; rounded = £290m gross. Some savings would arise on social security benefit expenditure. Assume 75,000 (extra full year place) x 0.90 (percentage coming off benefit) x 50 (average number of weeks off) x £20 (average weekly benefit saved) = £68m. Additional benefit saving in Northern Ireland = £2m. Total benefit saving = £70m. Total net cost £220m.

PRICE AND PROVISION BASIS

1987-88 prices and provision as in 1987-88 DE Main Estimates.

FULL YEAR/OTHER

Full year cost

TIMESCALE

Expenditure could build up to full year cost shown within 2 years.

IMPLICATIONS FOR OTHER PROGRAMMES

Net of savings on social security benefit expenditure.

OVERLAPS

None.

COMMENTS

CONTACT POINT

D Rayner IAE 3 25/6 x4452

PROPOSAL

Extend the 'Job Release Scheme' to men over the age of 60.

SOURCE AND DATE

"New Jobs for Britain", March 1987

"An extension to men over the age of sixty of the Job Release Scheme (cut back by the Tory Government) could take up to 160,000 off the unemployment total at relatively low cost."

p16 OK

ASSUMPTIONS USED

Costing based on extra 150,000 JRS places. Gross public expenditure cost per place of JRS = £3,577

COST

150,000 x £3,577m = £537m. Add 2.75% for N. Ireland (£15m) = £552m; rounded = £550m. Some savings would arise on social security benefit expenditure. Assume 150,000 (extra full year places) x 0.80 (percentage coming off benefit) x 40 (average number of weeks off) x £45 (average weekly benefit saved) = £238m. Additional benefit saving in N. Ireland = £7m. Total benefit saving = £245m Total net cost £310m (rounded).

PRICE AND PROVISION BASIS

1987-88 prices and provision as in 1987-88 DE Main Estimates.

FULL YEAR/OTHER

Full year cost

TIMESCALE

Expenditure could build up to full year cost shown within 6 years (1993-94).

IMPLICATIONS FOR OTHER PROGRAMMES

Net of savings on social security benefit expenditure.

OVERLAPS

None.

COMMENTSCONTACT POINT

D Rayner IAE 3 25/6 x4452

PROPOSAL

Increase school building, repair and maintenance.

SOURCE AND DATE

"New Jobs for Britain" (March 1987)
 "It also makes sense to invest in the proper repair and maintenance of existing public buildings (particularly schools where the Audit Commission estimates that there is a backlog of repairs costing £500m)" (Infrastructure section)
 "Investing in People" (February 1987)
 "It makes good sense to employ some of the 400,000 construction workers unemployed today to tackle the backlog of £500 million in school repairs."
 'The Reconstruction of Britain' (TUC October 1981) endorsed in "A New Partnership, A New Britain" (August 1985)
 "Money should be used to repair and maintain schools and provide new buildings. This would mean £625m over 5 years."

p14

ASSUMPTIONS USED

£625m over 5 years. £125m updated from 1981-82 to 1987-88 prices. £165.8m rounded to £170m.

COST

£170 million.

PRICE AND PROVISION BASIS

1987-88

FULL YEAR/OTHER

Full Year.

TIMESCALE

Full year cost of five year plan.

IMPLICATIONS FOR OTHER PROGRAMMES

-

OVERLAPS

-

COMMENTS

-

CONTACT POINT

S Kelly HE 2 11/1 4714

Ch
Andrew Tyrie is drafting
a robust reply

The Labour Party

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General Secretary J L Whitty
Hon Treasurer S McCluskie
National Giro No 5109213

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OM/JA/cm

27th May 1987

The Rt. Hon. Nigel Lawson
11 Downing Street
London

Dear Chancellor,

Yesterday morning on Election Call you appeared to dispute the accuracy of information supplied by the Treasury which shows that the tax burden has risen for most families.

A caller quoted a recent Guardian report which said "Government figures emerged this week to show that, even after the recent budget 2p reduction in income tax, the burden of taxation on a family earning less than £400 a week (which is most of us) is today higher than in 1979."

You replied, "No, that statement isn't actually true."

However, the Guardian story was a report of the parliamentary written answer from the Financial Secretary Norman Lamont to me on 27th March 1987.

Could you explain this inconsistency? Could you please tell me whether the information in the parliamentary answer - which shows that the tax burden has increased for most families since the Conservative took office - is true or false?

Yours sincerely,

pp Jane Ashley

Dr. Oonagh McDonald

Labour

Senior National Officer David Hughes
Organisation Director Joyce Gould
Campaigns and Communications Director
Peter Mandelson
Policy Development Director Geoff Bish



FROM: A G TYRIE

DATE: 29 MAY 1987

CHANCELLOR

I attach a draft reply for you to send to Oonagh McDonald, together with a copy of the original briefing and PQ.

2. Independently Peter also drafted a reply, which I attach.

AGT

A G TYRIE

DRAFT REPLY FOR THE CHANCELLOR TO OONAGH McDONALD

Thank you for your letter of 27 May in which you asked for clarification of a point I made on Election Call and which you apparently did not understand.

On the programme I pointed out that if the burden of tax inherited from Labour in 1979 was indexed in line with inflation the proportion of earnings taken in tax and National Insurance contributions would be much higher at all levels of income than it is today. To put the same point another way, if earnings had increased only in line with prices the burden of tax would have been much lower at all levels of income.

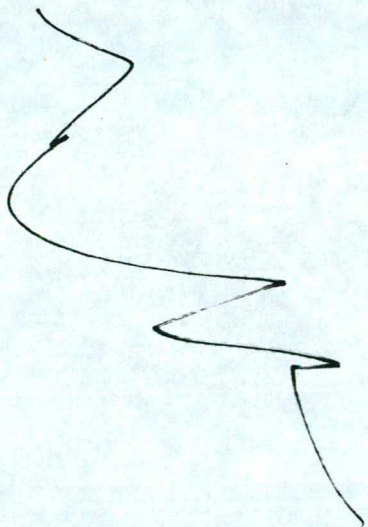
Incomes under the Conservatives have risen well ahead of prices at all income levels. This means, for example, that a married man on average earnings has seen his take-home pay increase by 22% after taking account of inflation. By contrast, under Labour he was hardly any better off.

You cannot escape the simple fact that the Conservatives are committed to reducing the basic rate of income tax to, at most, 25 pence, as part of our plans to reduce the overall burden of taxation. Within weeks of gaining office you are committed to raising the basic rate of income tax to 29 pence, reducing take-home pay for a married man on average earnings by £3 at a stroke.

We are committed to reducing the burden of tax, building on the achievements of the last Parliament. By contrast your pledges on public spending, which have already led you to admit to the need for an immediate rise in income tax, would force you to impose a massive increase in income tax for ordinary people.

Line to take

1. Real take-home pay - which is what really matters - up under this Government by 17½ per cent for a two child family at half average earnings and 21½ per cent at average earnings. Hardly rose at all under Labour.
2. Compared with just uprating Labour income tax and NIC regime for inflation, burden of income tax and NIC down at all income levels.
3. This year's basic rate cut - benefits all taxpayers. Basic rate is marginal rate for 94 per cent of taxpayers of working age.
4. What is clear is that Government committed to reduce tax burden as and when prudent to do so, and all other parties committed to increase it.



THE BURDEN SINCE 1978-79 - THE JACK STRAW PQ - WA 310 27 March 1987

[Articles in the Independent, the Guardian and other papers on 1 April - Press Release by Dr Conagh McDonald]

Background

1. The figures published in the Jack Straw PQ bring up to date answers to similar questions after the last five Budgets. [They are equivalent to figures provided in Budget brief D3 - particularly see Tables 4, 7 and 11.]
2. In some previous years we have not given all the figures in response to a single PQ, on the grounds of cost, but have released the information in response to subsequent PQs. The Commons research staff have then put all the figures together in a research note. This year it was possible to give all the figures in response to a single question because we had more fully computerised the calculations.
3. Although some of the figures have been revised to take account of the latest Family Expenditure Survey and revisions to National Accounts data, the pattern of the figures repeats that of previous years.
4. For those with incomes in a range from 75 per cent to 150 per cent of average earnings, the figures in the answer include income tax, NIC and indirect taxes. It is not possible to estimate indirect taxes outside that range so figures at half average earnings and above $1\frac{1}{2}$ times average earnings include only income tax and NIC. Thus it is misleading to directly compare the figures in the answer for total tax burden of, for example, those on average and five times average earnings.
5. The format of figures for couples with children is different from our usual presentation because Jack Straw asks for child benefit to be counted as part of gross income. We would normally count it as a negative income tax (because it replaces child tax allowances still in existence in 1978-79 but abolished in 1979-80). Income tax and NIC as a proportion of income is therefore higher than we would normally quote - for example at $\frac{1}{2}$ average earnings we would normally say it was 5.9 per cent in 1987-88 but it is shown as 16.6 per cent in the PQ answer.

1. Our normal income tax and NIC figures for a couple with two children are:

Percent of earnings paid in income tax and NIC - married, one earner with two children

Multiples of average earnings	$\frac{1}{2}$	$\frac{2}{3}$	1	$1\frac{1}{2}$	5
1978-79	2.5	14.6	20.9	26.2	48.8
1986-87	5.6	16.4	21.8	26.2	42.9
1987-88	5.9	15.9	21.0	24.8	43.1
With Labour's last regime uprated for inflation	6.7	17.6	23.1	26.3	53.5

2. Income tax and NIC burden down at all multiples compared with if had simply uprated Labour's regime for inflation.

3. Burden of income tax, NIC and indirect taxes up since 1978-79 at all levels of earnings for which estimates can be made.

Percentage of earnings paid in income tax, NIC and indirect taxes (excluding rates) - married, one earner with two children

Multiples of average earnings	$\frac{2}{3}$	1	$1\frac{1}{2}$
1978-79	27.2	32.0	36.0
1986-87	30.2	34.8	38.5
1987-88	29.6	33.8	37.1

4. Real take-home pay at all multiples of average earnings (ie assuming income went up in line with average) up substantially. Much smaller rise under Labour.

Change in real take-home pay - married, one earner with two children

Multiple of average earnings	$\frac{1}{2}$	$\frac{2}{3}$	1	$1\frac{1}{2}$	5
1973-74 to 1978-79	4.2	2.0	0.6	-1.2	-16.9
1978-79 to 1987-88	17.5	19.9	21.6	24.1	35.3

Tax burden has grown despite cuts in Budget

GOVERNMENT figures show that, despite the Budget tax cuts, the total tax burden for the large majority of households has risen since Margaret Thatcher took office in 1979.

For a family with two children, earning 75 per cent of average earnings, the weekly tax burden rose from £46.50 (in today's prices), or 32.2 per cent of income in 1978-9, to £62.43, or more than 35 per cent this financial year. For a similar family where the breadwinner is on average earnings, the tax take rose from £67.33 to £87.98, rising from 35.6 per cent of gross earnings to 37.8 per cent.

The figures, which will provide Labour with election ammunition, were greeted with glee by Opposition MPs last night.

They were provided in a written answer by Norman Lamont, Financial Secretary to the Treasury, to Jack Straw, Labour front bench local authority spokesman and Oonagh McDonald, Labour Shadow Treasury Minister.

Mr Straw said: "These Treasury figures show that even after the Budget the tax burden is up for any family earning less than £400 or so a week, which is 90 per cent of households."

By Andrew Marr
Political Correspondent

Dr McDonald said the figures showed that the 2p off the standard rate had done nothing to reduce the burden of taxation on average and below average earners. She said the Tories had taxed the poor and average earners to benefit the rich, and rigged the tax system for years to line the pockets of their rich friends.

A married couple with two children earning half average earnings were, in 1979, paying, 12.2 per cent of their gross income in tax. This year it was 16.7 per cent.

For a married couple with two children earning twice average earnings, the tax take has risen from an average £110 in 1979 to £232 a week in this financial year, and the percentage of gross earnings, from just under 30 per cent to 34.8 per cent.

For the couple earning 150 per cent of average earnings, the percentage take has risen from 38.3 to 39.7 per cent.

But for a similar, two-children family earning 10 times the average, the percentage take has fallen from 65.8 to 55.9 per cent.

Tory tax ploy robs poor to pay the rich

By DAVID BRADSHAW
THE Tory tax ploy of robbing the poor to pay the rich is now confirmed by official figures.

The figures explode the Government's myth that the tax burden for the vast majority of people has fallen under Mrs Thatcher.

Treasury Minister Norman Lamont has been forced to confess that only the super-rich have gained—despite last month's give-away Budget. His own Commons answers show how badly a man struggling on half of average earnings, with a wife and two children, has fared under the Thatcher Government.

Next year the man will pay four per cent more of his total income direct to the Government.

This means in real terms he will have to find an extra £125 a week out of his poverty level wages.

Less

But the super-rich earner on ten times average wages will be paying nearly £47 a week LESS in direct taxes.

Labour MP Jack Straw, who forced the figures from the Government, hit out yesterday.

He said: "Anyone earning less than £2,400 a week is worse off under this Government."

They are not only worse off in cash terms, but in the proportion of their income they pay in tax."

FINANCIAL TIMES

Mr Jack Straw, a Labour environment spokesman, said yesterday that the Chancellor's "giveaway" Budget had, in fact, raised the tax burden for most wage-earners.

Daily Telegraph

Finance Bill

THE Finance Bill, with all the fine print of the Budget measures, will be published a week today Mr MacGregor, Treasury Chief Secretary, said yesterday.

THE TIMES

Finance Bill

The Finance Bill, which will implement the Budget's detailed proposals, will be published next Wednesday, Mr John MacGregor, Chief Secretary to the Treasury, announced in a written reply.

THE GUARDIAN

Tax rates 'still above pre-Tory level'

By David Hencke,
Westminster Correspondent

The Treasury has admitted that most people will be paying higher taxes than when the Conservatives came to power in 1979, even after the 2p cut in income tax in the Budget.

On constant figures, people earning less than £400 a week pay more tax, national insurance and VAT than they did in 1979.

The figures were released late last Friday in a 14-page written Commons answer and not picked up by the Treasury select committee when they examined Mr Nigel Lawson, the Chancellor, on Monday. They use constant prices so that comparisons are possible.

A married couple with two children and with only one person working and earning £113.65 a week — half the national wage — have suffered the most. They would see their tax rise from £12.14 in 1979 to

£20.39 — an increase from 12.2 per cent to 16.6 per cent of their wages over the period.

A similar married couple earning £170.48 a week — 75 per cent of the national wage — sees their tax going up from £46.50 to £62.43 — a rise from 32 per cent to 35 per cent of their wages.

The figures fall substantially only for those earning £50,000 and £100,000 a year. They see their tax fall from 65 per cent to 51.9 per cent on £50,000 a year and from 74.4 per cent to 55.9 per cent a year.

The government statistics show that income tax rates have fallen. But higher national insurance contributions, particularly for those on low and average earnings, and the doubling of VAT have meant that

on average people are paying much more in tax.

Mr Jack Straw, the Labour MP for Blackburn, said yesterday: "If you take a single nurse lucky enough to earn £170 a week, she will find that her tax has risen from £54.24 to £68.11 from 1979 to 1987 — with the percentage rising from 40.3 to 41.6."

Dr Oonagh McDonald, Labour's Treasury spokeswoman, commented: "The Government is determined to mislead the country on taxation yet their own figures belie everything that they say."

"The Tories have taxed the poor and average-earners to benefit the rich and deliberately rigged the tax system to line the pockets of their rich friends."

Tax cuts blow to Mr Average

MOST people will still be losing a bigger slice of their earnings in tax and National Insurance payments than when Mrs Thatcher came to power after the Budget's 2p tax cut takes effect next month.

New Treasury figures show that families on average earnings of £227 a week will still be losing a higher proportion of their wages in stoppages than in 1979.

Burden

But people on incomes of £454 a week, twice the national average, have seen their tax and National Insurance burden drop under Mrs Thatcher and the Budget will continue the trend.

A married couple with two children earning £113 a week, half the national average, paid £12.14 in tax and National Insurance in 1979 and will fork out £20.39 from next month. As a proportion of their gross earnings, these stoppages will have risen from 12.2 to 16.6 per cent.

But a similar couple earning £681 a week, three times the average wage, paid £197.26 in tax and National Insurance in 1979 and will pay £232.90 from next month. As a slice of their income, the payments will have fallen from 36 to 34.8 per cent.

Labour Treasury spokeswoman Oonagh McDonald, MP for Thurrock, said: "The Government's own figures belie everything it is saying in public and show that the burden of taxation has quite clearly gone up for those on average and below average earnings, while it has been substantially reduced for the rich. The more you have, the more you get."

"The Chancellor will no doubt defend this by saying that you do not make the poor richer by making the rich poorer, but making the rich richer clearly does not help the poor."

She added: "No-one should be fooled by the Budget. The 2p off the standard rate has done nothing to benefit people with average or below average incomes."

TODAY

Labour slams 'sham' tax cut

MRS THATCHER'S tax-cutting boasts have been exposed as a sham by her government's own figures, Labour claimed last night.

Treasury statistics show that even after Chancellor Nigel Lawson's 2p Budget giveaway, most people still pay more than in 1979.

For although the basic rate of income tax has fallen from 33p to 27p in the £ since 1979, VAT and national insurance contributions have gone up.

Labour front-bencher Jack Straw, said last night: "The government's tax-cutting claims have been exposed as pure moonshine."

Coffers

The Treasury figures, published in the Commons Hansard, show that a married man with two children earning less than £114-a-week loses £8 more in real terms than in 1979.

And Mr Average, earning around £220 a week today, sees £20 more in real terms end up in the Treasury coffers through tax, national insurance and VAT.

Only people on £454-a-week and above can afford to be grateful to Mrs Thatcher's tax-cutting pledges.

Mr Straw said: "These figures are very damaging for the government."

Taxation

Mr. Austin Mitchell asked the Chancellor of the Exchequer whether he will publish in the *Official Report* a table showing the estimated loss of (a) income tax, (b) higher rate tax and (c) capital gains tax in the next financial year on, respectively, life assurance premiums, retirement annuity premiums and lump-sum payments to pensioners, distinguishing between non-contributory schemes which provide a maximum pension of 50 per cent. of eligible earnings and other schemes and the investment income of occupational pension schemes, distinguishing between employees and the self-employed.

Mr. Norman Lamont [pursuant to his reply, 23 March 1987, c. 40]: The available estimates of the direct revenue cost in respect of income tax are as follows:

	<i>Estimated direct revenue cost 1987-88 £ million</i>
Life assurance premium relief	510
Retirement annuity premium relief	410
—(Of which, relief at the excess of rates above the basic rate)	130)
Relief on lump sum payments to pensioners (assuming relief at the basic rate)	1,100
Relief on investment income of occupational pension funds (assuming relief at the basic rate)	4,000

There are no capital gains tax implications of life assurance premium relief, retirement annuity premium relief or lump sum payments to pensioners, and no estimate of the cost of exempting capital gains made by pension funds is available.

The estimated cost of life assurance premium relief given above includes a cost of about £100 million in respect of the self-employed and that for retirement annuity premium relief includes a cost of about £330 million.

The requested disaggregation by type of scheme is not available.

Personal Income (Rates and Taxation)

Mr. Straw asked the Chancellor of the Exchequer if he will publish in the *Official Report* tables showing (a) the proportion in percentage terms, (b) the amount in current prices and (c) the amount in constant 1985-86 prices of personal income taken by taxation and rates for the year 1986-87, taking account of any changes announced in his Budget statement and any previously announced changes, and for each of the years 1978-79, 1979-80, 1980-81, 1981-82, 1982-83, 1983-84, 1984-85, 1985-86 and 1986-87 for each level of average earnings, each category of taxpayer, and each category of taxation and rates, in the manner of the answers of 3 April 1985, *Official Report*, column 676, 2 July 1985, *Official Report*, column 112 and of 26 March 1986, *Official Report*, column 530.

Dr. McDonald asked the Chancellor of the Exchequer if he will update to 1987-88 the information on tax and national insurance contributions as a proportion of gross earnings provided in his reply of 19 February to the hon. Member for Oldham, West (Mr. Meacher), *Official Report*, column 829; and if he will provide the same information for a married man with an earning wife.

Mr. Norman Lamont [pursuant to his replies, 23 and 25 March 1987, c. 42-216]: I understand that the hon. Member for Blackburn (Mr. Straw) wishes the figures in constant 1986-87 prices with rates for the year 1987-88. The information is in the following tables.

30 per cent. of average male earnings: (£113.63 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	7.91	15.29	17.4	4.42	8.55	9.5	0.00	0.00	0.0	3.26	6.30	6.3
NIC	3.02	5.84	6.5	3.02	5.84	6.5	3.02	5.84	6.5	3.02	5.84	5.9
Total	10.93	21.13	23.9	7.44	14.38	16.0	3.02	5.84	6.5	6.28	12.14	12.2
1979-80												
Income tax	8.95	14.94	16.4	5.20	8.68	9.5	0.00	0.0	0.0	5.20	8.68	8.3
NIC	3.55	5.93	6.5	3.55	5.93	6.5	3.55	5.93	6.5	3.55	5.93	5.7
Total	12.50	20.87	22.9	8.75	14.61	16.0	3.55	5.93	6.5	8.75	14.61	14.0
1980-81												
Income tax	11.78	16.91	17.4	7.33	10.52	11.2	0.00	0.00	0.0	7.33	10.52	9.9
NIC	4.43	6.36	6.7	4.43	6.36	6.7	4.43	6.36	6.7	4.43	6.36	6.0
Total	16.21	23.26	24.1	11.76	16.88	17.9	4.43	6.36	6.7	11.76	16.88	15.8
1981-82												
Income tax	13.95	17.96	19.9	9.51	12.24	13.0	1.58	2.03	2.2	9.51	12.24	11.5
NIC	5.65	7.27	7.7	5.65	7.27	7.7	5.65	7.27	7.7	5.65	7.27	6.8
Total	19.60	25.23	26.6	15.16	19.52	20.8	7.23	9.31	9.9	15.16	19.52	18.3
1982-83												
Income tax	14.58	17.53	18.5	9.50	11.42	12.1	0.48	0.58	0.6	9.50	11.42	10.6
NIC	6.89	8.28	8.9	6.89	8.28	8.8	6.89	8.28	8.8	6.89	8.28	7.7
Total	21.47	25.81	27.3	16.39	19.71	20.8	7.37	8.86	9.4	16.39	19.71	18.3
1983-84												
Income tax	15.35	17.63	18.0	9.53	10.95	11.1	0.00	0.00	0.0	9.53	10.95	9.8
NIC	7.70	8.84	9.0	7.70	8.84	9.0	7.70	8.84	9.0	7.70	8.84	7.9
Total	23.05	26.48	27.0	17.23	19.79	20.2	7.70	8.84	9.0	17.23	19.79	17.6
1984-85												
Income tax	16.18	17.69	17.5	9.55	10.44	10.3	0.00	0.00	0.0	9.55	10.44	9.0
NIC	8.33	9.11	9.0	8.33	9.11	9.0	8.33	9.11	9.0	8.33	9.11	7.9
Total	24.51	26.80	26.5	17.88	19.55	19.3	8.33	9.11	9.0	17.88	19.55	16.9
1985-86												
Income tax	17.05	17.60	17.0	9.84	10.16	9.9	0.00	0.00	0.0	9.84	10.16	8.7
NIC	8.93	9.22	9.0	8.93	9.22	9.0	7.54	7.78	7.6	8.93	9.22	7.9
Total	25.98	26.82	26.0	18.77	19.38	18.9	7.54	7.78	7.6	18.77	19.38	16.6
1986-87												
Income tax	17.92	17.92	16.8	10.56	10.56	9.9	0.00	0.00	0.0	10.56	10.56	8.7
NIC	9.60	9.60	9.0	9.60	9.60	9.0	6.62	6.62	6.2	9.60	9.60	7.9
Total	27.52	27.52	25.8	20.16	20.16	18.9	6.62	6.62	6.2	20.16	20.16	16.7
1987-88												
Income tax	18.09	17.39	15.9	10.98	10.56	9.7	0.00	0.00	0.0	10.98	10.56	8.6
NIC	10.23	9.84	9.0	10.23	9.84	9.0	7.05	6.78	6.2	10.23	9.84	8.0
Total	28.32	27.23	24.9	21.21	20.39	18.7	7.05	6.78	6.2	21.21	20.39	16.6

73 per cent. of average male earnings: £170.48 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	15.56	30.08	22.4	12.07	23.34	17.3	5.28	10.21	7.6	10.80	20.88	14.5
NIC	4.52	8.74	6.5	4.52	8.74	6.5	4.52	8.74	6.8	4.52	8.74	6.0
VAT	1.79	3.46	2.6	1.66	3.20	2.4	2.01	3.89	2.9	1.81	3.50	2.4
Other indirect	6.19	11.96	8.9	7.13	13.78	10.2	8.20	15.85	11.8	6.92	13.38	9.3
Total of above	28.05	54.25	40.3	25.37	49.06	36.5	20.01	38.68	28.7	24.05	46.50	32.2
Domestic rates	2.38	4.61	3.4	2.35	4.54	3.4	2.89	5.58	4.1	2.37	4.58	3.2
Total	30.44	58.85	43.7	27.72	53.60	39.8	22.89	44.26	32.9	26.42	51.09	35.4
1979-80												
Income tax	17.15	28.63	20.9	13.40	22.37	16.3	6.17	10.30	7.5	13.40	22.37	14.9
NIC	5.33	8.90	6.5	5.33	8.90	6.5	5.33	8.90	6.5	5.33	8.90	5.9
VAT	3.33	5.55	4.1	3.03	5.06	3.7	3.62	6.04	4.4	3.37	5.63	3.7
Other indirect	7.04	11.76	8.6	8.02	13.38	9.8	9.16	15.30	11.2	7.87	13.14	8.8
Total of above	32.85	54.83	40.1	29.78	49.70	36.3	24.28	40.53	29.6	29.98	50.04	33.3
Domestic rates	2.84	4.73	3.5	2.79	4.65	3.4	3.42	5.71	4.2	2.81	4.70	3.1
Total	35.69	59.57	43.5	32.56	54.35	39.7	27.70	46.24	33.8	32.79	54.74	36.4
1980-81												
Income tax	21.63	31.04	21.9	17.19	24.67	17.4	9.26	13.29	9.4	17.19	24.67	16.1
NIC	6.65	9.54	6.7	6.65	9.54	6.7	6.65	9.54	6.7	6.65	9.54	6.2
VAT	4.09	5.86	4.1	3.77	5.41	3.8	4.44	6.37	4.5	4.10	5.88	3.8
Other indirect	8.26	11.86	8.4	9.39	13.47	9.5	10.66	15.31	10.8	9.18	13.17	8.6
Total of above	40.63	58.31	41.2	37.00	53.10	37.5	31.02	44.51	31.5	37.12	53.27	34.7
Domestic rates	3.71	5.32	3.4	3.62	5.19	3.7	4.37	6.28	4.4	3.65	5.24	3.4
Total	44.34	63.64	45.0	40.61	58.29	41.2	35.39	50.79	35.9	40.77	58.52	38.1
1981-82												
Income tax	24.89	32.04	22.7	20.45	26.33	18.7	12.52	16.12	11.4	20.45	26.33	17.1
NIC	8.48	10.92	7.7	8.48	10.92	7.7	8.48	10.92	7.7	8.48	10.92	7.1
VAT	4.35	5.83	4.1	4.11	5.30	3.8	4.80	6.18	4.4	4.55	5.85	3.8
Other indirect	9.61	12.37	8.8	10.89	14.01	9.9	12.38	15.94	11.3	10.80	13.90	9.1
Total of above	47.51	61.16	43.4	43.93	56.55	40.1	38.19	49.16	34.9	44.27	57.00	37.1
Domestic rates	4.56	5.86	4.2	4.45	5.73	4.1	5.43	6.99	5.0	4.50	5.79	3.8
Total	52.06	67.02	47.6	48.38	62.28	44.2	43.62	56.15	39.9	48.77	62.78	40.9
1982-83												
Income tax	26.39	31.73	22.4	21.31	25.62	18.1	12.28	14.76	10.4	21.31	25.62	16.5
NIC	10.33	12.42	8.8	10.33	12.42	8.8	10.33	12.42	8.8	10.33	12.42	8.0
VAT	4.68	5.63	4.0	4.25	5.11	3.6	5.01	6.02	4.2	4.74	5.70	3.7
Other indirect	10.01	12.04	8.5	11.39	13.70	9.7	13.04	15.68	11.0	11.27	13.55	8.7
Total of above	51.42	61.81	43.6	47.28	56.85	40.1	40.66	48.88	34.4	47.66	57.29	36.9
Domestic rates	4.98	5.99	4.2	4.89	5.88	4.1	6.01	7.23	5.1	4.94	5.94	3.8
Total	56.40	67.80	47.8	52.18	62.73	44.2	46.67	56.11	39.5	52.59	63.23	40.8

75 per cent. of average male earnings (£170-48 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1983-84												
Income tax	28-18	32-37	22-0	22-35	25-67	17-4	12-05	13-84	9-4	22-35	25-67	15-9
NIC	11-54	13-26	9-0	11-54	13-26	9-0	11-54	13-26	9-0	11-54	13-26	8-2
VAT	5-20	5-97	4-1	4-75	5-45	3-7	5-63	6-47	4-4	5-30	6-09	3-8
Other indirect	10-95	12-58	8-5	12-45	14-30	9-7	14-32	16-45	11-2	12-31	14-14	8-8
Total of above	55-87	64-18	43-6	51-09	58-68	39-8	43-54	50-01	33-9	51-50	59-16	36-7
Domestic rates	5-04	5-79	3-9	4-96	5-70	3-9	6-09	7-00	4-8	5-02	5-77	3-6
Total	60-91	69-97	47-5	56-05	64-39	43-7	49-63	57-01	38-7	56-53	64-93	40-3
1984-85												
Income tax	30-06	32-87	21-7	23-42	25-61	16-9	11-86	12-97	8-5	23-42	25-61	15-4
NIC	12-49	13-66	9-0	12-49	13-66	9-0	12-49	13-66	9-0	12-49	13-66	8-2
VAT	6-22	6-80	4-5	5-88	6-43	4-2	6-82	7-46	4-9	6-23	6-82	4-1
Other indirect	11-61	12-69	8-4	13-22	14-46	9-5	15-25	16-67	11-0	13-12	14-35	8-6
Total of above	60-38	66-02	43-5	55-02	60-16	39-7	46-42	50-76	33-5	55-27	60-43	36-4
Domestic rates	5-34	5-84	3-8	5-25	5-74	3-8	6-43	7-03	4-6	5-33	5-83	3-5
Total	65-72	71-86	47-4	60-27	65-90	43-4	52-85	57-78	38-1	60-60	66-26	39-9
1985-86												
Income tax	31-94	32-97	21-5	24-73	25-53	16-6	12-01	12-40	8-1	24-73	25-53	15-2
NIC	13-40	13-83	9-0	13-40	13-83	9-0	11-91	12-29	8-0	13-40	13-83	8-2
VAT	6-90	7-12	4-6	6-51	6-72	4-4	7-70	7-95	5-2	6-82	7-04	4-2
Other indirect	12-24	12-63	8-2	13-94	14-39	9-4	16-28	16-80	10-9	13-79	14-23	8-5
Total of above	64-47	66-56	43-3	58-58	60-47	39-3	47-90	49-44	32-2	58-74	60-64	36-1
Domestic rates	5-73	5-92	3-9	5-65	5-84	3-8	6-97	7-20	4-7	5-71	5-89	3-5
Total	70-21	72-48	47-2	64-23	66-31	43-1	54-87	56-64	36-9	64-45	66-53	39-6
1986-87												
Income tax	33-39	33-39	20-9	26-03	26-03	16-3	13-01	13-01	8-1	26-03	26-03	14-9
NIC	14-40	14-40	9-0	14-40	14-40	9-0	13-12	13-12	8-2	14-40	14-40	8-3
VAT	7-44	7-44	4-7	6-98	6-98	4-4	8-17	8-17	5-1	7-25	7-25	4-2
Other indirect	13-25	13-25	8-3	14-98	14-98	9-4	17-52	17-52	10-9	14-91	14-91	8-6
Total of above	68-48	68-48	42-8	62-40	62-40	39-0	51-82	51-82	32-4	62-59	62-59	35-9
Domestic rates	6-44	6-44	4-0	6-34	6-34	4-0	7-81	7-81	4-9	6-37	6-37	3-7
Total	74-93	74-93	46-8	68-74	68-74	42-9	59-63	59-63	37-3	68-96	68-96	39-6
1987-88												
Income tax	33-44	32-15	19-6	26-32	25-31	15-4	13-73	13-20	8-1	26-32	25-31	14-2
NIC	15-34	14-75	9-0	15-34	14-75	9-0	13-98	13-44	8-2	15-34	14-75	8-3
VAT	8-16	7-85	4-8	7-60	7-31	4-5	8-76	8-42	5-1	7-82	7-51	4-2
Other indirect	13-90	13-36	8-2	15-58	14-98	9-1	18-12	17-42	10-6	15-46	14-86	8-4
Total of above	70-84	68-11	41-6	64-84	62-34	38-0	54-58	52-48	32-0	64-93	62-43	35-1
Domestic rates	7-04	6-77	4-1	6-89	6-62	4-0	8-46	8-13	5-0	6-90	6-63	3-7
Total	77-88	74-88	45-7	71-73	68-97	42-1	63-04	60-62	37-0	71-83	69-06	38-8

22.37

>12.6

100 per cent. of average male earnings (£27.30 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	23.22	44.89	25.0	19.73	38.14	21.3	12.32	23.82	13.3	18.46	35.69	18.8
NIC	6.03	11.66	6.5	6.03	11.66	6.5	6.03	11.66	6.5	6.03	11.66	6.2
VAT	2.46	4.76	2.7	2.37	4.58	2.6	2.78	5.37	3.0	2.43	4.70	2.5
Other indirect	7.54	14.57	8.1	8.48	16.40	9.1	9.49	18.35	10.2	7.91	15.29	8.1
Total of above	39.25	75.88	42.3	36.61	70.78	39.5	30.62	59.20	33.0	34.82	67.33	35.6
Domestic rates	2.87	5.56	3.1	2.70	5.23	2.9	3.08	5.95	3.3	2.79	5.39	2.8
Total	42.12	81.43	45.4	39.32	76.01	42.4	33.70	65.14	36.3	37.61	72.72	38.4
1979-80												
Income tax	25.35	42.32	23.2	21.60	36.06	19.8	14.16	23.64	13.0	21.60	36.06	18.4
NIC	7.10	11.85	6.5	7.10	11.85	6.5	7.10	11.85	6.5	7.10	11.85	6.1
VAT	4.60	7.67	4.2	4.36	7.28	4.0	5.01	8.36	4.6	4.53	7.56	3.9
Other indirect	8.67	14.48	7.9	9.65	16.11	8.8	10.69	17.84	9.8	9.13	15.24	7.8
Total of above	45.72	76.32	41.8	42.71	71.30	39.1	36.96	61.69	33.8	42.36	70.71	36.1
Domestic rates	3.43	5.73	3.1	3.22	5.37	2.9	3.65	6.09	3.3	3.33	5.55	2.8
Total	49.15	82.05	45.0	45.93	76.67	42.0	40.61	67.78	37.2	45.68	76.26	38.9
1980-81												
Income tax	31.49	45.19	24.0	27.05	38.82	20.6	19.11	27.43	14.5	27.05	38.82	19.3
NIC	8.87	12.73	6.8	8.87	12.73	6.8	8.87	12.73	6.8	8.87	12.73	6.3
VAT	5.65	8.10	4.3	5.41	7.76	4.1	6.13	8.80	4.7	5.52	7.92	3.9
Other indirect	10.21	14.66	7.8	11.33	16.27	8.6	12.44	17.86	9.5	10.70	15.35	7.6
Total of above	56.22	80.68	42.8	52.66	75.58	40.1	46.55	66.81	35.4	52.13	74.82	37.3
Domestic rates	4.51	6.47	3.4	4.20	6.03	3.2	4.67	6.71	3.6	4.34	6.23	3.1
Total	60.73	87.16	46.2	56.86	81.61	43.3	51.23	73.52	39.0	56.47	81.05	40.4
1981-82												
Income tax	35.84	46.14	24.6	31.39	40.41	21.5	23.46	30.20	16.1	31.39	40.41	20.2
NIC	11.31	14.56	7.8	11.31	14.56	7.8	11.31	14.56	7.8	11.31	14.56	7.3
VAT	6.29	8.09	4.3	5.96	7.67	4.1	6.71	8.64	4.6	6.14	7.91	3.9
Other indirect	11.87	15.28	8.1	13.15	16.93	9.0	14.44	18.59	9.9	12.54	16.14	8.1
Total of above	65.31	84.07	44.8	61.81	79.57	42.4	55.92	71.98	38.3	61.39	79.02	39.4
Domestic rates	5.54	7.14	3.8	5.17	6.65	3.5	5.80	7.46	4.0	5.34	6.88	3.4
Total	70.85	91.21	48.6	66.98	86.22	45.9	61.71	79.45	42.3	66.73	85.90	42.8
1982-83												
Income tax	38.19	45.91	24.3	33.11	39.81	21.0	24.09	28.96	15.3	33.11	39.81	19.7
NIC	13.77	16.56	8.7	13.77	16.56	8.7	13.77	16.56	8.7	13.77	16.56	8.2
VAT	6.50	7.82	4.1	6.16	7.41	3.9	6.98	8.39	4.4	6.40	7.69	3.8
Other indirect	12.38	14.88	7.9	13.74	16.52	8.7	15.16	18.22	9.6	13.09	15.73	7.8
Total of above	70.84	85.17	45.0	66.78	80.29	42.4	60.00	72.14	38.1	66.36	79.79	39.4
Domestic rates	6.05	7.27	3.8	5.67	6.81	3.6	6.41	7.71	4.1	5.85	7.03	3.5
Total	76.89	92.44	48.8	72.45	87.10	46.0	66.41	79.84	42.2	72.21	86.82	42.9

100 per cent. of average net earnings (£27.30 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1983-84												
Income tax	41.00	47.10	24.60	35.18	40.41	20.6	24.88	28.58	14.5	35.18	40.41	19.2
NIC	15.39	17.68	9.0	15.39	17.68	9.0	15.09	17.68	9.0	15.39	17.68	8.4
VAT	7.20	8.27	4.2	6.85	7.87	4.0	7.80	8.96	4.6	7.12	8.18	3.9
Other indirect	13.55	15.57	7.9	15.02	17.25	8.8	16.65	19.13	9.7	14.30	16.43	7.8
Total of above	77.14	88.61	45.1	72.44	83.21	42.4	64.72	74.35	37.9	71.99	82.70	39.3
Domestic rates	6.12	7.03	3.6	5.74	6.60	3.4	6.49	7.46	3.8	5.94	6.83	3.2
Total	83.26	95.64	48.7	78.18	89.80	45.7	71.22	81.80	41.6	77.94	89.52	42.5
1984-85												
Income tax	43.93	48.03	23.7	37.30	40.78	20.2	25.73	28.13	13.9	37.30	40.78	18.8
NIC	16.65	18.21	9.0	16.65	18.21	9.0	16.65	18.21	9.0	16.65	18.21	8.4
VAT	8.29	9.07	6.5	8.14	8.90	4.4	9.27	10.14	5.0	8.79	9.61	4.4
Other indirect	14.32	15.66	7.7	15.93	17.42	8.6	17.68	19.33	9.6	15.18	16.60	7.7
Total of above	83.20	90.97	45.0	78.03	85.31	42.2	69.33	75.81	37.5	77.92	85.20	39.3
Domestic rates	6.48	7.08	3.5	6.08	6.65	3.3	6.85	7.49	3.7	6.30	6.89	3.2
Total	89.67	98.05	48.5	84.10	91.96	45.5	76.18	83.30	41.2	84.22	92.09	42.5
1985-86												
Income tax	46.83	48.34	23.6	39.62	40.90	20.0	26.90	27.77	13.6	39.62	40.90	18.7
NIC	17.87	18.45	9.0	17.87	18.45	9.0	17.07	17.62	8.6	17.87	18.45	8.4
VAT	9.20	9.49	4.6	9.01	9.30	4.5	10.35	10.68	5.2	9.65	9.97	4.5
Other indirect	15.10	15.59	7.6	16.79	17.33	8.5	18.77	19.38	9.5	15.96	16.47	7.5
Total of above	89.00	91.87	44.8	83.29	85.98	42.0	73.09	75.45	36.8	83.10	85.79	39.1
Domestic rates	6.94	7.17	3.5	6.53	6.74	3.3	7.41	7.65	3.7	6.74	6.96	3.2
Total	95.94	99.04	48.3	89.82	92.73	45.3	80.50	83.10	40.6	89.85	92.75	42.3
1986-87												
Income tax	48.86	43.86	22.9	41.50	41.50	19.4	28.48	28.48	13.3	41.50	41.50	18.2
NIC	19.21	19.21	9.0	19.21	19.21	9.0	17.50	17.50	8.2	19.21	19.21	8.4
VAT	9.94	9.94	4.7	9.71	9.71	4.5	11.16	11.16	5.2	10.33	10.33	4.5
Other indirect	16.41	16.41	7.7	18.14	18.14	8.5	20.38	20.38	9.5	17.36	17.36	7.6
Total of above	94.42	94.42	44.2	88.56	88.56	41.5	77.51	77.51	36.3	88.48	88.48	38.8
Domestic rates	7.81	7.81	3.7	7.33	7.33	3.4	8.32	8.32	3.9	7.54	7.54	3.3
Total	102.24	102.24	47.9	95.89	95.89	44.9	85.84	85.84	40.2	95.94	95.94	42.2
1987-88												
Income tax	46.78	46.90	21.5	41.67	40.07	18.3	29.07	27.95	12.8	41.67	40.07	17.2
NIC	20.46	19.67	9.0	20.46	19.67	9.0	18.64	17.92	8.2	20.46	19.67	8.5
VAT	10.94	10.52	4.8	10.62	10.22	4.7	12.08	11.61	5.3	11.24	10.81	4.6
Other indirect	17.31	16.64	7.6	18.97	18.24	8.3	21.20	20.38	9.3	18.13	17.43	7.5
Total of above	97.48	93.73	42.9	91.72	88.20	40.4	80.99	77.87	35.6	91.50	87.98	37.8
Domestic rates	8.56	8.23	3.8	7.99	7.69	3.5	9.03	8.69	4.0	8.28	7.88	3.4
Total	106.04	101.96	46.7	99.72	95.89	43.9	90.02	86.56	39.6	99.78	95.86	41.2

130 per cent. of average weekly earnings (£340.95 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	38.53	74.49	27.7	35.04	67.74	25.2	27.64	53.44	19.9	33.77	65.29	23.4
NIC	7.80	15.08	5.6	7.80	15.08	5.6	9.05	17.30	6.5	7.80	15.08	5.4
VAT	3.87	7.47	2.8	3.86	7.45	2.8	4.24	8.20	3.0	3.72	7.19	2.6
Other indirect	10.36	20.02	7.4	11.31	21.87	8.1	11.97	23.15	8.6	9.97	19.27	6.9
Total of above	60.55	117.06	43.5	58.01	112.15	41.7	52.90	102.28	38.0	55.25	106.82	38.3
Domestic rates	3.90	7.53	2.8	3.45	6.66	2.5	3.44	6.65	2.5	3.66	7.89	2.5
Total	64.45	124.60	46.3	61.45	118.81	44.1	56.35	108.94	40.5	58.92	113.91	40.8
1979-80												
Income tax	41.74	69.67	25.5	37.99	63.41	23.2	30.55	51.00	18.6	37.99	63.41	22.1
NIC	8.78	14.66	5.4	8.78	14.66	5.4	10.66	17.79	6.5	8.78	14.66	5.1
VAT	7.27	12.14	4.4	7.17	11.98	4.4	7.76	12.96	4.7	6.96	11.61	4.0
Other indirect	12.11	20.21	7.4	13.10	21.86	8.0	13.70	22.87	8.4	11.78	19.66	6.9
Total of above	69.90	116.68	42.6	67.04	111.91	40.9	62.67	104.62	38.2	65.51	109.35	38.1
Domestic rates	4.70	7.84	2.9	4.13	6.90	2.5	4.09	6.84	2.5	4.41	7.35	2.6
Total	74.60	124.52	45.5	71.18	118.81	43.4	66.77	111.45	40.7	69.91	116.70	40.7
1980-81												
Income tax	51.20	73.48	26.0	46.76	67.11	23.7	38.82	55.71	19.7	46.76	67.11	22.7
NIC	11.14	15.99	5.7	11.14	15.99	5.7	13.30	19.09	6.7	11.14	15.99	5.4
VAT	8.93	12.81	4.5	8.85	12.71	4.5	9.51	13.65	4.8	8.50	12.19	4.1
Other indirect	14.31	20.54	7.3	15.43	22.15	7.8	16.00	22.96	8.1	13.89	19.93	6.8
Total of above	85.58	122.82	43.4	82.19	117.95	41.7	77.63	111.42	39.4	80.28	115.22	39.0
Domestic rates	6.20	8.90	3.1	5.42	7.79	2.8	5.27	7.57	2.7	5.79	8.31	2.8
Total	91.78	131.72	46.6	87.61	125.74	44.5	82.90	118.98	42.1	86.07	123.53	41.9
1981-82												
Income tax	57.72	74.30	26.4	53.28	68.59	24.3	45.35	58.38	20.7	53.28	68.59	23.3
NIC	15.50	19.95	7.1	15.50	19.95	7.1	16.96	21.83	7.7	15.50	19.95	6.8
VAT	9.92	12.77	4.5	9.78	12.58	4.5	10.52	13.54	4.8	9.44	12.16	4.1
Other indirect	16.54	21.29	7.6	17.83	22.95	8.1	18.55	23.88	8.5	16.14	20.77	7.1
Total of above	99.68	128.32	45.5	96.38	124.07	44.0	91.38	117.63	41.8	94.36	121.47	41.3
Domestic rates	7.58	9.76	3.5	6.65	8.56	3.0	6.53	8.41	3.0	7.09	9.12	3.1
Total	107.26	138.08	49.0	103.03	132.63	47.1	97.91	126.04	44.7	101.45	130.60	44.4
1982-83												
Income tax	61.80	74.30	26.2	56.72	68.19	24.0	47.70	57.35	20.2	56.72	68.19	23.0
NIC	19.25	23.14	8.2	19.25	23.14	8.2	20.66	24.84	8.8	19.25	23.14	7.8
VAT	10.25	12.32	4.3	10.10	12.14	4.3	10.92	13.13	4.6	9.80	11.78	4.0
Other indirect	17.24	20.73	7.3	18.56	22.32	7.9	19.40	23.32	8.2	16.82	20.22	6.8
Total of above	108.54	130.50	46.0	104.63	125.79	44.3	98.68	118.64	41.8	102.59	123.34	41.5
Domestic rates	8.24	9.90	3.5	7.26	8.73	3.1	7.20	8.66	3.1	7.73	9.29	3.1
Total	116.78	140.40	49.5	111.89	134.52	47.4	105.88	127.30	44.8	110.31	132.63	44.7

130 per cent. of average male earnings (£340.95 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1987-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1983-84												
Income tax	66.65	76.56	26.0	60.83	69.87	23.7	50.53	58.04	19.7	60.83	69.87	22.6
NIC	21.15	24.29	8.2	21.15	24.29	8.2	23.09	26.52	9.0	21.15	24.29	7.9
VAT	11.36	13.05	4.4	11.22	12.89	4.4	12.14	13.95	4.7	10.90	12.52	4.1
Other indirect	18.95	21.76	7.4	20.34	23.37	7.9	21.33	24.50	8.3	18.43	21.17	6.9
Total of above	118.10	135.66	46.0	113.54	130.42	44.3	107.09	123.01	41.8	111.31	127.85	41.5
Domestic rates	8.34	9.99	3.3	7.36	8.45	2.9	7.29	8.38	2.8	7.85	9.02	2.9
Total	126.45	145.25	49.3	120.90	138.87	47.1	114.38	131.39	44.6	119.16	136.87	44.3
1984-85												
Income tax	71.68	78.38	25.8	65.05	71.13	23.4	53.48	58.48	19.3	65.05	71.13	22.4
NIC	22.50	24.60	8.1	22.50	24.60	8.1	24.98	27.31	9.0	22.50	24.60	7.7
VAT	12.63	13.80	4.5	12.86	14.06	4.6	14.17	15.50	5.1	14.13	15.45	4.9
Other indirect	19.99	21.85	7.2	21.59	23.61	7.8	22.53	24.64	8.1	19.47	21.29	6.7
Total of above	126.79	138.63	45.7	122.00	133.39	44.0	115.17	125.93	41.5	121.15	132.47	41.7
Domestic rates	8.85	9.67	3.2	7.80	8.53	2.8	7.70	8.41	2.8	8.33	9.11	2.9
Total	135.64	148.31	48.9	129.80	141.92	46.8	122.86	134.34	44.3	129.49	141.58	44.5
1985-86												
Income tax	76.60	79.07	25.7	69.39	71.63	23.3	56.67	58.50	19.0	69.39	71.63	22.3
NIC	23.85	24.62	8.0	23.85	24.62	8.0	26.80	27.67	9.0	23.85	24.62	7.7
VAT	14.02	14.47	4.7	14.26	14.72	4.8	15.71	16.22	5.3	15.60	16.11	5.0
Other indirect	21.11	21.79	7.1	22.78	23.51	7.6	23.80	24.57	8.0	20.51	21.17	6.6
Total of above	135.58	139.96	45.5	130.28	134.49	43.8	122.98	126.96	41.3	129.35	133.53	41.5
Domestic rates	9.48	9.79	3.2	8.38	8.65	2.8	8.30	8.57	2.8	8.92	9.21	2.9
Total	145.06	149.75	48.7	138.65	143.13	46.6	131.28	135.53	44.1	138.27	142.73	44.4
1986-87												
Income tax	79.81	79.81	24.9	72.45	72.45	22.6	59.42	59.42	18.6	72.45	72.45	21.7
NIC	25.65	25.65	8.0	25.65	25.65	8.0	28.81	28.81	9.0	25.65	25.65	7.7
VAT	15.18	15.18	4.7	15.41	15.41	4.8	16.91	16.91	5.3	16.79	16.79	5.0
Other indirect	23.03	23.03	7.2	24.76	24.76	7.7	25.86	25.86	8.1	22.49	22.49	6.7
Total of above	143.68	143.68	44.9	138.26	138.26	43.2	131.00	131.00	40.9	137.38	137.38	41.1
Domestic rates	10.68	10.68	3.3	9.42	9.42	2.9	9.32	9.32	2.9	10.00	10.00	3.0
Total	154.36	154.36	48.2	147.68	147.68	46.1	140.32	140.32	43.8	147.38	147.38	44.1
1987-88												
Income tax	79.47	76.41	23.3	72.35	69.57	21.2	59.76	57.46	17.5	72.35	69.57	20.4
NIC	26.55	25.53	7.8	26.55	25.53	7.8	30.69	29.51	9.0	26.55	25.53	7.5
VAT	16.81	16.16	4.9	17.01	16.36	5.0	18.47	17.76	5.4	18.48	17.77	5.2
Other indirect	24.51	23.57	7.2	26.15	25.14	7.7	27.13	26.09	8.0	23.78	22.86	6.7
Total of above	147.33	141.66	43.2	142.07	136.60	41.7	136.95	130.82	39.9	141.15	135.72	39.7
Domestic rates	11.77	11.32	3.5	10.33	9.93	3.0	10.14	9.75	3.0	10.95	10.53	3.1
Total	159.11	152.99	46.7	152.39	146.53	44.7	146.19	140.57	42.9	152.11	146.25	42.8

200 per cent. of average male earnings (£434.00 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	54.74	105.83	29.5	50.51	97.65	27.2	42.95	83.04	23.1	49.08	94.89	25.7
NIC	7.80	15.08	4.2	7.80	15.08	4.2	12.06	23.32	6.5	7.80	15.08	4.1
Total	62.54	120.91	33.7	58.31	112.73	31.4	55.01	106.35	29.6	56.88	109.97	29.8
1979-80												
Income tax	58.53	97.70	26.8	54.39	90.79	24.9	46.95	78.37	21.5	54.39	90.79	24.0
NIC	8.78	14.66	4.0	8.78	14.66	4.0	14.21	23.72	6.5	8.78	14.66	3.9
Total	67.31	112.36	30.8	63.17	105.45	28.9	61.16	102.09	28.0	63.17	105.45	27.9
1980-81												
Income tax	72.91	104.64	27.7	66.99	96.14	25.5	58.53	84.00	22.3	66.99	96.14	24.7
NIC	11.14	15.99	4.2	11.14	15.99	4.2	17.74	25.46	6.8	11.14	15.99	4.1
Total	84.05	120.63	32.0	78.13	112.13	29.7	76.27	109.46	29.0	78.13	112.13	28.8
1981-82												
Income tax	85.04	109.47	29.1	78.59	101.17	26.9	68.01	87.55	23.3	78.59	101.17	26.1
NIC	15.50	19.95	5.3	15.50	19.95	5.3	22.61	29.11	7.7	15.50	19.95	5.1
Total	100.54	129.43	34.5	94.09	121.12	32.2	90.62	116.66	31.1	94.09	121.12	31.2
1982-83												
Income tax	89.27	107.33	28.4	82.50	99.19	26.2	71.31	85.73	22.7	82.50	99.19	25.3
NIC	19.25	23.14	6.1	19.25	23.14	6.1	27.54	33.11	8.7	19.25	23.14	5.9
Total	108.52	130.47	34.5	101.75	122.33	32.3	98.85	118.84	31.4	101.75	122.33	31.2
1983-84												
Income tax	94.99	109.11	27.8	87.22	100.19	25.5	76.18	87.51	22.3	87.22	100.19	24.6
NIC	21.15	24.29	6.2	21.15	24.29	6.2	30.78	35.36	9.0	21.15	24.29	6.0
Total	116.14	133.41	34.0	108.37	124.48	31.7	106.96	122.86	31.3	108.37	124.48	30.6
1984-85												
Income tax	102.96	112.58	27.8	94.12	102.91	25.4	81.23	88.82	22.0	94.12	102.91	24.6
NIC	22.50	24.60	6.1	22.50	24.60	6.1	33.30	36.41	9.0	22.50	24.60	5.9
Total	125.46	137.18	33.9	116.62	127.51	31.5	114.53	125.23	31.0	116.62	127.51	30.4
1985-86												
Income tax	110.68	114.26	27.9	101.07	104.34	25.5	86.45	89.24	21.8	101.07	104.34	24.6
NIC	23.85	24.62	6.0	23.85	24.62	6.0	35.73	36.88	9.0	23.85	24.62	5.8
Total	134.53	138.88	33.9	124.92	128.96	31.5	122.18	126.13	30.8	124.92	128.96	30.4
1986-87												
Income tax	116.37	116.37	27.3	106.22	106.22	24.9	90.37	96.37	21.2	106.22	106.22	24.1
NIC	25.65	25.65	6.0	25.65	25.65	6.0	38.41	38.41	9.0	25.65	25.65	5.8
Total	142.02	142.02	33.3	131.87	131.87	30.9	128.78	128.78	30.2	131.87	131.87	29.9
1987-88												
Income tax	119.22	114.63	26.2	107.90	103.75	23.7	90.45	86.97	19.9	107.90	103.75	23.0
NIC	26.55	25.53	5.8	26.55	25.53	5.8	40.91	35.34	9.0	26.55	25.53	5.7
Total	145.77	140.16	32.1	134.45	129.28	29.6	131.36	126.31	28.9	134.45	129.28	28.7

300 per cent. of average male earnings (£581.90 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	102.89	198.92	37.0	96.54	186.64	34.7	77.06	148.98	27.7	94.23	182.18	33.2
NIC	7.80	15.08	2.8	7.80	15.08	2.8	15.04	29.08	5.4	7.80	15.08	2.8
Total	110.69	214.00	39.8	104.34	201.72	37.5	92.10	178.06	33.1	102.03	197.26	36.0
1979-80												
Income tax	106.83	178.32	32.6	100.58	167.89	30.7	82.49	139.36	25.5	100.58	167.89	29.9
NIC	8.78	14.66	2.7	8.78	14.66	2.7	17.30	28.88	5.3	8.78	14.66	2.6
Total	115.61	192.98	35.3	109.36	182.55	33.4	99.79	168.24	30.7	109.36	182.55	32.5
1980-81												
Income tax	133.40	191.46	33.8	125.99	180.82	32.0	102.39	146.95	26.0	125.99	180.82	31.3
NIC	11.14	15.99	2.8	11.14	15.99	2.8	21.78	31.26	5.5	11.14	15.99	2.8
Total	144.54	207.44	36.7	137.13	196.81	34.8	124.17	178.21	31.5	137.13	196.81	34.0
1981-82												
Income tax	155.15	199.73	35.4	147.74	190.19	33.8	117.43	151.17	26.8	147.74	190.19	33.0
NIC	15.50	19.95	3.5	15.50	19.95	3.5	28.07	37.42	6.6	15.50	19.95	3.5
Total	170.65	219.68	39.0	163.24	210.14	37.3	145.50	188.59	33.5	163.24	210.14	36.5
1982-83												
Income tax	163.55	196.63	34.6	155.09	186.46	32.8	126.31	149.45	26.3	155.09	186.46	32.1
NIC	19.25	23.14	4.1	19.25	23.14	4.1	35.78	43.02	7.6	19.25	23.14	4.0
Total	182.80	219.77	38.7	174.34	209.60	36.9	162.09	192.47	33.9	174.34	209.60	36.1
1983-84												
Income tax	173.76	199.59	33.9	164.05	188.44	32.0	132.30	153.12	26.0	164.05	188.44	31.2
NIC	21.15	24.29	4.1	21.15	24.29	4.1	39.62	45.51	7.7	21.15	24.29	4.0
Total	194.91	223.89	38.0	185.20	212.73	36.1	171.92	198.63	33.7	185.20	212.73	35.3
1984-85												
Income tax	188.89	206.53	34.0	177.84	194.45	32.0	143.37	156.76	25.8	177.84	194.45	31.3
NIC	22.50	24.60	4.1	22.50	24.60	4.1	42.48	46.45	7.7	22.50	24.60	4.0
Total	211.39	231.14	38.1	200.34	219.05	36.1	185.85	203.21	33.5	200.34	219.05	35.3
1985-86												
Income tax	203.47	210.04	34.2	191.45	197.64	32.1	153.54	158.50	25.8	191.45	197.64	31.4
NIC	23.85	24.62	4.0	23.85	24.62	4.0	45.29	46.75	7.6	23.85	24.62	3.9
Total	227.32	234.66	38.2	215.30	222.26	36.2	198.83	205.25	33.4	215.30	222.26	35.3
1986-87												
Income tax	217.42	217.42	34.0	204.73	204.73	32.0	160.54	160.54	25.1	204.73	204.73	31.3
NIC	25.65	25.65	4.0	25.65	25.65	4.0	48.70	48.70	7.6	25.65	25.65	3.9
Total	243.07	243.07	38.0	230.38	230.38	36.0	209.24	209.24	32.7	230.38	230.38	35.2
1987-88												
Income tax	228.84	228.03	33.6	215.67	207.37	31.6	161.51	155.10	23.7	215.67	207.37	31.0
NIC	26.55	25.53	3.9	26.55	25.53	3.9	51.70	49.13	7.5	26.55	25.53	3.8
Total	255.39	245.56	37.5	242.22	232.90	35.5	213.21	204.24	31.1	242.22	232.90	34.8

500 per cent. of average male earnings (£1,130.50 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	234.37	453.12	50.5	226.44	437.79	48.8	157.63	304.73	34.0	223.55	432.30	47.7
NIC	7.80	15.08	1.7	7.80	15.08	1.7	15.60	30.16	3.4	7.80	15.08	1.7
Total	242.17	468.20	52.2	234.24	452.87	50.5	173.23	334.91	37.3	231.35	447.38	49.3
1979-80												
Income tax	225.28	376.05	41.2	217.78	363.53	39.8	165.36	276.02	30.3	217.78	363.53	39.3
NIC	8.78	14.66	1.6	8.78	14.66	1.6	17.55	29.30	3.2	8.78	14.66	1.6
Total	234.06	390.70	42.8	226.56	378.18	41.5	182.91	305.32	33.5	226.56	378.18	40.9
1980-81												
Income tax	279.78	401.54	42.6	270.89	388.78	41.2	206.31	296.10	31.4	270.89	388.78	40.7
NIC	11.14	15.99	1.7	11.14	15.99	1.7	22.28	31.98	3.4	11.14	15.99	1.7
Total	290.92	417.53	44.3	282.03	404.77	42.9	228.59	328.07	34.8	282.03	404.77	42.4
1981-82												
Income tax	323.28	416.16	44.3	314.39	404.72	43.1	240.18	309.19	32.9	314.39	404.72	42.5
NIC	15.50	19.95	2.1	15.50	19.95	2.1	31.00	39.91	4.2	15.50	19.95	2.1
Total	338.78	436.12	46.4	329.89	424.67	45.2	271.18	349.09	37.2	329.89	424.67	44.6
1982-83												
Income tax	342.83	411.21	43.5	331.87	399.00	42.2	252.82	303.96	32.1	331.87	399.00	41.6
NIC	19.25	23.14	2.4	19.25	23.14	2.4	38.50	46.29	4.9	19.25	23.14	2.4
Total	361.28	434.36	45.9	351.12	422.14	44.6	291.32	350.25	37.0	351.12	422.14	44.0
1983-84												
Income tax	364.42	418.60	42.6	352.77	405.22	41.3	268.75	308.70	31.4	352.77	405.22	40.7
NIC	21.15	24.29	2.5	21.15	24.29	2.5	42.30	48.59	4.9	21.15	24.29	2.4
Total	385.57	442.89	45.1	373.92	429.51	43.7	311.05	357.29	36.4	373.92	429.51	43.1
1984-85												
Income tax	396.48	433.51	42.9	383.21	419.00	41.4	291.86	319.12	31.6	383.21	419.00	40.8
NIC	22.50	24.60	2.4	22.50	24.60	2.4	45.00	49.20	4.9	22.50	24.60	2.4
Total	418.98	458.12	45.3	405.71	443.61	43.9	336.86	368.33	36.4	405.71	443.61	43.2
1985-86												
Income tax	427.27	441.07	43.0	412.85	426.19	41.6	314.16	324.31	31.7	412.85	426.19	41.0
NIC	23.85	24.62	2.4	23.85	24.62	2.4	47.70	49.24	4.8	23.85	24.62	2.4
Total	451.12	465.70	45.5	436.70	450.81	44.0	361.86	373.55	36.5	436.70	450.81	43.4
1986-87												
Income tax	461.39	461.39	43.2	446.16	446.16	41.8	333.79	333.79	31.3	446.16	446.16	41.3
NIC	25.65	25.65	2.4	25.65	25.65	2.4	51.30	51.30	4.8	25.65	25.65	2.4
Total	487.04	487.04	45.6	471.81	471.81	44.2	385.09	385.09	36.1	471.81	471.81	43.6
1987-88												
Income tax	493.58	474.51	43.4	477.69	459.31	42.0	348.06	334.67	30.6	477.69	459.31	41.5
NIC	26.55	25.53	2.3	26.55	25.53	2.3	53.10	51.06	4.7	26.55	25.53	2.3
Total	520.13	500.04	45.8	504.24	484.84	44.4	401.16	385.72	35.3	504.24	484.84	43.8

700 per cent. of average male earnings (£1,991.10 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	387.10	748.40	59.6	378.32	731.42	58.2	270.44	522.85	41.6	375.13	725.25	57.3
NIC	7.80	15.08	1.2	7.80	15.08	1.2	15.60	30.16	2.4	7.80	15.08	1.2
Total	394.90	763.48	60.8	386.12	746.50	59.4	286.04	553.01	44.0	382.93	740.33	58.5
1979-80												
Income tax	356.44	594.98	46.6	348.94	582.46	45.6	271.16	452.63	35.4	348.94	582.46	45.1
NIC	8.78	14.66	1.1	8.78	14.66	1.1	17.55	29.30	2.3	8.78	14.66	1.1
Total	365.22	609.64	47.7	357.72	597.12	46.8	288.71	481.93	37.7	357.72	597.12	46.3
1980-81												
Income tax	437.46	627.84	47.6	428.57	615.08	46.6	337.37	484.19	36.7	428.57	615.08	46.2
NIC	11.14	15.99	1.2	11.14	15.99	1.2	22.28	31.98	2.4	11.14	15.99	1.2
Total	448.60	643.83	48.8	439.71	631.07	47.8	359.65	516.17	39.1	439.71	631.07	47.4
1981-82												
Income tax	498.36	641.55	48.8	489.47	630.10	47.9	393.80	506.95	38.6	489.47	630.10	47.5
NIC	15.50	19.95	1.5	15.50	19.95	1.5	31.00	39.91	3.0	15.50	19.95	1.5
Total	513.86	661.50	50.3	504.97	650.06	49.4	424.80	546.85	41.6	504.97	650.06	49.0
1982-83												
Income tax	530.91	638.30	48.2	520.75	626.08	47.3	414.29	498.09	37.6	520.75	626.08	46.8
NIC	19.25	23.14	1.7	19.25	23.14	1.7	38.50	46.29	3.5	19.25	23.14	1.7
Total	550.16	661.44	49.9	540.00	649.23	49.0	452.79	544.38	41.1	540.00	649.23	48.5
1983-84												
Income tax	569.62	654.30	47.6	557.97	640.92	46.6	439.42	504.75	36.7	557.97	640.92	46.1
NIC	21.15	24.29	1.8	21.15	24.29	1.8	42.30	48.59	3.5	21.15	24.29	1.7
Total	590.77	678.60	49.4	579.12	665.22	48.4	481.72	553.34	40.2	579.12	665.22	47.9
1984-85												
Income tax	618.48	676.25	47.8	605.21	661.74	46.7	478.08	522.74	36.9	605.21	661.74	46.3
NIC	22.50	24.60	1.7	22.50	24.60	1.7	45.00	49.20	3.5	22.50	24.60	1.7
Total	640.98	700.85	49.5	627.71	686.34	48.5	523.08	571.94	40.4	627.71	686.34	48.0
1985-86												
Income tax	665.47	686.97	47.9	651.05	672.08	46.9	515.61	532.27	37.1	651.05	672.08	46.4
NIC	23.85	24.62	1.7	23.85	24.62	1.7	47.70	49.24	3.4	23.85	24.62	1.7
Total	689.32	711.59	49.6	674.90	696.71	48.6	563.31	581.51	40.5	674.90	696.71	48.1
1986-87												
Income tax	717.47	717.47	48.0	702.24	702.24	47.0	555.04	555.04	37.2	702.24	702.24	46.6
NIC	25.65	25.65	1.7	25.65	25.65	1.7	51.30	51.30	3.4	25.65	25.65	1.7
Total	743.12	743.12	49.7	727.89	727.89	48.7	606.34	606.34	40.6	727.89	727.89	48.3
1987-88												
Income tax	766.26	736.77	48.2	750.45	721.57	47.2	590.51	567.79	37.1	750.45	721.57	46.7
NIC	26.55	25.53	1.7	26.55	25.53	1.7	53.10	51.06	3.3	26.55	25.53	1.7
Total	792.81	762.30	49.8	777.00	747.10	48.8	643.61	618.84	40.5	777.00	747.10	48.4

1,000 per cent. of average male earnings (£2,273.00 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	618.17	1,195.13	66.6	609.39	1,178.16	65.7	475.02	98.38	31.2	606.20	1,171.99	65.0
NIC	7.80	15.08	0.8	7.80	15.08	0.8	15.60	30.16	1.7	7.80	15.08	0.8
Total	625.97	1,210.21	67.5	617.19	1,193.24	66.5	490.62	948.56	52.9	614.00	1,187.07	65.8
1979-80												
Income tax	553.18	923.39	50.6	545.68	910.87	49.9	453.85	757.58	41.5	545.68	910.87	49.6
NIC	8.78	14.66	0.8	8.78	14.66	0.8	17.55	29.30	1.6	8.78	14.66	0.8
Total	561.96	938.04	51.4	554.46	925.52	50.7	471.40	786.88	43.1	554.46	925.52	50.4
1980-81												
Income tax	673.98	967.30	51.3	665.09	954.54	50.6	561.28	805.55	42.7	665.09	954.54	50.3
NIC	11.14	15.99	0.8	11.14	15.99	0.8	22.28	31.98	1.7	11.14	15.99	0.8
Total	685.12	983.28	52.1	676.23	970.52	51.5	583.56	837.52	44.4	676.23	970.52	51.1
1981-82												
Income tax	760.98	979.62	52.2	752.09	968.18	51.5	646.55	832.32	44.3	752.09	968.18	51.2
NIC	15.50	19.95	1.1	15.50	19.95	1.1	31.00	39.91	2.1	15.50	19.95	1.1
Total	776.48	999.58	53.2	767.59	988.13	52.6	677.55	872.22	46.4	767.59	988.13	52.3
1982-83												
Income tax	814.23	978.92	51.7	804.07	966.71	51.1	684.37	822.80	43.5	804.07	966.71	50.7
NIC	19.25	23.14	1.2	19.25	23.14	1.2	38.50	46.29	2.4	19.25	23.14	1.2
Total	833.48	1,002.02	53.0	823.32	989.85	52.3	722.87	869.08	45.9	823.32	989.85	51.9
1983-84												
Income tax	877.42	1,007.86	51.3	865.77	994.48	50.6	730.98	839.65	42.7	865.77	994.48	50.3
NIC	21.15	24.29	1.2	21.15	24.29	1.2	42.30	48.59	2.5	21.15	24.29	1.2
Total	898.57	1,032.16	52.5	886.92	1,018.78	51.9	773.28	888.24	45.2	886.92	1,018.78	51.5
1984-85												
Income tax	951.48	1,040.36	51.4	938.21	1,025.85	50.7	794.52	868.73	42.9	938.21	1,025.85	50.4
NIC	22.50	24.60	1.2	22.50	24.60	1.2	45.00	49.20	2.4	22.50	24.60	1.2
Total	973.98	1,064.96	52.6	960.71	1,050.45	51.9	839.52	917.94	45.4	960.71	1,050.45	51.6
1985-86												
Income tax	1,022.77	1,055.81	51.5	1,008.35	1,040.93	50.8	855.61	883.25	43.1	1,008.35	1,040.93	50.4
NIC	23.85	24.62	1.2	23.85	24.62	1.2	47.70	49.24	2.4	23.85	24.62	1.2
Total	1,046.62	1,080.44	52.7	1,032.20	1,065.55	52.0	903.31	932.50	45.5	1,032.20	1,065.55	51.6
1986-87												
Income tax	1,101.99	1,101.59	51.6	1,086.36	1,086.36	50.9	922.78	922.78	43.2	1,086.36	1,086.36	50.6
NIC	25.65	25.65	1.2	25.65	25.65	1.2	51.30	51.30	2.4	25.65	25.65	1.2
Total	1,127.24	1,127.24	52.8	1,112.01	1,112.01	52.1	974.08	974.08	45.6	1,112.01	1,112.01	51.8
1987-88												
Income tax	1,175.40	1,130.17	51.7	1,159.59	1,114.97	51.0	986.99	949.01	43.4	1,159.59	1,114.97	50.7
NIC	26.55	25.53	1.2	26.55	25.53	1.2	53.10	51.06	2.3	26.55	25.53	1.2
Total	1,201.95	1,155.70	52.9	1,186.14	1,140.50	52.2	1,040.09	1,000.07	45.8	1,186.14	1,140.50	51.9

2.000 per cent. of average male earnings (£4,546.00 a week in 1987-88)

	Single			Married no children			Married both working			Married 2 children		
	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income	£ per week	£ per week 1986-87 prices	Per cent. of gross income
1978-79												
Income tax	1,388.41	2,684.27	74.8	1,379.63	2,667.29	74.3	1,236.34	2,390.27	66.4	1,376.44	2,661.13	74.0
NIC	7.80	15.08	0.4	7.80	15.08	0.4	15.60	30.16	0.8	7.80	15.08	0.4
Total	1,396.21	2,699.35	75.2	1,387.43	2,682.37	74.8	1,251.94	2,420.43	67.3	1,384.24	2,676.21	74.4
1979-80												
Income tax	1,208.98	2,018.07	55.3	1,201.48	2,005.55	55.0	1,106.35	1,846.76	50.4	1,201.48	2,005.55	54.8
NIC	8.78	14.66	0.4	8.78	14.66	0.4	17.55	29.30	0.8	8.78	14.66	0.4
Total	1,217.76	2,032.73	55.7	1,210.26	2,020.21	55.4	1,123.90	1,876.05	51.4	1,210.26	2,020.21	55.2
1980-81												
Income tax	1,462.38	2,098.81	55.6	1,453.49	2,086.05	55.3	1,347.95	1,934.58	51.3	1,453.49	2,086.05	55.1
NIC	11.14	15.99	0.4	11.14	15.99	0.4	22.28	31.98	0.8	11.14	15.99	0.4
Total	1,473.52	2,114.79	56.1	1,464.63	2,102.04	55.7	1,370.23	1,966.55	52.1	1,464.63	2,102.04	55.6
1981-82												
Income tax	1,636.38	2,106.54	56.1	1,627.49	2,095.10	55.8	1,521.95	1,959.23	52.2	1,627.49	2,095.10	55.6
NIC	15.50	19.95	0.5	15.50	19.95	0.5	31.00	39.91	1.1	15.50	19.95	0.5
Total	1,651.88	2,126.50	56.6	1,642.99	2,115.05	56.3	1,552.95	1,999.14	53.2	1,642.99	2,115.05	56.1
1982-83												
Income tax	1,758.63	2,114.35	55.9	1,748.47	2,102.13	55.5	1,628.45	1,957.84	51.7	1,748.47	2,102.13	55.3
NIC	19.25	23.14	0.6	19.25	23.14	0.6	38.50	46.29	1.2	19.25	23.14	0.6
Total	1,777.88	2,137.49	56.5	1,767.72	2,125.28	56.2	1,666.95	2,004.12	53.0	1,767.72	2,125.28	56.0
1983-84												
Income tax	1,903.42	2,186.39	55.7	1,891.77	2,173.01	55.3	1,754.85	2,015.74	51.3	1,891.77	2,173.01	55.1
NIC	21.15	24.29	0.6	21.15	24.29	0.6	42.30	48.59	1.2	21.15	24.29	0.6
Total	1,924.57	2,210.69	56.3	1,912.92	2,197.31	55.9	1,797.15	2,064.33	52.5	1,912.92	2,197.31	55.7
1984-85												
Income tax	2,061.48	2,254.04	55.7	2,048.21	2,239.53	55.4	1,902.96	2,080.71	51.4	2,048.21	2,239.53	55.2
NIC	22.50	24.60	0.6	22.50	24.60	0.6	45.00	49.20	1.2	22.50	24.60	0.6
Total	2,083.98	2,278.64	56.3	2,070.71	2,264.13	56.0	1,947.96	2,129.92	52.6	2,070.71	2,264.13	55.8
1985-86												
Income tax	2,213.77	2,285.30	55.8	2,199.35	2,270.41	55.4	2,045.54	2,111.63	51.5	2,199.35	2,270.41	55.2
NIC	23.85	24.62	0.6	23.85	24.62	0.6	47.70	49.24	1.2	23.85	24.62	0.6
Total	2,237.62	2,309.92	56.4	2,223.20	2,295.03	56.0	2,093.24	2,160.87	52.7	2,223.20	2,295.03	55.8
1986-87												
Income tax	2,381.99	2,381.99	55.8	2,366.76	2,366.76	55.5	2,203.18	2,203.18	51.6	2,366.76	2,366.76	55.3
NIC	25.65	25.65	0.6	25.65	25.65	0.6	51.30	51.30	1.2	25.65	25.65	0.6
Total	2,407.64	2,407.64	56.4	2,392.41	2,392.41	56.1	2,254.48	2,254.48	52.8	2,392.41	2,392.41	55.9
1987-88												
Income tax	2,539.20	2,441.49	55.9	2,523.39	2,426.29	55.5	2,350.79	2,260.33	51.7	2,523.39	2,426.29	55.3
NIC	26.55	25.53	0.6	26.55	25.53	0.6	53.10	51.06	1.2	26.55	25.53	0.6
Total	2,565.75	2,467.02	56.4	2,549.94	2,451.82	56.1	2,403.89	2,311.39	52.9	2,549.94	2,451.82	55.9

Notes to Tables

1. Income tax payments are calculated on the assumption that the tax units have no other tax reliefs apart from the standard allowances. Earners, including working wives, are assumed to pay class 1 National Insurance contributions at the contracted in rate. The figures for National Insurance contributions are financial year averages.

2. Average earnings are taken to be the average gross weekly earnings of all full-time males on adult rates with pay unaffected by absence. The levels of average earnings in each year are as follows:

	£ per week
1978-79	92.80
1979-80	109.30
1980-81	131.40
1981-82	145.90
1982-83	157.40
1983-84	171.00

	<i>£ per week</i>
1984-85	185-00
1985-86	198-50
1986-87	*213-00
1987-88	*227-50

- * Assuming growth of 7½ per cent. on 1985-86.
 * Assuming growth of 6½ per cent. on 1986-87.

3. The two-earner married couple is assumed to have joint earnings of the various multiples of average earnings. In calculating disposable income it is assumed that the joint earnings are split between husband and wife in the ratio 60:40.

4. For the married couple with two children, the percentage column expresses taxes etc as percentage of gross earnings plus child benefit. For this purpose, financial year averages are used for child benefit.

5. The estimates of indirect taxes are derived from the 1985 Family Expenditure Survey and are based on the illustrative assumption that 10 per cent. of disposable income is saved. Estimates cannot reliably be made outside the income range for which figures are shown. There are also quite wide variations in spending patterns between households with similar incomes and compositions and, because of sampling variation, there can be substantial differences between the estimates obtained from different Family Expenditure Surveys.

Pl-amend



11 DOWNING STREET
WHITEHALL SW1A 2AB

1 June 1987

Dr Oonagh McDonald
The Labour Party
150 Walworth Road
LONDON
SE17 1JT

Thank you for your letter of 27 May. I am happy to explain why I said on "Election Call" that the burden of tax on a family earning less than £400 a week is lower than it was in 1979.

The basic facts are not, I trust, in dispute. Since 1979 this Government has raised the starting point for Income Tax by 22 per cent more than inflation, and cut the basic rate of Income Tax by 6 points from 33 per cent to 27 per cent, while raising the level of the employee's National Insurance contributions by 2½ points from 6½ per cent to 9 per cent *(with reduced lower rates applying for those on lower incomes).*

ending the trivial reduced rate band and

Taking all these together, and considering a family man on average 1978-79 earnings - which of course were substantially less than £400 a week - whose income had subsequently risen in line with inflation, we find that his tax burden is down by nearly a sixth - from 20.9 per cent of income to 17.7 per cent of income. That is a substantial reduction. There would still be a reduction even if changes in VAT and other indirect taxes are fully taken into account.

True for him, but cannot generalise. See Mr Satter's minute.

The plain fact is that the real take home pay of the average earner, after tax and National Insurance, has risen by 21.6 per cent more than inflation since 1978-79. That compares with a rise of only 0.6 per cent during the whole of the last Labour Government.

and changes in indirect taxes, of course, feed through to the RPI

In short, the combined burden of income tax and National Insurance has been reduced at all income levels under this Government. People only find themselves paying more tax if their income has risen in real terms.

By contrast, the Labour Party is committed to a substantial increase in tax for taxation for all taxpayers, even on existing incomes.

NIGEL LAWSON

Pl. type on
No. 11 paper.

Dr Donagh Mc Donald
The Labour Party
150 Walworth Road
LONDON
SE17 1JT

DRAFT REPLY

1 June 1987

Thank you for your letter of 27th May. I am happy to explain ^{Why} what I meant when I said ^{I said on "Stevenson case"} that the burden of tax on a family earning less than £400 a week is lower than it was in 1979.

The basic facts are not, I think, in dispute. Since 1979

This Government has raised the starting point for Income Tax by 22 per cent more than inflation, and cut the basic rate of Income Tax ^{by 6 points} from 33 per cent to 27 per cent, It has also ^{while} raised ^{the level of} the employee's National Insurance contributions ^{by 2 1/2 points} from 6 1/2 per cent to 9 per cent.

Taking all these together, and considering a family man on ⁽¹⁹⁷⁸⁻⁷⁹⁾ average earnings ^{whose income had risen in line with inflation,} since ~~1978-79~~, we find that ^{his} the tax burden is down by nearly a sixth - from 20.9 per cent of income to 17.7 per cent of income. That is a substantial ~~difference~~ ^{reduction}.

^{There would still be a reduction even if changes in VAT are taken into account.}
^{The plain fact is that} ^{full taken into account.}

The real take home pay of the average earner, after tax and National Insurance, has ~~in fact~~ risen by 21.6 per cent more than inflation since 1978-79. That compares with a rise of ^{only} 0.6 per cent during the ^{whole} term of the last Labour Government.

In short,

The combined burden of income tax and National Insurance has been reduced at all income levels under this Government.

^{People only pay themselves pay, more tax of their income has risen in real terms.}


PJC/RCJ

29th May, 1987

N-L-



C.

BURDEN OF TAX

1. The signature folder contains the typed-up version of the reply to Oonagh Mc Donald.
2. Ian Scotter's minute below answers your question on the total "personal tax" burden, excluding rates, for speed. However, ~~it~~ there is no clear picture: in some cases the overall burden is down, but in a few it is up. ~~Because~~ It would take some time to work through all the figures to check what's happening. Because of differences in method, I don't think Straw and Eason can be compared exactly.
3. I have suggested some amendments to the Mc Donald letter on a photocopy, in the signature folder.

Thank you for your letter
in reply to my letter
of 12/10/01
OK
I.C.

I.C.

Alex.

Please ask Andrew to have this typed out ready for the CX to sign on Tuesday.

Alastair

Also: (V ungh) I need figs to demonstrate that, on an Basan basis (i.e. constant real earnings) the tax burden has fallen not only in terms of income tax \leftarrow (NICs ^{Employer's}) but also in terms of total 'personal' taxation — i.e. income \leftarrow (NICs ^{Employee's}) + VAT + other indirect taxes (+ perhaps rates).

Look \rightarrow at the Basan figs alongside the Jack Straw answer. The result clearly is no case, but we need the figs.
re:



11 DOWNING STREET
WHITEHALL SW1A 2AB

3 June 1987

Dr Oonagh McDonald
The Labour Party
150 Walworth Road
LONDON
SE17 1JT

A handwritten signature in dark ink, appearing to read 'John Oonagh', written in a cursive style.

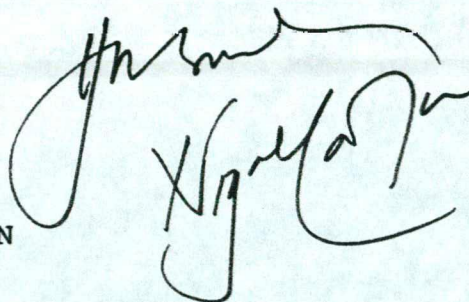
Thank you for your letter of 27 May. I am happy to explain why I said on "Election Call" that the burden of tax on a family earning less than £400 a week is lower than it was in 1979.

The basic facts are not, I trust, in dispute. Since 1979 this Government has raised the starting point for Income Tax by 22 per cent more than inflation, and cut the basic rate of Income Tax by 6 points from 33 per cent to 27 per cent, while ending the trivial reduced rate band and raising the level of the employee's National Insurance contributions by $2\frac{1}{2}$ points from $6\frac{1}{2}$ per cent to 9 per cent (with lower rates for those on lower incomes).

Taking all these together, and considering a family man on average 1978-79 earnings - which of course were substantially less than £400 a week - whose income had subsequently risen in line with inflation, we find that his tax burden is down by nearly a sixth - from 20.9 per cent of income to 17.7 per cent of income. That is a substantial reduction. There would still be a reduction even if changes in VAT and other indirect taxes are fully taken into account.

The plain fact is that the real take home pay of the average earner, after tax and National Insurance, has risen by 21.6 per cent more than inflation since 1978-79. That compares with a rise of only 0.6 per cent during the whole of the last Labour Government.

In short, the combined burden of income tax and National Insurance has been reduced at all income levels under this Government. People only find themselves paying more tax if their income has risen in real terms. By contrast, the Labour Party is committed to a substantial increase in taxation for all taxpayers, even on existing incomes.

A handwritten signature in black ink, appearing to read 'Nigel Lawson', written in a cursive style.

NIGEL LAWSON

Wisey

FROM: A G TYRIE
DATE: 24 JUNE 1987

→ **CHANCELLOR** *2nd*

Mr.

cc Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Mr Cropper

... According to Tribune, extract attached, the result of the Labour Shadow Cabinet vote will be announced on 8 July.

2. As you said at Prayers this will still leave Mr Kinnock discretion on the distribution of the portfolios.

3. You may also be interested to see Tribune's estimate of the increase in the number of Left Wingers and Stan Newens' explanation for his defeat (at the hands of Gerry Hayes!)

CONQUEROR

AG

A G TYRIE

1. TRIBUNE
19th JUNE 1987

BY PHIL KELLY

Shadow Cabinet elections set for early July

THE Labour Party leadership is moving quickly to give the Shadow Cabinet a new look following the general election.

Elections for the Shadow Cabinet will take place in the first week of July rather than in October. Nominations for the post of Chairman of the Parliamentary Labour Party and Chief Whip will open on June 18, and close on June 25. Voting will be open until July 1, when results will be announced. Shadow Cabinet nominations open on June 25, and close on July 1. The results of the Shadow Cabinet vote will be announced on July 8.

Some members of the present Shadow Cabinet, including Denis Healey, are expected to stand down, and Neil Kinnock is known to want to make other changes.

The election has brought 69 new Labour MPs. Most of the new intake are on the Left, about 35 being reckoned as soft Left, 20 as hard Left. There are now about 135 Left MPs. A substantial number of the new Scots MPs are expected to join the Tribune Group, and there are likely to be more joint members of the two groups.

The Campaign Group held a meeting for new members in London last Saturday, but some probable members were still in their constituencies, and did not manage to attend; the Tribune Group was due to meet in Westminster on Wednesday, as we went to press.

There will be pressure for the new strength of the Left in the PLP to be organised behind a joint slate for the Shadow Cabinet elections. Previous attempts at joint slates have failed because of the Campaign Group's insistence that all members of both groups should record their votes to ensure that they backed the whole slate. Tribune Group MPs indicated this week that a joint slate would be possible, or a fall-back position where each group nominated candidates for fewer than the full 15 Shadow Cabinet places.

Labour's new Shadow Cabinet is expected to look closely at changes in the projection of policy in the light of Labour's poor performance in London, the South East and the Midlands.

George Foulkes, Right-wing MP for Carrick, has already blamed Labour's failure to do

better in the south on some Labour councils' policies on ethnic minorities and gays and lesbians. But the effect on Labour's result of policies, councils and personalities which came under sustained media attack in the campaign was not so easy to deduce from the election figures.

Some of the biggest swings to Labour in England were on Merseyside; Labour gained the one remaining Tory seat in Manchester. In Birmingham, where hostilities between the Right-wing Labour leadership and its Left-wing critics were shelved for the campaign, swings to Labour were mainly under 3 per cent. In Coventry, the biggest swing, 5 per cent, was to Militant supporter Dave Nellist, 2 per cent more than in the other seats in the city.

In London, there were swings to Labour in Lambeth, Camden and Islington, where the Tribune Group's secretary, Chris Smith, held his seat with a majority up from 1 to 2 per cent. But Labour lost votes, and seats, in London, with big swings against the party in Ealing and Waltham Forest, where newly elected Labour councils levied large rate increases in April. The success of Labour's first black parliamentary candidates was marred by the fact that, with the exception of Keith Vaz in Leicester, they were elected despite swings against them, after Tory candidates played the race card.

The social changes of eight years of Thatcherism were a common factor to many seats in the South East or where Labour did badly. Oonagh MacDonald lost her seat in Thurrock and Stan Newens MEP, who failed to win back his former seat in Harlow, said that the combined effect of council house sales, and the sale of shares in nationalised industries, had changed the attitudes of former Labour voters.

There have been major population changes in the past four years in Battersea, where Alf Dubs lost his seat, and Putney, where Peter Hain failed to win. More than 10,000 new voters have moved in to Battersea since the last election, evidence of the Tory council's housing policies, which drive out Labour voters by selling whole estates to private developers.

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TRIBUNE REPORTER