

PO-CH/NL/0733 PART A

3/3

CONFIDENTIAL



FROM: A ROSS GOOBEY
DATE: 20 MARCH 1987

CHANCELLOR'S MORNING MEETING

48TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Neubert, MP
Mr Lilley, MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. BUSINESS

There will be two three-line Whips next week, on the Budget on Monday and on the Rate Support Grant settlement, on which there will be a few rebels and perhaps 15 abstentions.

The Recess has been extended for one day and the Second Reading of the Finance Bill is now expected on 22 April, the first day back.

2. BUDGET REACTIONS

Mr Neubert reported continuing satisfaction with the Budget. The only dissenting voice he has heard is the stentorian tone of Mr Nicholas Soames, who would have preferred "a more compassionate" Budget.

3. ADDITIONAL BUDGET BRIEF

Mr Cropper's brief draws together the "Hat Trick" and the subsequent

CONFIDENTIAL

statistics. It was agreed after discussion to stick to "Hat Trick" as a headline, especially outside the House.

4. BUDGET DEBATE

Mr Cropper reported that no themes were apparent from either side. The Opposition were having difficulty in finding losers and faced the contradictions of simultaneously claiming that there is no recovery but the economy is overheating and that there is a consumer credit boom but interest rates are too high.

The Economic Secretary noted that most recent figures from the Building Societies Association showed a fall in repossessions and delinquent loans.

The UK company debt market seems to have reopened, helped perhaps by an element of election hedging.

5. LABOUR COSTINGS

The letter should be sent to Mr Hattersley at both his addresses today and released to the Sunday press tomorrow. The Chancellor will trail this at his Sunday Lobby meeting. The letter should contain only the firm commitments and should omit the tax consequences. The tax consequences will need to be discussed at a separate meeting on Monday morning.

6. VAT ON CHARITIES

The Minister of State wondered whether, by adding the point on charities paying NICs, a new avenue for the lobbyists might be opened, but it was agreed that it made an important point about taxation.

7. FINANCE COMMITTEE

The Chief Secretary reported that Mr Gould will probably want to bring his whole team to the first meeting. It was helpful that Mr Kinnock had asked for early publication of the Finance Bill.

8. GREEN POUND

The Chancellor will join the **Chief Secretary** at the meeting of OD(E) on Monday.

The **Minister of State** reported that Sir Geoffrey Howe had given a unilateral authorisation for the rise to 6.15% on Mediterranean Protocols.

ARW

A ROSS GOOBEY

CONFIDENTIAL



FROM: A ROSS GOOBEY
DATE: 25 MARCH 1987

CHANCELLOR'S MORNING MEETING

50TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Economic Secretary
Minister of State
Mr Lilley, MP
Mr Lord, MP
Mr Heathcoat-Amory, MP
Mr Henderson, MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary and Mr Neubert.

2. BUSINESS

The Rate Settlement Grant debate will probably go to at least 1 am with votes at that time. Mr Henderson doubted whether the Opposition will be able to summon many troops after 11.30 pm.

3. BACKBENCH FINANCE COMMITTEE

Harold Rose expressed his approval of the Budget, "Sir Alan Walters' second Budget". He nominated the Chancellor as Secretary of the US Treasury.

CONFIDENTIAL

4. MEMBERS' SECRETARIAL ALLOWANCE

Tea-room talk is that the Government might try to claw back part of the large increase in secretarial allowances which members voted themselves. The Chancellor thought this unlikely to be a Government initiative but they might have to react to such a recommendation from the TSRB. Linkages to Civil Service pay scales cause problems.

5. BUDGET "POLITICS TODAY"

Mr Twyman reported that this is now ready for the printers. He had been impressed by the widespread welcome given to the small business package. The **Minister of State** said that even Accountancy Age had accepted that the partial exemption rule had to be changed. It was pointed out that both Opposition groups had votes against the small business resolutions. The **Minister of State** commented that there was still some doubt about the Commission's attitude to the £250,000 turnover limit on cash accounting.

6. CUSTOMS & EXCISE/EDU

The **Minister of State** has written to Lord Young. It was always a vital part of the concordat that pre-notification of proposals did not include Budget or revenue matters.

7. POST-GOODMAN LECTURE

It was agreed that the Chancellor should not attend dinner.

8. EDWARD LEIGH'S BILL

No second reading is expected.

9. BUSINESS ANECDOTES

The **Minister of State** reported that 'situations vacant' advertisements in Manchester had jumped over the past three months. He also said that the British Property Federation is reporting a

higher level of enquiry for warehouses in the North. The Chancellor had done a trawl of situations vacant advertisements in the North West, North East and West Midlands and all showed a sharp increase over a year ago, the best being Sheffield.

It was agreed that it was important to show support for 'Hands Across Britain'.

10. MI5

The Prime Minister's line is entirely one of allowing the security services to avoid public prying which would only benefit potential enemies.

11. LABOUR INDUSTRY STATEMENT

Mr Tyrie suggested no response should be made, leaving such action to the DTI.

12. ALLIANCE ECONOMIC POLICIES

Mr Henderson wondered whether it was not worth pointing out that the Alliance's combination of incomes policy, higher taxes and higher inflation would lead to lower living standards. The Chancellor preferred to concentrate on the higher inflation point as incomes policies were popular in prospect.

The dangers of a hung Parliament, with irreconcilable differences on defence or economic policy and the experience of local authorities which are "hung" seems a better target than suggesting that the Alliance is actually socialist.

4/24

A ROSS GOOBEY

CONFIDENTIAL

FROM: A ROSS GOOBEY

DATE: 31 MARCH 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Tyrie

POST-PRAYERS - 30 MARCH

Insurance Taxation

It was agreed that the **Minister of State** should authorise the Customs and Excise to continue their comparisons of insurance company tax regimes.

ARL

A ROSS GOOBEY

CONFIDENTIAL



FROM: A ROSS GOOBEY
 DATE: 30 MARCH 1987

CHANCELLOR'S MORNING MEETING

51ST MEETINGNOTE FOR THE RECORD

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Neubert, MP
 Mr Lilley, MP
 Mr Cropper
 Mr Tyrie
 Mr Ross Goobey

1. FINANCE BILL

The Second Reading is still set for the day the House returns. At present, 1½ days on the Floor is planned on 29-30 April, but it was agreed to try to fill the two complete days. The Committee will move upstairs on 5 May if possible. The joint Chairmen will be John Hunt and John Forrester.

The Clauses which the Government would want taken on the Floor would be 22 (Income Tax), 10 (Small Companies), 109 (PRP) and something from Chapter 3 (Personal Pensions). The Freestanding AVCs Clause was not immediately identifiable. The IHT Clause (147) would not be favoured.

The Opposition will certainly choose Clause 159 (Exchange Control Act), probably 147, possibly one of the oil clauses and, depending on the state of the Japan trade furore, Clause 8 on import labelling.

CONFIDENTIAL

The Chancellor saw a case for taking one or two clauses himself this year: Clause 22 and, perhaps, Clause 159. The latter will depend on market conditions and whether there is any likely opposition split. The attitude of the Liberals and SDP should be determined.

2. POST-BUDGET LOBBYING

Mr Ross Goobey is to work up simple counter-arguments on life company CGT, the pensioners package, Lloyds RIC and bank foreign interest for briefing the press.

3. PARTIAL EXEMPTION

The Minister of State reported that the CBI had come up with three concrete suggestions to which he will reply. The British Property Federation did not mention the subject to him when he met them.

4. GERALD HOWARTH

There was no need for Ministers to reply to his questionnaire.

5. 364 ECONOMISTS

Mr Lilley reminded the gathering that this was the 6th Anniversary of the 364 Economists Letter. He is to put down an Early Day Motion.

6. ECONOMIC RESEARCH

It was agreed that the Chancellor is to vet new projects and the Minister of State will scrutinise the on-going programme.

7. GREEN POUND

The Chief Secretary is to continue to take the lead in the domestic context although clearly the Chancellor or the Minister of State

CONFIDENTIAL

will take the subject forward at Ecofin. The Chancellor reported that the Leicestershire NFU were not unreasonable but were particularly concerned about beef; they also believe that British farmers are suffering while Continental farmers are still living the life of Riley.

8. ALLIANCE COSTINGS

John Redwood's costings in the Daily Telegraph are probably prompted by Central Office. Although the Treasury should distance itself from the costings and issue a health warning to any Minister who feels inclined to use them, it may be helpful in smoking out the Alliance into firm commitments.

ARG

A ROSS GOOBEY

CONFIDENTIAL



FROM: A ROSS GOOBEY
DATE: 1 APRIL 1987

CHANCELLOR'S MORNING MEETING

52ND MEETINGNOTE FOR THE RECORD

Present: **Chancellor**
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Neubert, MP
 Mr Lilley, MP
 Mr Lord, MP
 Mr Heathcoat-Amory, MP
 Mr Stern, MP
 Mr Cropper
 Mr Tyrie
 Mr Ross Goobey

1. APOLOGIES were received from the Chief Secretary and Mr Henderson.

2. BUSINESS

The Criminal Justice Bill completed its Second Reading leaving only today for the Capital Punishment Motion, to finish at 10 pm. The payroll vote on Friday will affect the Member for Albania but not his guest speaker.

3. COSTINGS

The Chancellor is to write to Mr Tebbit about the Redwood costings of Alliance policy. Despite the many requests, it is impossible for the Treasury to do costings since the commitments are so imprecise; any inaccuracy will devalue the Labour exercise and the figure itself will make the Alliance policy appear "moderate".

CONFIDENTIAL

Labour's priority "poverty package" now seems to be elastic. Although help for the disabled and the winter premium are not in Mr Hattersley's package, they seem to be in Mr Kinnock's and Mr Meacher's lists. Messrs Gould and Hattersley have been gulled on this.

4. PPSS

Mr Lord questioned whether it was advisable to play the Alliance on a low key basis. It was agreed that "The Time May Come" and "weasel words" were attractive points for attack, particularly in print, and a Central Office pamphlet might be helpful.

The **Financial Secretary** liked the approach used by Chris Patten, that the advances made by this Government would have been impossible in coalition with the Alliance. The Chancellor agreed, pointing out that they were always in favour of the status quo wherever that happened to be at the time.

The question of which Party the Alliance would favour with their support in the event of a hung parliament would split their voting supporters but is best left to the media inquisitors.

5. TREASURY QUESTIONS

Questions which could probe the Alliance weasel words might elicit straw from which the Treasury could make costing bricks and would be useful. These might be in order thanks to Edward Leigh's Bill.

Other fruitful areas for questions are:

- International comparisons
- State of the economy
- PRP
- Local authority spending (make sure they are in order)
- Charitable payroll giving.

6. UNIVERSITY COLLEGE, CARDIFF

The **Minister of State** pointed out that the problems were ascribable to the Vice Chancellor despite (or because of) the fact that he was a Balliol man.

7. ABCC

The **Economic Secretary** reported that the Chambers of Commerce were very pleased with the Budget. They would, however, like lower interest rates and lower sterling, seeing no connection with inflation. Business was generally good.

8. TCSC

Mr Lilley reported that the Committee had found the experience agreeably agreeable.

9. ANTI-TRADE WAR

The **Financial Secretary** thinks the hysteria is getting out of hand and appreciated the Chancellor's calming words. The Chancellor said that there is no point allowing expectations of reaction to reach too high and then disappointing.

ARy

A ROSS GOOBEY

CONFIDENTIAL



*Done
NB X only
Ase*

FROM: A ROSS GOOBEY
DATE: 3 APRIL 1987

CHANCELLOR'S MORNING MEETING

53RD MEETING

NOTE FOR THE RECORD

Present: Chancellor *e*
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Neubert, MP
 Mr Lilley, MP
 Mr Cropper
 Mr Tyrie
 Mr Ross Goobey

1. FINANCE BILL

Since the 2nd Reading is on 22 April, the Committal Motion must be put down before the Recess. Although the Chief Secretary cannot let Mr Gould have the Finance Bill before Thursday, he will discuss Clauses with him without firm commitment before that. Murdo Maclean (Chief Whip's Office) would like to attend the meeting with Mr Gould, Dr MacDonald and Mr Blair; he also thinks that it may be difficult to sustain two days of debate in the Committee of the Whole House with only one division. If the Opposition does not choose sufficient Clauses for this, the Government should volunteer some more. The Chancellor confirmed that he will reply on the Income Tax and Exchange Control Clauses but the latter only if the Opposition choose it for debate.

~~Mr Lilley~~ is warning Mr Higgins that it now looks likely that the Chancellor will be unable to fulfil his dinner invitation on 29 April.

2. SHORT FINANCE BILL

There is a strong case for adding further Clauses which the Opposition would find awkward to vote down, such as PRP. The **Financial Secretary** is to look for additional candidates for a curtailed Bill and for possible further Clauses to take on the Floor (see above paragraph).

3. REINSURANCE TO CLOSE

Sir William Clark has written to the Chancellor and Mr Cropper reported a feverish meeting of syndicates addressed by Mr Miller yesterday. Mr Ross Goobey's counter-briefing will be available today and should include the useful quotes from Alan Lord in today's Financial Times.

4. BACKBENCH FINANCE COMMITTEE

The **Chief Secretary** is due to attend on Tuesday, but it might be appreciated if he offered to attend instead on Wednesday, after the publication of the Finance Bill. The **Chief Secretary** will talk to Sir William Clark.

5. PWLC

The choice lay between Messrs Dent and Williams, either of whom would be acceptable. The **Minister of State** gave a strong reference for Mr Williams, (despite the fact that Mr Dent is an O.M.), and the Chancellor asked the **Economic Secretary** to sound out discreetly his City contacts.

6. LOCAL AUTHORITY SALE AND LEASEBACKS

This matter requires a small meeting of the **Chancellor, Chief Secretary, Economic Secretary, Sir Peter Middleton and Mr Robin Butler.**

CONFIDENTIAL

7. JOHN REDWOOD

It was agreed that no harm should befall a letter to David Steel.

8. TAX BURDEN

The **Financial Secretary** wondered if an article in a popular newspaper to rebut the "higher tax burden" ploy would be useful. It was agreed that a general article about living standards of all the employed and pensioners as well as the attitude to taxation of the Opposition parties should be written, with the rebuttal implicit not explicit. The **Financial Secretary** will discuss with **Mr Culpin**.

9. QUESTION TIME

The **Financial Secretary** will appear.

10. NON-DOMESTIC REVALUATION

The phasing-in of this change is critical. Ministers will determine their view on the period over which the increases should be phased and meanwhile the **Economic Secretary** will speak to Mr Boyson about this.

11. MINT PAMPHLET

Will not be ready for the Chancellor's Trial of the Pyx speech, but he will trail its imminent appearance.

12. CUSTOMS AND EXCISE

The **Minister of State** warned that "That's Life" may return to the attack on "unreasonable searches" this Sunday.

13. MINISTER'S PAY AND CONDITIONS

The **Minister of State's** letter should be sent out.

ARG

CONFIDENTIAL AND PERSONAL

FROM: A ROSS GOOBEY
DATE: 6 APRIL 1987

CHANCELLOR

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper
Mr Tyrie

PRATERS
POST-BUDGET - 6 APRIL

78
1985 BUDGET

The Chancellor asked that consideration of reforms in direct personal taxation should begin after the Easter break. The Working Party should be largely peopled by Ministers and Advisers, drawing on official input as necessary.

The EC proposals on VAT could not be implemented until 1992, at the very earliest.

Atley

A ROSS GOOBEY

CONFIDENTIAL



FROM: A ROSS GOOBEY
DATE: 6 APRIL 1987

CHANCELLOR'S MORNING MEETING

54TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Neubert, MP
Mr Lilley, MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. FINANCE BILL

The Chancellor has amended some points in Alastair Ross Goobey's composite counter-brief; he believes that the CGT on policy holders' funds is the only substantial problem. The Financial Secretary is seeing Brian Corby of the ABI this afternoon.

Sir William Clark does not wish to take up the offer of a special Backbench Finance Committee meeting on Wednesday after the publication of the Finance Bill, asking rather that the Chief Secretary will respond to questions as they arise on Tuesday.

The preliminary discussions with the Opposition are progressing.

Mr Higgins has been informed of the Chancellor's likely priority on 29 April and quite understands. It is, however, just possible

that both Clauses may be taken on the second day. The **Chief Secretary's** office will inform **Mr Lilley** if that is or is not agreed with the Opposition at the meeting on Thursday.

The CBI campaign on NICs and PRP seems ill-informed, but John Lewis do have a case which should be further investigated.

2. ELECTION

There was a substantial debate on the preferred timing of the Election. **Mr Ross Goobey** is to circulate a list of "marginals".

3. PAYROLL GIVING

Mr Lilley reported that employers in his constituency found the Inland Revenue documentation off-putting. The **Economic Secretary** is to look at the form provided.

4. "THAT'S LIFE"

The **Minister of State** had been convinced, prior to the programme, that procedures do need some clarification, the problem arising because, although the Customs "rules of engagement" are actually stricter than the police rules, they appear to be more draconian.

5. BANKING BILL

The clarification on foreign ownership can only go down at 3rd Reading if it has been the subject of debate. The **Economic Secretary** will organise a question to Lord Young for this afternoon so that options may be kept open.

AGL

A ROSS GOOBEY



FROM: A ROSS GOOBEY

DATE: 22 APRIL 1987

CHANCELLOR'S MORNING MEETING

55TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Economic Secretary
Minister of State
Mr Lilley MP
Mr Heathcote-Amory MP
Mr Henderson MP
Mr Stern MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. APOLOGIES

From the Chief Secretary and Mr Neubert.

2. PPSs

Mr Lilley suggested that there would be positive benefits from a follow-up of the sub-Saharan Africa debt initiative. The Chancellor said that a PNQ would probably not succeed as time had elapsed and the Economic Secretary had reported on it in an adjournment debate; the subject was probably insufficiently weighty for a statement.

3. KIRKCALDY

Mr Henderson was concerned that Scottish Central Office seemed to be paying only lip service to the possibility of a by-election prior to a General Election. Mr Twyman will reflect this to the Party Chairman.

4. **SMALL BUSINESSES**

Mr Heathcote-Amory reported that Mr Trippier's office has responded favourably to the suggestion that a leaflet be prepared to list the small business measures introduced; he hoped that the Treasury would make some input.

5. **CHARITIES**

The Charity Commission had responded rather limply to Mr Heathcote-Amory's enquiry over the status of War on Want. Mr Heathcote-Amory will take this further in co-operation with Central Office.

6. **FINANCE BILL**

Mr Stern suggested that a few select backbenchers should be briefed for the Committee of the Whole House. The Chancellor agreed but warned against over-prolonging the debate.

On VAT the Chancellor preferred to take two simple lines: the Government wants taxes down not up; the "hidden manifesto" is a re-run of the 1983 scare story.

7. **BANKING BILL**

The Economic Secretary reported that the DTI's amendment for Third Reading clarifying the reciprocity power was ready to be tabled.

8. **EMPLOYED/SELF-EMPLOYED**

The Minister of State discovered that, in the Golden Triangle (M3/M4) employers can only attract skilled workers if they are able to remain self-employed. In due course the Revenue apply the law and the worker moves on to a new "contract".

9. INDUSTRY

The claim from the Opposition that industry is still flat on its back (using selected statistics), must be exposed as showing how out of touch they are.

Mr Twyman reported that Central Office is trying to have some on-the-record bullishness from businessmen broadcast widely.

File

A ROSS GOOBEY



FROM: A ROSS GOOBEY

DATE: 24 APRIL 1987

CHANCELLOR'S MORNING MEETING

56TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Economic Secretary
Minister of State
Mr Lilley MP
Mr Neubert MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. FINANCE BILL

The current two line whip for Wednesday might be upgraded for the vote on Income Tax. Although the CST is still sceptical that the debate will run until 10.00 pm, there are advantages in media terms in having an 8.00 pm vote. Mr Tyrie will follow up his triumph on the Labour alternative budget by alerting the press to the significance of the vote.

2. CHANCELLOR'S PARTICIPATION

The Chancellor had decided that he will only take the Income Tax clause, leaving the Exchange Control clause to the Economic Secretary. The Economic Secretary and the Chief Secretary will trade one of the technical clauses to balance their portfolios. The Chancellor's Office will let Mr Hattersley's office know that the Chancellor intends to take the clause.

The Opposition want only one vote on the second day, on Inheritance Tax.

The Labour Party's publication of a Government "hidden manifesto" is expected on 29th April. Mr Tyrie is working on a

CONFIDENTIAL

Labour party "hidden manifesto". Although the VAT clauses are insignificant, Labour may try to run the VAT-on-food canard again. It would be more convenient to draw out the debate on small business corporation tax.

The Financial Secretary said that the Revenue had asked him to introduce 12 amendments on share options. He thought this showed some slackness in drafting but was prepared to allow one vital amendment to be introduced.

3. STANDING COMMITTEE

The Chief Secretary reported that the Opposition would prefer not to sit on 7th May. Mr Neubert thought the line should be held but at most the second sitting should be on 6th May. The Chancellor thought it vital to have two sessions in the opening week.

4. NURSES' PAY

The Review Body report was disappointing in two aspects: no consideration was taken of regional pay and, on doctors and dentists, no evidence about recruitment and retention was adduced to justify the increases.

The use of the reserve made it even more vital to resist further claims.

It was important to make the point that nurses had received every penny of the last four Review Body recommendations and the phasing point must not be allowed to detract from this. It is also important not to allow Labour to claim credit for the Clegg awards.

5. WEEKEND WORLD

The Chancellor has been invited to appear on 3rd May, the subject being "Prospects of Avoiding World Recession". It was agreed that this would be an acceptable invitation.

6. **TEACHERS' PAY**

Mr Ross Goobey would draft a note for the Chancellor to send to the Prime Minister about Mr Baker's suggested members of the interim pay committee, welcoming the name of Peter Main but raising question marks against the other names. The committee must be seen to be independent and of some stature but not party political.

Mr Lilley thought a point not made sufficiently about the pay arrangements was that teachers have not lost negotiating rights which are available to everyone, merely an extraordinary privileged position. The Special Adviser at Education was to be approached suggesting this line for Any Questions.

7. **CIVIL SERVICE PAY**

It was accepted that Grade 6 should have performance-related pay with all its consequences.

8. **BUILDING SOCIETY CREDIT CARDS**

The Commission seems to think they should be permitted. The Economic Secretary believed that it was not the intention to allow them, especially at this early stage of the new regime. New credit cards would be politically difficult, like red ink to a bull.

9. **EMMA NICHOLSON**

Peter Cropper is to draft a stern letter to her on the subject of personal tax reform for the Chancellor to send, marked "personal".

10. **BANKING BILL**

The Lords' Amendments would probably be taken the week after next, and the Chancellor was anxious for them to be brought forward as soon as possible.

11. SUB-SAHARAN DEBT INITIATIVE

Having made a tour d'horizon of possible ways of increasing the public awareness of this, it was agreed that the Chancellor would make a speech at a suitable imminent opportunity, or an opportunity should be arranged. This speech might then receive a wide distribution.

NB Andrew

12. ELECTRONIC ENGINEERING FEDERATION

The Chief Secretary could no longer be sure of being able to fulfil this engagement but would not cancel until May.

13. ATKINSON/BUTTERFILL

The Questions on Bournemouth will be met with a polite brush-aside in the Treasury. The other Departments should surely not encourage a plethora of such questions. This will be raised again at Monday's Prayers with Mr Neubert.

14. CITY COUNTER-PROPAGANDA

This initiative seems to have fizzled out.

15. GOODMAN LECTURE

Ministers are pleading Finance Bill obligations.

16. DEROGATION

The Minister of State reported that the Commission seemed to have approved; final agreement may take two months. If the Commission has no objection this would be an appropriate announcement for the Clause 11 debate.

ARG

A ROSS GOOBEY

1. ALICE 4. ANNE
2. TONY 5. DEBBIE
3. CATHY 6. NIC



FROM: A ROSS

DATE: 27 APRIL 1987

CHANCELLOR'S MORNING MEETING

57TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Minister of State
Mr Neubert MP
Mr Lilley MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. APOLOGIES

Apologies were received from the Chief Secretary and Economic Secretary.

2. CANDIDATES CONFERENCE

The Chancellor reported that the morale of candidates was extraordinarily good, reflecting responses in their own areas. There are clearly still problem areas in the North, but there is confidence emanating from the Midlands and Wales.

3. FINANCE BILL

Opposition amendments should be tabled today. Mr Lilley will inform the Chancellor as soon as they are down.

A meeting should be held this week to discuss the possible format of a truncated Bill should that prove necessary. Even a truncated Bill would need a day and a half in the Commons and a day in the Lords.

4. "SECRET MANIFESTO"

The Labour Party's document is now due out on Tuesday. Mr Tyrie will try again to find an early copy.

5. THE BOURNEMOUTH QUESTION

- It was agreed to use the Cropper draft brush-off. Mr Neubert confirmed that the Whips' Office would not encourage constituency-specific questions.

ARG

A ROSS GOOBEY



FROM: A ROSS GOOBEY

DATE: 29 APRIL 1987

CHANCELLOR'S MORNING MEETING

58TH MEETING

NOTE FOR THE RECORD

Present: Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Lilley MP
Mr Lord MP
Mr Neubert MP
Mr Heathcote-Amory MP
Mr Henderson MP
Mr Stern MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. **APOLOGIES**

Apologies were received from the Chancellor. !

2. **FINANCE BILL - COWH 1ST DAY**

This first debate will run most of the day. Mr Ross Goobey is to check if any amendments are down and likely to be called. The Corporation Tax Clause has no amendments down; the Economic Secretary suggested that the Opposition be pressed on the link between income tax and small business tax (in the income tax debate?). The Minister of State's orders are straightforward.

3. **VAT**

A line must be agreed for today's debates and for first order PQs; the Chancellor is working on this today. Ian Wrigglesworth was interviewed on the Today programme on Saturday and appeared to accept that the Liberals/SDP might agree to widening the scope. Mr Ross Goobey is to organise a transcript.

CONFIDENTIAL

The Commission proposals may be ready for the ECOFIN meeting on 15th June, with publication of those proposals earlier.

4. FINANCE BILL - COWH 2ND DAY

There is likely to be only one vote, on Inheritance Tax at 6.30pm or 7.00pm. On the other clauses there are a series of amendments and there will be several mini-debates. On Clause 18 it is possible that Mr Blair will raise the cost of privatisations and the diminishing number of shareholders in British Airways and British Gas.

The Committee upstairs is expected to be on Tuesday and Thursday next week.

5. BANKING BILL

The Lords' amendments are down as first business next Thursday (7th May).

6. PARLIAMENTARY PENSIONS BILL

It is awkward for the Minister of State to take this at the time VAT Clauses are being debated in Committee.

7. LLOYD'S RIC

Mr Heathcote-Amory reported continuing lobbying on this matter.

8. LABOUR COSTINGS

Mr Clarke's speech was a breach of the agreement. The Chief Secretary will write, Mr Tyrie to draft.

9. **MULTIPLE MORTGAGES**

Mr Lilley has been asked by constituents why this abuse was not stopped. The Financial Secretary said that a change would be in the context of the Green Paper, and since no progress was made on that this year, the existing system continues.

AK

A ROSS GOOBEY

CONFIDENTIAL



FROM: A G TYRIE
DATE: 1 MAY 1987

CHANCELLOR'S MORNING MEETING

59TH MEETING

NOTE FOR THE RECORD

Present: Financial Secretary
Economic Secretary
Mr M Neubert MP
Mr Lilley MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. **FINANCE BILL**

Mr Neubert reported that the Finance Bill Committee had been selected and would meet next Tuesday. It was anticipated that work would progress fast. The Chancellor said that the Opposition should be informed that we would be prepared to go on late on Thursday night.

2. **CLAUSE 160**

The Economic Secretary explained that the absence of any Labour members had contributed to this Clause being passed on the nod.

3. **LLOYDS**

In the event of a June Election it would be important to make clear that, if reinsurance to close were going to be omitted from the shortened Finance Bill, it would be included (along with all other postponed clauses) in another Finance Bill to be taken directly afterwards. The announcement of a shortened Finance Bill would be accompanied by a written answer clarifying

CONFIDENTIAL

that all dropped clauses would be brought back in their original form. The starting date for RIC would be unaltered.

4. HATTERSLEY'S BOOK

Mr Tyrie was instructed to examine this carefully.

5. VAT

The Chancellor stressed that it was important to use the line he had taken in his Finance Bill speech on Wednesday 29 April and to make sure that this line was given to the Party Chairman and the Prime Minister.

6. COMMUNITY CHARGE

Mr Cropper was asked to contact Advisers in the Department of the Environment to suggest that Mr Ridley put up a briefing document on the Community Charge.

AGT.

A G TYRIE

CONFIDENTIAL



FROM: A ROSS GOOBEY
DATE: 11 MAY 1987

CHANCELLOR'S MORNING MEETING

61ST MEETINGNOTE FOR THE RECORD

Present: Chancellor *C*
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lilley, MP
Mr Heathcoat-Amory, MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. APOLOGIES were received from the Minister of State and Mr Neubert.

2. FINANCE BILL

This will now be completed tomorrow as first business. The Chief Secretary is meeting Messrs Gould and Wigglesworth to clear up any outstanding questions. The undecided list [of clauses] from Friday now looks increasingly problematic and it was agreed to drop the Tax Management Clauses. The existing Stamp Duty Clauses will be included but not the amendments - the amendment already put down will be withdrawn.

The Chief Secretary will take the Clause 20 debate and Mr Ross Goobey will suggest some possible paragraphs. The PQ about the Second Finance Bill will go down today, to be answered with an

associated press release.

3. TIMETABLE

Parliament will rise on Friday and be dissolved on Monday. The Manifesto will be launched on Tuesday, 19 May and the Candidates Rally on Wednesday 20 May. Most adoption meetings are likely to be on Thursday and Friday, 21/22 May but it should be noted that the last day for postal vote applications is 22 May.

4. QUESTIONS OF POLICY

The Chancellor is making this his priority this morning. It is important that all **Ministers** stick to the agreed lines. **Mr Cropper** believed that some Qs of P will go out this week, and the Manifesto Briefs with the Manifesto to Ministers (preferably not before). Approved Qs of P answers will be copied to Ministers, and if there are any more questions which Ministers think vital to have an answer to, they should inform Mr Cropper.

5. SCOTTISH CONFERENCE

Mr Lilley will spend this morning burnishing the Scottish speech with applause lines. **Mr Tyrie** also volunteered to make improvements.

6. ASSOCIATION OF ECONOMIC REPRESENTATIVES

The **Chief Secretary** is to investigate whether it can be released by IDT.

7. MENCAP

Because the **Chancellor** will have to attend the Candidate's Rally, he would like either the **Economic Secretary** or the **Minister of State** to substitute in his place on Wednesday, 20 May.

8. SPECIAL COMMISSIONERS CASE

The actual format of a blocking Clause could be decided later,

but the Financial Secretary was of the opinion that a Written Answer was necessary to establish that legislation will be introduced to block the loophole from that date.

9. PRAYERS

Would be held on Wednesday at 10 am, and, if enough Ministers are available, a final Prayers of this Parliament would be held on Friday.

ARG

A ROSS GOOBEY

CONFIDENTIAL

FROM: A ROSS GOOBEY
DATE: 8 MAY 1987

CHANCELLOR'S MORNING MEETING

60TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Neubert, MP
Mr Lilley, MP
Mr Cropper
Mr Tyrie
Mr Ross Goobey

1. FINANCIAL SECRETARY

Felicitations were extended to the Financial Secretary on his birthday.

2. BUSINESS

The Banking Bill completed all its stages and the Finance Bill reached Clause 36.

3. FINANCE BILL

Contingent negotiations about the content of a truncated Finance Bill were undertaken by the **Chief Secretary** and Mr Gould. The latter breached the confidentiality agreed, and **Ministers** should agree a line to take on this leak.

CONFIDENTIAL

It does not look as though a guillotine will be necessary, the only condition placed by the Opposition being the ability to debate Clause 20 again.

Definitely in a Short Bill: 1-33, 35/36, 37, 39, 45/46, 54, 141, 147, 149, 150/151, 153/154, 157, 160, 160-162.

Definitely out: 34, 58, 61-66, 68-122, 148, 152.

Other candidates are still being considered.

The **Economic Secretary** thought it important to include the Stamp Duty clause since the Second Finance Bill might not complete all its stages in July.

Ministers are to reflect on which clauses they would like included of the doubtfuls, bearing in mind that items such as PRP, pensions and Lloyds must be in this year's Bills.

It was agreed to leave out the passage in square brackets in the Draft Written Answer.

The Klondykers Clause will be announced at the Scottish Party Conference and confirmed in a Written Answer on the same day (14 May). The "Fees and Charges" Clause will be included if ready in time.

4. SPECIAL COMMISSIONERS

A recent judgment requires legislation to put the lacuna right, but it was agreed it cannot include any fish who have jumped through already. The **Financial Secretary** will have urgent talks with the Revenue to determine the best path forward.

5. QUESTIONS OF POLICY

The **Chancellor** asked **Ministers** to forgo the (usually invaluable) help of the Special Advisers while they complete the Answers to Questions of Policy.

6. SPECIAL ADVISERS

The division of labour is thus: **Mr Cropper** to Central Office for membership of Questions of Policy Committee and guardian of Treasury orthodoxy, **Mr Tyrie** to remain in the Treasury and **Mr Ross Goobey** to accompany the Chancellor, fulfilling the joint role of temporary Principal Private Secretary and PA.

The Chancellor's portable phone number will be circularised in due course.

7. PRIVATISATION

The drop in shareholders in British Airways and British Gas is unwelcome. There must be continued efforts to favour individual allocation and to make sure that too large a premium does not occur in initial dealings, tempting sellers.

It would be worth investigating whether the "loyalty bonus" had made a measurable difference.

The **Chancellor** will meet John Chown.

It was generally thought that tenders might be too difficult for the general public.

8. JAPANESE DOCK STRIKE

Mr Lilley reported that Mrs Ansell-Lilley had been unable to add to Japanese exports since 25 April as a result of a dock strike.

Mr Tyrie undertook to find figures for the exports per capita of UK and Japan, and to see how volumes and values of exports and imports between that country and this had moved in the past year.

9. COINAGE PAMPHLET

Mr Gerhard must be asked not to let the draft be seen by anyone other than the Master of the Mint and the Economic Secretary.

ARG
A ROSS GOOBEY

CONFIDENTIAL



FROM: A ROSS GOOBEY
 DATE: 13 MAY 1987

CHANCELLOR'S MORNING MEETING

62ND MEETINGNOTE FOR THE RECORD

Present: Chancellor *C*
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Neubert, MP
 Mr Lilley, MP
 Mr Lord, MP
 Mr Heathcoat-Amory, MP
 Mr Henderson, MP
 Mr Stern, MP
 Mr Twyman
 Mr Cropper
 Mr Tyrie
 Mr Ross Goobey

1. BUSINESS

The main business was the Abolition of the Domestic Rates (Scotland) Bill under a guillotine motion, which should take three hours altogether.

2. FINANCE BILL

The Chancellor congratulated all concerned on the expeditious passage of the Finance Bill, of which 40% is now enacted. The major Clauses dropped were those covering PRP and Pension Funds. Briefing from Central Office to candidates should cover the taxation of CGT for Life Offices; the **Financial Secretary** will speak to Brian Corby.

CONFIDENTIAL

3. ALLIANCE COSTINGS

The emphasis must be on the £19 billion extra spending and the fudge on how it will be financed. The economic assumptions are the Alliance's, not Coopers, whose report is heavily qualified. **Mr Tyrrie** is doing a note for Central Office.

The Alliance attitude to the income tax reductions is that it is so wicked and appalling that they have voted against it on three occasions but will not reimpose it. This is a typical Alliance posture.

Emphasis may be put on the interest rate consequences.

4. VISUAL DISPLAYS AT PRESS CONFERENCES

Mr Cropper is to suggest which of the Budget Broadcast/NEDC charts might be adapted for use.

The **Chancellor** and **Chief Secretary** should swap press conferences on 2/9 June, and the Chancellor's tour to Scotland swapped for a more convenient area. **Mr Ross Goobey** to organise.

5. LETTERS

Emma Nicholson is now to receive a good luck message.

6. SPECIAL ADVISERS

Mr Cropper will resign on his attachment to Central Office, but **Messrs Tyrrie** and **Ross Goobey** will continue to fulfil Special Adviser functions, making sure all proprieties are kept.

7. MINISTER OF STATE'S COMMITMENTS

The Savory Milln Seminar will have to be withdrawn from and the **Minister of State** will attend the 7 June Budget Council.

CONFIDENTIAL

8. GOODMAN LECTURE

The Chancellor will do the Goodman Lecture. Mr Cropper to liaise with CAF, Mr Ross Goobey to tell Central Office.

9. INLAND REVENUE EXPLANATORY LEAFLETS

They are generally helpful in tone, and despite the risk that they may be taken up as some new Revenue blitz, their release should go ahead, without a press release.

10. £34 BILLION

Mr Heathcoat-Amory asked that this "Secret Manifesto" be emphasised continually.

11. MENCAP

The Economic Secretary will now replace the Chancellor.

A Ross Goobey
A ROSS GOOBEY



FROM: A G TYRIE

DATE: 17 JUNE 1987

CHANCELLOR'S MORNING MEETING

1ST MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper

1. The Chancellor welcomed everyone, new faces and old.

2. ALLOCATION OF MINISTERIAL RESPONSIBILITIES

The Chancellor agreed a list of Ministerial responsibilities which would be circulated later on today.

3. ALLOCATION OF ADVISERS' RESPONSIBILITIES

The Chancellor confirmed that Mr Cropper and Mr Tyrie would be retained but that no allocation of responsibilities would be made until a third Adviser appointment had been made.

4. FINANCE BILL

It was essential to ensure that the Finance Bill did not spill over into the autumn. Business managers should be encouraged to press hard to prevent this.

CONFIDENTIAL

Policy decisions would be required on policy holders' gains and reinsurance to close.

pp AA Lane
A G TYRRE

CONFIDENTIALFROM: P J CROPPER
DATE: 19 June 1987**CHANCELLOR'S MORNING MEETING****Second Meeting****NOTE FOR THE RECORD**

Present: **Chancellor**
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie

1. PUBLIC EXPENDITURE

The Public Expenditure position gave rise to considerable concern. It was essential to make use of the first survey of a new Parliament to look at all the options for savings. The Chief Secretary would be discussing this with officials.

2. TREASURY QUESTIONS

It would be the Financial Secretary's turn to be absent from the bench for Treasury Questions on 9 July.

3. FINANCE BILL

The Chief Secretary and the Financial Secretary would be meeting Mr Bryan Gould early next week to discuss the timetable for the second Finance Bill.

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

P J CROPPER



FROM: A G TYRIE
DATE: 22 JUNE 1987

CHANCELLOR'S MORNING MEETING

3rd Meeting

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Cropper

1. PUBLIC EXPENDITURE

The Chancellor said that no firm decisions had been taken on presentation of public spending.

2. CIVIL SERVICE PAY

The Chancellor had amended a draft letter which the Paymaster General would want to see before it was sent. The Paymaster General agreed to check whether the letter of 3 March had gone just to Ellis or to Christie as well.

3. REINSURANCE TO CLOSE

The Chancellor said that when the Finance Bill was published it would be important for it to contain the revised clause to allay underwriters' concerns. The Chancellor felt that the Financial Secretary should see Mr Miller before any possible meeting between Mr Miller and the Chancellor took place.

4. ALLOCATION OF MINISTERIAL RESPONSIBILITIES

The Chancellor confirmed that the task of monitoring the Treasury's research budget would be passed to the Economic

CONFIDENTIAL

Secretary. The Chancellor pointed out that he did not want any more mini-Nimrods like the Brown study. The Chancellor would remain in charge of scrutinising any new projects.

5. PPSs

The Chancellor confirmed that he would be appointing Nigel Forman as his PPS. The Chief Secretary would keep Tony Favell. The Minister of State would keep Michael Stern. The Financial Secretary has not yet finally decided.

6. DEBATE ON THE ADDRESS

The Chancellor said that he would welcome any suggestions for themes from Ministers.

7. FINANCE BILL

The Chief Secretary said it would be important to ensure that the Opposition had copies of notes on clauses in good time.

8. NOMURA

The Financial Secretary reported that at BP's request Nomura would be responsible for the sale of BP in Japan. Despite past problems with Nomura, it was decided not to interfere with this.

AGT.

A G TYRIE



FROM: A G TYRIE

DATE: 24 JUNE 1987

py

CHANCELLOR'S MORNING MEETING

4TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Paymaster General
 Mr Cropper
 Mr Tyrie
 Mr Nigel Forman MP
 Mr Anthony Favell MP

1. THE RESHUFFLE

The Chancellor confirmed various metamorphoses: PPS to Economic Secretary; Minister of State to Paymaster General. The Chancellor also welcomed Nigel Forman, his own PPS, and Tony Favell, PPS to the Chief Secretary.

2. FINANCE BILL

The Chief Secretary said he would be seeing Mr Gould and possibly Mr Blair this afternoon. The Chancellor said it was absolutely vital to get the Finance Bill out of the way before the recess.

3. CIVIL SERVICE PAY DISPUTE

The Chancellor gave a brief history of the dispute and reported progress.

4. ELECTION POST-MORTEM

There was a lively discussion on lessons to be learnt from the Campaign.

Aut.
 A G TYRIE



FROM: A G TYRIE

DATE: 26 JUNE 1987

CHANCELLOR'S MORNING MEETING

5TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Economic Secretary
Financial Secretary
Paymaster General
Mr Cropper
Mr Mark Lennox-Boyd MP

1. TREASURY WHIP

The Chancellor welcomed Mr Lennox-Boyd.

2. FINANCE BILL

The Chief Secretary explained that the second reading of the Finance Bill would probably be on 7 July with the Committee Stage on three days of the following week. The Report Stage, with third reading, would be on 20 July. The House of Lords would then take the Bill just before they rose for the recess, probably on 21 July.

It was agreed that the Chief Secretary would open the Debate and the Financial Secretary would wind up.

3. REINSURANCE TO CLOSE

The Financial Secretary reported that his meeting with Mr Miller and others had gone well that morning. Even if Mr Miller would not sign up to the proposed new formulation he should at least be persuaded to give a commitment not to campaign against it.

4. Some backbenchers would need to be calmed down on the issue. It was essential that version 2 was printed in the Bill.

Tony

5. ECOFIN

The Chancellor would attend Ecofin, the Paymaster-General being unavailable.

6. HOLIDAY PLANS

The Economic Secretary would be available to cover most of August and would take his holiday for a fortnight from 24 August.

7. CRISIS LEVY

It was agreed that the Government should stick to its present position on Commission pay, and not move to any UKREP compromise.

8. WATER PRIVATISATION

The Chancellor reported the Lord President's concern that water privatisation might be one Bill too many for the House of Lords to digest. No decision would be required for 10 days. The Lord President, the Secretary of State for the Environment, and the Chancellor would discuss this further within the next few days. The Chancellor would want briefing from officials on whether it was necessary to take a decision at this early stage. For example, a lot would depend on how long the Housing Bill turned out to be. It was essential to keep the DOE doing the preparatory work.

9. MISCELLANEOUS

Mr Lennox-Boyd reported that a letter from the Minister for Local Government would shortly be going to backbenchers to assuage their concerns on the community charge.

THURS 2/7
6-7.00 1/2 hr

CK
Wd you like 'X' before
or after Thursday's Debate?

PKH
DWK

AGS.



FROM: P J CROPPER
DATE: 29 June 1987

CHANCELLOR'S MORNING MEETING

6TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Mr Nigel Forman MP
Mr Cropper
Mr Tyrie

1. APOLOGIES

From the Paymaster General and Mr Lennox-Boyd.

2. LLOYDS

The Financial Secretary was expecting to hear from Mr Miller later in the morning. It was understood that Mr Lord had warmly welcomed the new formulation of the RIC clause, but that he could not yet say categorically whether it met every point on which Lloyds were concerned. The Chancellor was prepared to see Mr Miller if necessary.

3. SPECIAL ADVISERS

Progress was reported on replacement for Mr Ross Goobey.

4. SPEECH IN DEBATE ON ADDRESS

The Chancellor invited comments on the latest draft by Mr Hudson.

A handwritten signature in black ink, appearing to be 'P J Cropper', written over the typed name.
P J CROPPER



FROM: P J CROPPER
DATE: 1 JULY 1987

CHANCELLOR'S MORNING MEETING

7TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox Boyd MP
Mr Forman MP
Mr Favell MP
Mr Twyman
Mr Cropper
Mr Tyrie

1. APOLOGIES

From the Chief Secretary.

2. SIR BRANDON RHYS WILLIAMS MP

Sir Brandon was likely to speak on the Finance Bill resolutions, in order to press his argument for a re-structuring of the country's pension funds. It was felt that Sir Brandon had quite a good case against the final salary principle, and against the unfair treatment of early leavers. But this was not primarily a tax matter. The Financial Secretary would try to persuade Sir Brandon not to press the matter to the point of causing trouble with the passage of the present Finance Bill.

3. LLOYDS RIC

It was hoped that the Committee of Lloyds would acknowledge publicly that the Government had met all their reasonable demands on the legislation dealing with reinsurance to close.

The Financial Secretary would arrange for interested backbenchers to receive a letter about the RIC proposals simultaneously with publication of the Bill.

4. EUROPE

It was reported that the Danes did not intend to allow time for discussion of Lord Cockfield's harmonisation proposals during their Presidency.

Because the Committee Stage of the Finance Bill had been changed to 14/15/16 July, it would be possible for either the Chancellor or the Paymaster General to attend ECOFIN on Monday 13 July.

Mr David Curry had told the Paymaster General that the Parliament was likely to cause trouble over the Advances/Reimbursement reform.


P J CROPPER



FROM: A G TYRIE

DATE: 3 JULY 1987

CHANCELLOR'S MORNING MEETING

8TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Economic Secretary
Paymaster General
Mr Cropper
Mr N Forman MP
Mr Lennox Boyd MP

1. "CHANCELLOR'S GROUP OF 48"

Nigel Forman agreed to draw up a new list of 48 good men and true on the backbenches.

2. PAC VACANCIES

The Chancellor asked for suggestions from Ministers to fill the two PAC vacancies.

3. MPs' PAY

The Chancellor will be discussing tactics with the Leader of the House and others. The Chancellor said that the Government could table a Resolution implementing the 1983 recommendations and still recommend the House to adopt a lesser amount. This issue must be handled before the recess.

4. FINANCE BILL

Despite the Opposition's preference for two days for the

CONFIDENTIAL

Committee Stage the Chief Secretary reported that we would keep open the option of three days.

5. **LLOYDS**

Agreement was very close on Lloyds. A short Inland Revenue press release would be needed for the weekend press. The Revenue should report to the Chief Secretary immediately after their meeting today. A letter to Conservative backbenchers would then be prepared.

6. **BUDGET COUNCIL**

The Paymaster General reported a broadly satisfactory outcome on the proposal to defer reimbursement of 10% of duties and levies to Member States: agreement was subject only to acceptance by the Dutch.

7. There is no danger of an S.O.47 being invoked, but it would be essential to inform the House. The PMG would be minuting the Prime Minister today.

8. **10 MINUTE RULE BILL AND THE BUDGET SPEECH**

The Chancellor agreed to write a letter to the Leader of the House proposing the removal of the 10 Minute Rule Bill slot on Budget Day. The Economic Secretary would draft.

9. **ECOFIN**

The Paymaster General reported that in UKREP's opinion both Lord Cockfield's proposals and cash accounting would be on the next ECOFIN agenda. The Chancellor would like officials to find a reciprocal spanner to throw in the works of the French as a counter to their reservation on cash accounting.

AGT.



FROM: A G TYRIE

DATE: 6 JULY 1987

CHANCELLOR'S MORNING MEETING

9TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Mr N Forman, MP
Mr M Lennox Boyd, MP

1. FINANCE BILL

Agreement with Lloyds was expected to be confirmed today. It was decided to send a letter to backbenchers immediately on the basis of the agreement. Sir Anthony Grant would be invited to table the amendments which have been agreed between Lloyds and the Revenue.

2. The Second Reading Debate should be used to give prominence to profit related pay and pensions rather than become a wider economic debate. Labour's Three Line Whip points to them wanting the latter.

3. PESC AND THE ECONOMIST

It is at the Chief Secretary's discretion whether to talk to the Economist about public expenditure but he should be extremely careful.

4. VALUATION OFFICE RTB

It was decided not to push this, at least until the Chief

Secretary judged the time to be right.

5. SUMMER SUPPLEMENTARY ESTIMATES

We would need a good line to take from IDT on the £1 billion overrun.

6. ECOFIN

The Chancellor's decision to attend should not be revealed in First Order PQs.

7. ROYAL MINT

The Chancellor said he wanted to see the options restricted to two in the coinage article in the forthcoming EPR.

M. May
A G TYRIE



FROM: A G TYRIE

DATE: 6 JULY 1987

CHANCELLOR'S MORNING MEETING

9TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Mr N Forman, MP
Mr M Lennox Boyd, MP

1. FINANCE BILL

Agreement with Lloyds was expected to be confirmed today. It was decided to send a letter to backbenchers immediately on the basis of the agreement. Sir Anthony Grant would be invited to table the amendments which have been agreed between Lloyds and the Revenue.

2. The Second Reading Debate should be used to give prominence to profit related pay and pensions rather than become a wider economic debate. Labour's Three Line Whip points to them wanting the latter.

3. PESC AND THE ECONOMIST

It is at the Chief Secretary's discretion whether to talk to the Economist about public expenditure but he should be extremely careful.

4. VALUATION OFFICE RTB

It was decided not to push this, at least until the Chief

Secretary judged the time to be right.

5. SUMMER SUPPLEMENTARY ESTIMATES

We would need a good line to take from IDT on the £1 billion overrun.

6. ECOFIN

The Chancellor's decision to attend should not be revealed in First Order PQs.

7. ROYAL MINT

The Chancellor said he wanted to see the options restricted to two in the coinage article in the forthcoming EPR.

M. May
pp A G TYRIE



FROM: A G TYRIE

DATE: 8 JULY 1987

CHANCELLOR'S MORNING MEETING

10TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Mr Cropper
Mr N Forman, MP
Mr Favell, MP
Mr Stern, MP
Mr Lennox Boyd, MP

1. PUBLIC ACCOUNTS COMMITTEE

Mr Lennox Boyd sounded out Ministers on possible replacements for the two vacancies on the PAC.

2. FINANCE BILL

The letter to backbenchers on Lloyds had already gone out. Mr Lennox Boyd agreed to suggest to the Speaker that opposition interventions on VAT should be considered out of order: there was nothing on VAT in the Finance Bill.

3. LORD COCKFIELD

The Chancellor would discuss Lord Cockfield's proposals with the Paymaster General, if possible, later on today.

4. PETER WALKER'S LETTER

The Chancellor asked if a quick reply could be prepared.

5. BACKBENCH COMMITTEES

The PPSs reported that the rebels on RSG and the Community Charge would probably be the same people.

pp M-Mary
A G TYRIE



FROM: P J CROPPER

DATE: 10 JULY 1987

CHANCELLOR'S MORNING MEETING

11TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox Boyd MP
Mr Nigel Forman MP
Mr Cropper
Mr Tyrie

1. PAIRING

Mr Lennox Boyd emphasised that there was a need for very much stronger discipline in regard to voting than there had been latterly.

2. TEACHERS' PAY

The Chancellor invited Ministers' suggestions of names for the Interim Advisory Committee on Teachers' Terms of Employment, for discussion on Monday at morning meeting.

3. UNQUOTED COMPANIES GROUP

The Financial Secretary and Mr Forman would accompany the Chancellor to lunch with the UCG on 15 October.

4. NATIONAL LOTTERY

Work should go ahead on defining the proposal, in readiness for raising the concept with the Home Office. It was doubtful

CONFIDENTIAL

whether a private sector project would get round public expenditure constraints. The proposal had to be seen in conjunction with the future of Premium Bonds.

5. MEMBERS' PAY

There was a widespread view among Conservative MPs, reflected by the 1922 Committee executive, that the Government was wise to allow the 1983 scheme to go forward. The "payroll" would not be required to vote for the motion but would be expected not to vote against it.

6. FINANCE BILL

Great care would need to be taken with the retrospectivity complaint against the Partnership and CGT roll over clauses.

Mr Boswell would be discouraged from pressing for PRP to be extended to Government Trading Funds. There was great concern about the application of PRP to direct labour forces.

7. HOUSING

It was very damaging that information about the progress of current housing studies should repeatedly leak from another Government Department. It was not true that the Treasury was dragging its feet on the private rented sector.

8. VAT

The Chancellor and the Paymaster General would discuss the problem of the French and cash accounting.



P J CROPPER



FROM: A G TYRIE

DATE: 14 JULY 1987

CHANCELLOR'S MORNING MEETING

12TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lennox Boyd MP
Mr Nigel Forman MP
Mr Cropper

1. INTERIM COMMITTEE ON TEACHERS' PAY AND CONDITIONS

Several suggestions were made for possible appointees, including Councillor Peart, Mrs Judith Chaplin, Colin Gaskell, Managing Director of Marconi Instruments, and Trevor Holdsworth (Party Chairman of GKN). The Chancellor was very grateful for the Paymaster General's extensive list, with its Marlburian flavour.

2. SPEECH BY THE MINISTER FOR THE ARTS

The Chancellor would write a letter to Mr Luce supporting the sentiments in his recent speech.

3. UK COINAGE PAMPHLET

The Paymaster General would be writing to all members about this pamphlet, which contains the suggestion that the undervalued and oversized florin and shilling could be replaced with smaller coins.

4. KENNETH CLARKE'S INNER CITIES GROUP

The Economic Secretary would represent the Treasury on this group.

5. BRITISH TELECOM

The Financial Secretary said that BT must make their own case more forcibly and that this could be backed up by Ministerial speeches advising a review of the RPI formula, and the basis for its calculation.

6. FINANCE BILL

With the Shadow Cabinet as yet unannounced and Labour's Whips Office in turmoil Mr Lennox-Boyd reported that it was not easy to know with whom to negotiate.

for.

A G TYRIE

CONFIDENTIAL



FROM: P J CROPPER
 DATE: 17 July 1987

CHANCELLOR'S MORNING MEETING

14TH MEETING

Julie
NB 'X'

NOTE FOR THE RECORD

Present: Chancellor
 Chief Secretary
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr M Lennox-Boyd MP
 Mr N Forman MP
 Mr Cropper
 Mr Tyrie

1. PARLIAMENT

Mr Lennox-Boyd reported that it had been decided that the Finance Bill Report and 3rd Reading debate should run on until towards 10pm on Monday 20 July. The Financial Secretary and Paymaster General would open and close.

2. FINANCE BILL - PENSIONS

The accelerated accrual section of Schedule 3 should remain in place, but the Inland Revenue would be asked to consider urgently whether a better targetted measure could be devised. This could be enacted in 1988, to take effect retrospectively to 1987.

3. FINANCE BILL - THIRD READING

The Hansard record of the exchange between Mr Kinnock and Mr Wakeham on 16 July did not support the argument that VAT harmonisation and the Cockfield proposals might be considered a suitable topic for debate in the 3rd Reading. Rules of order were very strict at 3rd Reading and this subject would be clearly out of order. The Speaker's office should be advised accordingly.

4. TAX EFFECT OF VAT INCREASES

Special Advisers would assist in preparing material to counter the Labour claim that VAT harmonisation would sharply push up the burden of tax. Far worse things happened between 1974 and 1979, and were inherent in Labour's 1987 programme.

5. CAF

The Economic Secretary would represent the Treasury at Mr Brophy's private meeting on private sector support for the voluntary sector on 24 September, in place of the Chief Secretary.

6. GIFTS TO POLITICAL PARTIES

Reference Mr Houghton's minute of 16 July, it was decided that the 1988 Finance Bill should remove the IHT limit on transfers to political parties.

7. TAX TREATMENT OF PRIVATE RENTING

The Financial Secretary would consider Mr McGivern's draft carefully.

8. R AND D

The Financial Secretary would consider Mr Driscoll's draft press release carefully.

9. NFSE

Next time the Paymaster General held a meeting with Mr Tony Miller present, he would invite the Financial Secretary. (Question of Tax Commissioners: Mr Maxwell Hyslop).

10. END OF TERM LETTER

Further comments welcome. Could the draft be shortened?

11. HOUSING BENEFIT

The Chief Secretary was supported in his view that there would have to be a cap on Housing Benefit in order to prevent the emergence of a housing benefit driven market in deregulated rented property.

12. PARTY CONFERENCE SPEECH

Suggestions of themes would be welcome, from Ministers.

13. COINAGE

The Deputy Master should be advised by the Paymaster General that it would be preferable to offer a £2 coin linked to the Scottish Act of Rights, rather than have to concede it in response to a Scottish demand.

14. CIVIL SERVICE PAY

The Paymaster General should put in hand discussions of the pay situation post the strike.

15. MINISTERIAL MEETINGS

X/ The meeting on Wednesday 22 July would probably have to be cancelled: if so, an enlarged meeting (with PPS and Mr Tywman) should be arranged for Friday 24 July.


P J CROPPER



FROM: A G TYRIE

DATE: 15 JULY 1987

CHANCELLOR'S MORNING MEETING

13TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Economic Secretary
Paymaster General
Mr Cropper
Mr Nigel Forman MP
Mr M Lennox Boyd MP
Mr Stern MP
Mr T Favell MP
Mr Maples MP
Mr P Twyman

1. FINANCE BILL

Mr Lennox Boyd reported that all had gone smoothly yesterday but that the retrospective element of Clause 80 might make the day's proceedings more contentious.

2. Mr Forman would be circulating a list of helpful backbenchers to Ministers, Advisers and PPSs.

3. SACHER

The Chancellor asked Mr Forman to obtain a draft copy of the minutes of their meeting for him to see.

4. VAT HARMONISATION

The European Commission might well agree Lord Cockfield's proposals today in which case Lord Cockfield would be holding

a press conference. The Paymaster General would consider a possible quick response.

5. TREASURY CHRISTMAS CARD

The Chancellor invited suggestions, particularly any which could form the first of a series for the Parliament.

6. BACKBENCH FINANCE COMMITTEE

Mr Forman reported the results of the Finance Backbench Committee elections in which Sir William Clarke was returned unopposed as Chairman.

7. COMMUNITY CHARGE

The Chancellor explained the need for a phasing in period.

8. NURSES' PAY

The Economic Secretary asked whether nurses had yet received their pay award.

AGT

A G TYRIE



FROM: A G TYRIE

DATE: 20 JULY 1987

CHANCELLOR'S MORNING MEETING**15TH MEETING****NOTE FOR THE RECORD**

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr M Lennox-Boyd MP
Mr N Forman MP
Mr Cropper

1. HUSBAND AND WIFE

The Financial Secretary's statement on husband and wife given on 18 March would remain the line to take.

2. TAX HARMONISATION

The Chancellor said he would consider making an informal speech at the time of ECOFIN in September setting out "the regiment of Achilles heels" in the Cockfield package.

3. THE ROYAL MINT

The Chancellor said that Prince Philip had agreed ^{to} the Paymaster General's attendance at future meetings of the advisory committee on the coinage.

4. BUILDING SOCIETIES ANNOUNCEMENT

The Economic Secretary was asked to make an exceptionally boring announcement in mid-August. An Order would be laid before the House when it returned.

5. R & D PAPER

The Financial Secretary would draw Peter Riddell's attention to this.

6. PARTY CONFERENCE

Mr Lennox-Boyd would use his best endeavours to ensure that the Debate was on the economy and not on narrower aspects.

7. EUROPEAN COURT

It was agreed that, in the circumstances, the Government should be prepared to release the details of its case, notwithstanding the Cabinet Office's concern for the Commission's feelings.

AGS.
A G TYRIE

CONFIDENTIAL



FROM: A G TYRIE

DATE: 24 JULY 1987

CHANCELLOR'S MORNING MEETING

16TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Lennox-Boyd MP
Mr Forman MP
Mr Stern MP
Mr Favell MP
Mr Maples MP
Mr Twyman

1. OPPOSITION WHIP

Mr Lennox-Boyd reported that Mr Tony Banks was likely to be the Opposition Treasury Whip.

2. PARTY CONFERENCE MOTION

Mr Twyman was asked to ensure that the second and unrelated section of the draft motion (which had been added in error) was removed.

3. 10 MINUTE RULE BILL

As a contingency the Chancellor asked Messrs Lennox-Boyd and Forman to work on the basis that the Procedure Committee did not remove the 10 Minute Rule Bill slot on Budget Day.

4. BUDGET COUNCIL

The Paymaster General reported that the German Finance

CONFIDENTIAL

Minister had bowled a long hop to the Paymaster General which he had despatched to the long grass, looking for ways of spending more without breaching the 1.4 ceiling. Apart from an interval, permitting Lord Plumb to play the role of the Queen, the remaining seven hours were spent looking for the ball.

5. BAA TENDER

The Financial Secretary reported that the tender had worked well and should be considered for future privatisations.

M-May
pp A G TYRIE

POST PRAYERS

1. BRITISH GAS DISPOSAL

The Financial Secretary would sit on the disposal of the Department of Energy's residual holding.

2. PRIVATISATION ADVISERS

The Chancellor said that Advisers for the privatisation of electricity had been narrowed down to two. This was too small a number from which to choose. The Financial Secretary would widen the options.

3. PUBLIC EXPENDITURE CABINET

The Chancellor reported that there had been considerable general support from colleagues for taking hard decisions on public expenditure, particularly in the social security field. The Chancellor and the Chief Secretary would discuss this in a bilateral.

4. VAT AND BOOKS

The Paymaster General would hold back replies until after next Monday's meeting. Mrs Chalker's letter to Mr Bradley was unfortunate.

5. SPACE CRAFT - CGT ROLLOVER RELIEF

It was agreed that CGT rollover relief, retrospective to today, should be announced in a short press statement by the Financial Secretary.

CONFIDENTIAL



FROM: A G TYRIE

DATE: 24 JULY 1987

CHANCELLOR'S MORNING MEETING

16TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Lennox-Boyd MP
Mr Forman MP
Mr Stern MP
Mr Favell MP
Mr Maples MP
Mr Twyman

1. OPPOSITION WHIP

Mr Lennox-Boyd reported that Mr Tony Banks was likely to be the Opposition Treasury Whip.

2. PARTY CONFERENCE MOTION

Mr Twyman was asked to ensure that the second and unrelated section of the draft motion (which had been added in error) was removed.

3. 10 MINUTE RULE BILL

As a contingency the Chancellor asked Messrs Lennox-Boyd and Forman to work on the basis that the Procedure Committee did not remove the 10 Minute Rule Bill slot on Budget Day.

4. BUDGET COUNCIL

The Paymaster General reported that the German Finance

CONFIDENTIAL

Minister had bowled a long hop to the Paymaster General which he had despatched to the long grass, looking for ways of spending more without breaching the 1.4 ceiling. Apart from an interval, permitting Lord Plumb to play the role of the Queen, the remaining seven hours were spent looking for the ball.

5. BAA TENDER

The Financial Secretary reported that the tender had worked well and should be considered for future privatisations.

M-May

PP A G TYRRE

POST PRAYERS

1. BRITISH GAS DISPOSAL

The Financial Secretary would sit on the disposal of the Department of Energy's residual holding.

2. PRIVATISATION ADVISERS

The Chancellor said that Advisers for the privatisation of electricity had been narrowed down to two. This was too small a number from which to choose. The Financial Secretary would widen the options.

3. PUBLIC EXPENDITURE CABINET

The Chancellor reported that there had been considerable general support from colleagues for taking hard decisions on public expenditure, particularly in the social security field. The Chancellor and the Chief Secretary would discuss this in a bilateral.

4. VAT AND BOOKS

The Paymaster General would hold back replies until after next Monday's meeting. Mrs Chalker's letter to Mr Bradley was unfortunate.

5. SPACE CRAFT - CGT ROLLOVER RELIEF

It was agreed that CGT rollover relief, retrospective to today, should be announced in a short press statement by the Financial Secretary.



FROM: A G TYRIE

DATE: 27 JULY 1987

CHANCELLOR'S MORNING MEETING

17TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper

1. PRAYERS

The Chancellor said that he would hold one more Prayers meeting, on Friday 31 July.

2. PRIVATISATION SEMINAR

The Financial Secretary would organise a seminar on privatisation, to take place after the August break. The purpose of this would be to take stock of what had been learnt in the course of privatisation issues so far. As well as Treasury Ministers and the departmental privatisation team, outsiders would be invited - such as Messrs Richardson, Chown, Hyman, Gordon Pepper and Sir David Scholey. The seminar would consider, among other things, the pricing of issues, the basis of allotment and the degree of competition in underwriting.

3. ELECTRICITY PRIVATISATION ADVISERS

The Financial Secretary would talk to the Secretary of State for Energy about enlarging the short list to three.

4. CHAIRMANSHIP OF BRITISH GAS

The Chancellor said it would be important that institutions bring some influence to ensure a suitable successor to Sir Denis Rooke.

5. PRE-BUDGET LOBBYING

The Economic Secretary said we should do all we could in advance to prevent damage being done by pre-Budget lobbying. The Chancellor would consider whether this year he would attend the Backbench Finance Committee meeting after the Autumn Statement. This would be a good opportunity to remind backbenchers not to allow themselves to be carried away by the lobbyists.

6. TAX APPROXIMATION

The Chancellor would minute the Prime Minister and the Foreign Secretary with the line decided at this morning's meeting.

7. TAX REFORM

The Chancellor would consider the possibility of a "mini-Chevening" to run through the possibilities in the Autumn.

pp M-May
A G TYRIE



FROM: P J CROPPER
DATE: 2 September 1987

CHANCELLOR'S MORNING MEETING

18TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Mr Cropper
Mr Tyrie
Mr Call

1. SPECIAL ADVISERS

The Chancellor welcomed Mr Mark Call as Special Adviser to the Chief Secretary.

2. NATIONAL LOTTERY

The Financial Secretary would liaise with Mr Richard Luce concerning the development of ideas for a National Lottery. It was very important that nothing should be said outside on the topic.

3. EMPLOYEE BENEFITS

It was felt that there was no reason why employers should not assist employees with the cost of removal to an expensive part of the country, but there was no case in principle for tax relief on such monies. The Financial Secretary would seek more information about the criteria used at present for giving tax relief, and about the present quantum. Information was also sought on foreign governments' practice.

The Financial Secretary would look again at the application of tax relief to the benefit of subsidised house-purchase loans below the £30,000 level.

4. GOVERNMENT DATA NETWORK

The Paymaster General reported on the situation on GDN procurement.

5. VISIT OF MR CHRISTOPHERSEN

The Paymaster General would offer to be in attendance at the Prime Minister's forthcoming meeting with Mr Christophersen.

6. THE ECONOMY

The Chancellor reported that the economy continued to go very satisfactorily and foresaw that markets would settle down once the grown-ups returned to their desks in the City.



P J CROPPER

CONFIDENTIAL



FROM: A G TYRIE

DATE: 4 SEPTEMBER 1987

CHANCELLOR'S MORNING MEETING

19TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Mr Cropper
Mr Tyrie
Mr Call

1. TREASURY CHRISTMAS CARD

The Paymaster General undertook to edit a short biography of Pitt.

2. TAX APPROXIMATION

Lord Cockfield's proposals would not be taken in ECOFIN. The Paymaster General would therefore probably not attend the meeting of the EDG, planned for 16 September.

3. BP LOYALTY BONUS

The Chancellor was convinced the Government should be firm with BP in not agreeing to pay the cost of a loyalty bonus to those retaining their allotments following the forthcoming issue.

4. EDU: STOLTENBERG'S INVITATION TO BONN

The Paymaster General would be happy to attend a meeting of right wing finance ministers and shadow finance ministers to be held in Bonn on 20 November at the invitation of

Mr Stoltenberg.

5. THE ROYAL MINT

The Paymaster General would speak to Mr Gerhard about the rotating design, and steps would be taken to ensure that Ministers were adequately informed as to the outcome of the recent public consultation on coinage.

6. PRESENTATION

Advisers were asked to think imaginatively about the presentation of the Government's economic policy and record in the post-election situation.

7. UK-FRANCE ECONOMIC STATISTICS

The Chancellor said that he would like to use figures comparing per capita GDP for France and the UK, if at all possible, in his Party Conference Speech.



A G TYRIE



FROM: P J CROPPER
DATE: 7 September 1987

CHANCELLOR'S MORNING MEETING

20TH MEETING

NOTE FOR THE RECORD

Present: Chancellor ←
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES

From the Chief Secretary.

2. COBO AND THE NEW ISSUE QUEUE

It was doubtful whether the 1946 Act provided a sound basis for a queue operated as at present. In any case it was very difficult to pinpoint any harm that could come from abolishing it. The Chancellor felt it was now otiose, feeling that the advent of a world capital market in the last few years had fundamentally changed the situation. It was agreed that the Economic Secretary should take one or two soundings and report back, but avoid market operators with a direct interest in privatisation issues.

3. PEPS

The Chancellor thought there were one or two aspects that might have to be changed. He did not consider that front end tax relief was on, and would be reluctant to increase the quantum. We should look again at the rules on company accounts, and the Framlington/Miller proposals could be reviewed. Robert Fleming, owners of Save and Prosper, had made some sensible suggestions.

4. CROWN AGENTS

It was by no means clear that the Treasury could insist on full payment of interest by the Crown Agents to the Treasury. The 1979 Crown Agents Act gave the Minister for Overseas Development considerable powers to determine the extent of interest obligations and the level of rates to be charged.

5. SOUTHAMPTON UNIVERSITY CONSERVATIVE ASSOCIATION

The Economic Secretary would be pleased to speak for the Chancellor but would need to check up on a parallel debating fixture at Southampton University.

6. REVENUE BOOKLET ON MPs PAY

Ministers welcomed the production of this booklet at the commencement of a new Parliament. The Financial Secretary asked colleagues to read the draft carefully and comment to him. He would show the draft to the Leader of the House and the Chief Whip.

7. STRASBOURG

Mr Prout had accepted the case for cancellation of the Paymaster General's imminent visit, and would speak to Mr Ben Patterson MEP.

8. DATA PROTECTION

Lord Young had written about an aspect of Data Protection. More needed to be known about the DTI interest in the matter.

9. BANKS

The Economic Secretary observed that things were hotting up on the bank takeover front, with announcement of the Hanson stake in Midland.

10. CPSA

The leadership of the CPSA was proposing a ballot of members on affiliation to the Labour Party. It might be wise for the Government to set out its position on affiliation of civil service unions in advance so that members knew where they stood. The Paymaster General would watch carefully.



P J CROPPER

CONFIDENTIAL



FROM: P J CROPPER
DATE: 9 September 1987

CHANCELLOR'S MORNING MEETING

21ST MEETINGNOTE FOR THE RECORD

Present: Chancellor ←
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES

From the Chief Secretary.

2. TAX APPROXIMATION

It was thought likely that this subject would come up at the October Ecofin and it would be difficult for the Paymaster General to stall indefinitely on his visit to Strasbourg. The Chancellor and Paymaster General would have a talk directly after Washington and there would have to be a larger meeting with Ministers and officials thereafter.

3. EUROTUNNEL AND PEPS

It would be very difficult to allow Eurotunnel shares into PEPs on the normal basis. It was worth considering whether there could be a Eurotunnel-only PEP, by analogy with the BAT PEP.

4. WOMEN AND TAX

It was noted that the Women's National Commission was submitting its ideas on transferable allowances to the

Ministerial Group on Women's Affairs. It would be important to ensure that the latter did not get too deeply involved in tax matters.

5. STUDENT LOANS

A Treasury meeting, with Ministers, officials and advisers, should be held at the earliest opportunity to reconsider the subject of student finance.

6. SCOTLAND

The Economic Secretary was planning a Scottish visit. The Chancellor asked the Economic Secretary or the Financial Secretary whether they would be able to attend the Scottish Young Conservatives conference in November on his behalf. They would consider.



P J CROPPER

CONFIDENTIAL



FROM: MARK CALL
DATE: 11 SEPTEMBER 1987

CHANCELLOR'S MORNING MEETING

22ND MEETINGNOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary.
2. CONFERENCE ON TAX REFORM

It was agreed that it would be unwise for the Financial Secretary to attend a conference on tax reform, or to enter into theoretical discussions of tax reform ahead of next year's Budget.

3. VISIT TO INLAND REVENUE COMPUTER CENTRE AT TELFORD

The Financial Secretary had been much impressed by his visit to Telford. Mr Matheson had provided strong leadership, helped by the fact that he had remained in the same position for an unusually long period by Civil Service standards. A particular feature was the close co-operation between Revenue officials and the staff of ICL and other consultants. The Financial Secretary had asked himself why a computerisation project of such large scale had not produced even greater manpower savings elsewhere in the Inland Revenue organisation, and would be following up that thought.

4. MR CHRISTOPHERSON'S MEETING

The Paymaster General reported that a very effective case had been put by the Prime Minister, drawing on the Court of Auditors' Report on Food Aid.

MC
MARK CALL

CONFIDENTIAL



Aske
(see over)
AWP

FROM: MARK CALL
 DATE: 16 SEPTEMBER 1987

CHANCELLOR'S MORNING MEETING

23RD MEETINGNOTE FOR THE RECORD

Present: Chancellor
 Financial Secretary
 Paymaster General
 Economic Secretary
 Mr Lennox-Boyd, MP
 Mr Forman, MP
 Mr Favell, MP
 Mr Maples, MP
 Mr Stern, MP
 Mr Tyrie
 Mr Call

1. APOLOGIES were received from the Chief Secretary and Mr Cropper.

2. TAX REFORM

The Chancellor thanked Mr Forman for his thoughts on tax reform, and said he would be grateful for the views of other PPSs.

3. CUSTOMS & EXCISE INTERVIEW

The Paymaster General said it was regrettable that an interview had been published in Customs & Excise house magazine which aired views on the discontent over pay and relationships between Ministers and Civil Servants. This issue was likely to be picked up subsequently in the House. It was agreed that the Paymaster General would raise the matter with Mr Unwin.

CONFIDENTIAL

4. PARTY CONFERENCE SPEECH

The **Chancellor** requested thoughts about the appropriate tone and content of his Party Conference Speech. Suggestions were:

- Reiteration of the advantages of privatisation in the light of recent discussion of BT's performance and of the future role of the CEGB.
- Third World Debt. The Chancellor's initiative provided an opportunity to show the "human face of capitalism".
- Stressing that a strong economy is the necessary underpinning for other programmes.
- Confidence but not complacency: "businesses can go ahead with confidence, but the socialist rattlesnake is still alive". The metaphor was extended with an allocation of the role of mongoose to the SDP/Alliance.

The **Chancellor** said he would welcome further points on this.

mc.

MARK CALL



FROM: P J CROPPER
DATE: 18 September 1987

CHANCELLOR'S MORNING MEETING

24TH MEETING

NOTE FOR THE RECORD

Present: Chancellor ←
Chief Secretary
Financial Secretary
Paymaster General
Mr Nigel Forman MP
Mr Cropper
Mr Tyrie

1. **APOLOGY**

Received from Mr Mark Call.

2. **CONFERENCE SPEECH**

Mr Tyrie would submit a skeleton of the speech for the Chancellor's weekend box, and work it up into a speech while he was abroad.

3. **BP ISSUE**

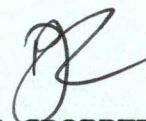
It was satisfactory that there had been no critical comment on the announcement that the rights shares would be excluded from loyalty bonus. It should be pointed out to Sir Nicholas Goodison and others that the loyalty bonus on the majority of the shares would encourage retention and alleviate the settlement problem.

4. **EUROPEAN COMMUNITY**

The Paymaster General reported on 19 hours of hard pounding at the Budget Council, with no ground given by the British and no "form of words".

5. CREDIT CARDS

The Economic Secretary queried whether the Government should protest to Barclays about their new competition for high plastic card spenders. It was agreed that verbal complaints would be appropriate when Treasury Ministers met individuals from Barclays. The Economic Secretary would elucidate the position on minimum repayment terms for credit cards. It would also be useful to know the comparison between borrowing rates on Gold Cards and on ordinary overdraft, for private and for business purposes.



P J CROPPER

CONFIDENTIAL



FROM: P J CROPPER
 DATE: 21 September 1987

CHANCELLOR'S MORNING MEETING

25TH MEETINGNOTE FOR THE RECORD

Present: Chancellor ←
 Chief Secretary
 Financial Secretary
 Economic Secretary
 Mr N Forman *MP*
 Mr Cropper
 Mr Tyrrie

1. APOLOGIES

Received from the Paymaster General, Mr Lennox Boyd and Mr Call.

2. PUBLIC EXPENDITURE

In line with normal practice, the Treasury would not comment on speculation about DHSS matters. It was necessary to remember that the context of all such discussion would shortly be changed, when the "Fowler Reforms" come into action.

3. HEALTH

The agitation for extra expenditure on cancer treatment for children was noted. It was observed that complaints always came back to "the Government". Did not the administrators and the consultants carry the main responsibility for allocation of resources in the Health Service? Were Ministers contributing to their own discomfort by failing to make sufficiently clear that the NHS was an organisation, like any other, in which much power and responsibility rested with those charged with running it? Or should Ministers interfere more in the setting of priorities, given that they would get the flak in any case?

A handwritten signature in dark ink, appearing to be 'P J Cropper'.

P J CROPPER

CONFIDENTIAL



FROM: MARK CALL
DATE: 2 OCTOBER 1987

CHANCELLOR'S MORNING MEETING26TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Mr Lennox-Boyd, MP
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary, the Economic Secretary and Mr Cropper.

2. IMF MEETING

The Chancellor reported on what he felt had been a most successful visit to Washington. Reaffirmation of the Louvre Agreement without a change in parities had been achieved. While the Sub-Saharan Debt Initiative had not been accepted per se, it had helped to change the focus of the debate.

3. EUROPEAN BUDGET COUNCIL

The Paymaster General reported on his attendance at the Budget Council to discuss the overrun on the European Budget. This was no cricket match, more like a rerun of the Battle of the Thermopylae, and while the Spanish and Greek guerillas were on our side, the outcome was inconclusive. There was still a chance that progress could be made before the deadline on 5 October. The First Reading was scheduled for 18 November, with a Vote on the 19th.

Mc

MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 5 OCTOBER 1987

CHANCELLOR'S MORNING MEETING27TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Mr Forman, MP
Mr Lennox-Boyd, MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary.
2. CPSA BALLOT

The recent decision of the CPSA to take a ballot on affiliation to the Labour Party was noted. The Chancellor was in favour of firm action and approved the Paymaster General's approach set out in the minute of the meeting of 2 October. The Chancellor asked the Paymaster General to pursue through the usual channels the question of which of the two legislative routes was most appropriate.

3. THE PITT BUST AT NO.10

Given the lack of obvious alternatives for No.10 the status quo was likely to prevail.

4. MEETING WITH BEN PATTERSON, MEP

The Paymaster General would be present at the Chancellor's meeting with Mr Patterson on 23 October for discussion of EEC Budget matters.

CONFIDENTIAL

5. STANDARD LETTER ON BUILDING ALTERATIONS

The Chancellor agreed with the Paymaster General that it was now time for the standard letter to be updated, giving emphasis to the administrative impossibility of the former definition of VAT liability.

6. SIB

It was felt that the interpretation by the SIB of the Financial Services Act had become excessively bureaucratic and legalistic. The City had been surprisingly slow in reacting to this.

7. THE EEC BUDGET

There was a discussion of tactics to adopt in the light of new developments at the meeting of Foreign Ministers over the weekend. The Chancellor agreed that the Paymaster General should be prepared to go to a follow up meeting as a sign of the seriousness with which the UK regard this matter.

8. CHANCELLOR'S PARTY CONFERENCE SPEECH

The Chancellor referred to the revised version of the speech which had been circulated and asked for specific comments during the course of the day. While it was too late to change the structure, some drafting improvements were needed.

9. APPOINTMENT OF THE CHARITY COMMISSIONER

The Economic Secretary referred to developments in the choice of a new Charity Commissioner. The Selection Committee had now agreed on a name and four reserves.

CONFIDENTIAL

10. APPOINTMENT OF A NEW DEPUTY MASTER OF THE ROYAL MINT

There were two candidates on the short list for a successor to Dr Gerhard. Neither of these was a civil servant, both having business backgrounds. One was aged 59. The Chancellor asked the Paymaster General to find out whether this was a post with a retirement age of sixty and, if not, whether there was any objective to appointment of a person in his or her late fifties.

MC
MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 12 OCTOBER 1987

CHANCELLOR'S MORNING MEETING28TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary and the Financial Secretary.

2. GUEST HOUSES AND SUPPLEMENTARY BENEFIT

Mr Lennox-Boyd said that about a third of boarding houses in his constituency were taking in supplementary benefit "guests", and that this was becoming a racket. The Economic Secretary said that a plot of unemployment by constituency showed that this was rising in coastal constituencies, indicating that the problem raised was a widespread one. The Chancellor suggested that Mr Lennox-Boyd raise the matter with the Chief Secretary and the Secretary of State for Health and Social Security.

3. CHANCELLOR'S PARTY CONFERENCE SPEECH

Mr Lennox-Boyd reported that the Chancellor's speech had been very well received. The Chancellor said he was grateful to all those who had helped in its drafting.

CONFIDENTIAL

4. QUESTIONNAIRE ON ECONOMIC BRIEFING CARDS

The Chancellor asked Mr Cropper to co-ordinate a collective response from Ministers and Advisers.

5. CHATHAM HOUSE SEMINAR

Mr Forman would attend the Chatham House Seminar entitled "Conservative Revolution on Economic Policy" on 23 October instead of the Chancellor. It was noted that as well as Sir Terence Burns, five non-Treasury economists would be addressing the Seminar. The Chancellor asked for a note of the meeting.

6. PAYROLL DEDUCTION FOR CHARITIES

The Paymaster General reported that payroll giving arrangements for MPs were in hand and that Ministers would have the option of joining through their own Departments. Mr Cropper would reactivate the Party Organisation by writing to the Chairman.

7. TAX ON GOLD BULLION

The Paymaster General reported that he was pursuing a stamp duty type tax instead of VAT for gold bullion. The problem with VAT was that once applied it could never be removed, only the rate reduced. The Chancellor agreed that it would not be helpful to have another rate of VAT, and so he was in favour of pursuing this tax if it could be made "Community-proof".

8. RELATIONS BETWEEN POLICE AND CUSTOMS

The Paymaster General said that the escape of Mr Chrastny from police custody had not helped. However, it would be unwise to say much before the next meeting on this subject.

CONFIDENTIAL

9. VAT ON HOUSING

The Paymaster General reported that the Customs had underestimated by about one third the potential amount of VAT on house sales in the reply to Mr Austin Mitchell, MP made in the Summer. Customs want to publish the corrected figure, but the Paymaster General felt this would be unwise before the Advocate General had produced his opinion in mid-November. The Chancellor agreed that it would be better to wait, but that the revised figure could be released if the pressure became great.

10. NEW COINAGE PROPOSALS

The Paymaster General reported that a meeting had taken place between Miss Noble, Mr Andren and the Mint, to look at the 3,000 responses which had been received. The results from the correspondence (as opposed to institutional responses) now indicated a majority in favour of Option 4. The analysis by the Mint appeared to have been made on sensible classifications of the points contained in the letters and the Paymaster General said he was not sure whether significant analytical improvements could be made by Treasury officials. In any case, a refinement of the analysis would be unlikely to change the overall message. The Chancellor agreed that it would be appropriate to leave the matter there, but asked the Paymaster General to maintain a watching brief over this and to reserve the right to look at papers.

Mc

MARK CALL

CONFIDENTIAL

9. VAT ON HOUSING

The Paymaster General reported that the Customs had underestimated by about one third the potential amount of VAT on house sales in the reply to Mr Austin Mitchell, MP made in the Summer. Customs want to publish the corrected figure, but the Paymaster General felt this would be unwise before the Advocate General had produced his opinion in mid-November. The Chancellor agreed that it would be better to wait, but that the revised figure could be released if the pressure became great.

10. NEW COINAGE PROPOSALS

The Paymaster General reported that a meeting had taken place between Miss Noble, Mr Andren and the Mint, to look at the 3,000 responses which had been received. The results from the correspondence (as opposed to institutional responses) now indicated a majority in favour of Option 4. The analysis by the Mint appeared to have been made on sensible classifications of the points contained in the letters and the Paymaster General said he was not sure whether significant analytical improvements could be made by Treasury officials. In any case, a refinement of the analysis would be unlikely to change the overall message. The Chancellor agreed that it would be appropriate to leave the matter there, but asked the Paymaster General to maintain a watching brief over this and to reserve the right to look at papers.

MC

MARK CALL

CONFIDENTIAL

A
A
C
J
N

FROM: P J CROPPER
DATE: 16 OCTOBER 1987

CHANCELLOR'S MORNING MEETING30TH MEETINGNOTE FOR THE RECORD

Present: Chancellor ←
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from Mr Forman.

2. BRITISH PETROLEUM

The Financial Secretary would contact the 'Daily Telegraph' to protest about the story that "the Government has lost £260 million on the BP sale", which seemed to be based on the difference between the price of 345p that might have been obtained earlier, and the 330p that was obtained.

3. AVERAGE EARNINGS

It was felt that we should continue as we are, without making some special statement: we should use figures for adult male earnings unless the context clearly called for something else, in which case we would make clear what we were doing.

4. CONTROL OF BORROWING ORDER

The compromise of setting a minimum figure, above which notification would continue to be necessary, was not attractive. The case for abolition of COBO was strong, but the Chancellor would consider further.

5. TCSC MEMBERSHIP

Possible new members for the TCSC, in alphabetical order: Boswell, Quentin Davies, French, Redwood. Possible candidates for replacement: Beaumont Darke, J Browne, Budgen. Names might soon be required for PAC. The Chancellor would be seeing Mr Terence Higgins.

6. BACKBENCH BRIEF

There was thought to be a case for changing the basis of Parliamentary briefing on the Autumn Statement. The Department might be asked to produce a factual brief which would be made available in the Vote Office as well as the Government Whips Office, while Special Advisers produced a shorter political speaking note specifically for Conservative Members. Mr Cropper would discuss with the Principal Private Secretary.

7. AUTUMN STATEMENT AND ECONOMIC FORECAST

Although no firm assumption had to be made public in material published at the time of the Autumn Statement, it had to be expected that the TCSC would ask for the underlying assumptions on the own resources VAT figure.



P J CROPPER



FROM: MARK CALL
DATE: 19 OCTOBER 1987

CHANCELLOR'S MORNING MEETING

31ST MEETING

NOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary.
2. MEMBERSHIP OF THE TCSC

There was further discussion of the names to be put forward to the Committee of Selection. Mr Forman proposed that the name of Mr Ian Taylor be added to the list of potential members. Mr Lennox-Boyd is to put forward tentatively the names discussed and report back to Wednesday's meeting.

3. PUBLIC ACCOUNTS COMMISSION

The Chancellor said that in looking for a new Chairman for the Commission it would be normal to look at former Chairmen of the PAC. Since there were no former PAC Chairmen available it was natural to look among existing members. Thus Mr Terence Higgins, Sir William Clark and Sir Peter Hordern were potential candidates. However,

CONFIDENTIAL

of these, Mr Higgins was preoccupied with the TCSC, and Sir William Clark with the Finance Committee, leaving Sir Peter Hordern as the obvious candidate for the Commission.

For the one or possibly 2 other vacancies on the Committee, the names of Sir Michael Shaw and Mr M Shersby could be put forward.

4. CHAIRMANSHIP OF THE MANPOWER SERVICES COMMISSION

With Sir Bryan Nicholson moving to the Chairmanship of the Post Office on Thursday of this week, and his intended replacement deciding that he would be unable to take up the position, the Chancellor asked for any suggestions for a new Chairman of the MSC as soon as possible. It was likely that for a short while the position would be vacant, and only if the search for a replacement were protracted would a caretaker chairman be appointed.

5. KEITH REPORT IMPLEMENTATION

The Paymaster General referred to the Customs review of Keith penalties, and said he would only raise controversial items with the Chancellor.

6. PAYMASTER GENERAL'S INTERVIEW WITH BUSINESS WEEK

Since the Chancellor gave an interview only last month to Business Week, the possibility of withdrawing the Paymaster General from this commitment should be investigated.

7. BROADCASTING

The Financial Secretary had attended MISC128 and was disappointed with the apparently slow progress envisaged on liberalisation of broadcasting. The Chancellor had not formed this impression on attending MISC128 in the past, but suggested to the Financial Secretary that Treasury officials might be asked to comment on the trend of affairs.

PAP

MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 21 OCTOBER 1987

CHANCELLOR'S MORNING MEETING31ST MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Favell, MP
Mr Maples, MP
Mr Stern, MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Economic Secretary.
2. THE STOCK MARKET

There was some discussion of the circumstances surrounding and implications of the fall in the Stock Market. The Chancellor said he was under no obligation to report to Parliament changes in the Stock Market. However, a PNQ reply was being prepared on a contingency basis. Mr Lennox-Boyd felt that the pressure was likely to come from a question regarding the forthcoming BP share sale. The Chancellor stressed that the BP sale would proceed and that while wider share ownership objectives may not be met the offer would be successfully underwritten. Mr Twyman said that Conservative Central Office had received no phone calls regarding the BP sale in the aftermath of the Market's fall, indicating that the public understood that markets can go down as well as up. Mr Call is to prepare the Members' Brief on the Stock Market and BP.

3. STORM DAMAGE

The Chief Secretary reported that a statement would be made to the House by Mr Ridley and possibly by Mr Walker, announcing that the Bellwin formula would be implemented. The detail of its application would need to be looked at carefully, and there was some public misunderstanding of it.

4. NEW CHAIRMAN FOR MANPOWER SERVICES COMMISSION

The Chancellor reported that Mr Fowler had appointed a caretaker chairman. He asked for any ideas on potential candidates for permanent chairman to be put forward to his private office.

5. BACKBENCHERS' BRIEF ON COMMUNITY FINANCING

The Paymaster General noted that a Members' Brief would be required in the next fortnight on community financing.

PTB

MARK CALL

~~ALEX~~ ANDREW

TONY ~~DEBBIE~~

CATHY NIGEL



FROM: MARK CALL
DATE: 23 OCTOBER 1987

CHANCELLOR'S MORNING MEETING

33RD MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Cropper
Mr Tyrie
Mr Call

1. BACKBENCHERS' VIEW ON STOCK MARKET EVENTS

Mr Lennox-Boyd reported that the reaction of Backbenchers to recent events was remarkably low key. Most seem to feel that this was a temporary aberration. They were still asking themselves why this had happened, rather than urging corrective action.

2. NINE O'CLOCK NEWS ITEM ON STUDENT GRANTS

The Chief Secretary referred to last night's 9 o'clock News which alleged that student grants would be increased only 2½%, and that this was a prelude to the introduction of student loans. It also claimed that a majority of the Select Committee had said that student support was inadequate, and concluded that a Backbench revolt was looming. The Secretary of State for Education had told the Chief Secretary last night that he had seen no papers to substantiate this story, and that it was his intention to uprate the parental contribution in line with ^{earnings}inflation. He undertook to consult fully with HMT on this matter. In the meantime, DES had put out a denial.

3. PAYROLL GIVING FOR MINISTERS

The Paymaster General would write to all Government Ministers informing them that payroll giving arrangements were available to them either through the House of Commons scheme or through their current Departmental scheme, but not both. It would be up to them to decide which scheme to use.

4. W.H. SMITH RECEPTION

The Paymaster General would attend this Reception, primarily concerned to lobby MPs in the House about books and VAT, despite the Customs advice to the contrary.

5. INVITATION TO GREATER LONDON AREA CPC ANNUAL CONFERENCE

The Paymaster General had been invited to reply to a motion which proposed tax reforms to reverse the disincentives to marriage, and wondered whether it would be wise to accept. The Chancellor said that while there was sufficient material on this subject for a speech in the Green Paper, the Financial Secretary's contribution to a debate in the House, and at the Party Conference, the Motion as currently worded could present difficulties. Since they had asked for the Paymaster General's views on the wording of the Motion he should propose an acceptable form of words. Failing this, they would have to invite someone else.

6. INVITATION TO GREATER LONDON YC'S ANNUAL CONFERENCE

The Economic Secretary reported that he had been invited to respond to a Motion which contained references to public expenditure and tax reduction, at the Greater London Young Conservative's Annual Conference on 31 October. Because of the awkward timing of this conference in relation to the Autumn Statement, the Economic Secretary would make a general speech on the economy and markets with only broad references to the policy aim of reduced taxation.

CONFIDENTIAL

7. REFORM OF CUSTOMS REGULATIONS

The Paymaster General referred to the changes in Customs regulation in the Single Administrative Document which is due to come into effect on the 1st January 1988. The Chancellor proposed that a start date of 1 April rather than 1 January would give traders more chance to adapt to the new system. It will also allow him to produce a budget based on reliable trade figures, since the changeover would lead to obscurity in the trade figures for a few months during the transition. Because of the market sensitivity of the trade figures it would be sensible to avoid such a change in the run-up to the Budget.

The Paymaster General suggested that the ambiguity in the trade figures would be minimised by ensuring that traders were well-educated to the changes. The Chancellor agreed and said that it was Customs' job to do this. This was a further reason why postponement to 1 April made sense.

8. ECONOMIC BRIEFING CARDS

In reviewing the usefulness of these cards the Chancellor asked Advisers to consider, in addition to continuation of the cards, whether changes to the content were appropriate. Mr Cropper said he would review the questionnaire responses of Ministers in other Departments, and put the question to a meeting of Special Advisers on 30 October.

Mc
MARK CALL



FROM: MARK CALL
DATE: 26 OCTOBER 1987

CHANCELLOR'S MORNING MEETING

34TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. BP SHARE OFFER

There was a discussion of the implications of recent developments in the stock market for the forthcoming BP share offer.

2. COMMUNITY CHARGE IMPLEMENTATION

The Chancellor referred to Mr Ridley's proposal that local authorities be given the option of phasing in the new community charge or introducing it in one go, and said that it was disappointing that Special Advisers had not been circulated with this proposal. Mr Tyrie said that he had received a copy only this morning from the Special Adviser at the Department of the Environment. Mr Tyrie would prepare a critique of the proposals, to be included in the Chancellor's box at the end of the day.

3. BROADCASTING

The Chancellor referred to a note on the constitution of ITN. He asked Mr Tyrie to let him have a note on this and on other developments in this field and as when they arise.

4. POST-PRAYERS ITEM: TAX REFORM

There was a discussion of a note submitted by Mr Cropper on the tax and NIC treatment of the self-employed.

Mc
MARK CALL

CONFIDENTIAL



FROM: MARK CALL

DATE: 28 OCTOBER 1987

CHANCELLOR'S MORNING MEETING35TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman MP
Mr Maples MP
Mr Favell MP
Mr Stern MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Call

1. PNQ 28TH OCTOBER

PPS's reported that the PNQ debate was felt to have gone extremely well. The Chancellor said that the Treasury had, unusually, received many phone calls from the general public all wanting the BP sale to proceed.

2. BACKBENCH FINANCE COMMITTEE

Professor Kay of the London Business School had addressed the Committee following the PNQ debate and had spelt out the implications of the stock market fall for recession in the UK and the US. The Chancellor said that while this could have a dampening effect in the UK, the main impact would be in the United States. Because of the strength of the UK economy we could expect a slow down but not a recession.

3. CHILD BENEFIT

Mr Favell reported that the decision not to uprate the child benefit had a mixed reception among backbenchers. The Chancellor said that he was disappointed that the papers had reported this item with no mention of the compensating Income Support or Family Credit.

4. TREASURY QUESTIONS OCTOBER 29TH

The Chancellor said that if it was possible he would make his statement on BP in advance of Questions on Thursday.

5. CORRECTION TO MINUTES OF 33RD MEETING

To avoid possible confusion the Economic Secretary's Private Office asked me to note that the subject of his speech to the Greater London Young Conservatives would be the Government's past record on taxation and the general case for reducing taxation, and not a general speech on the economy and markets.

PP
RCJ.
MARK CALL

CONFIDENTIAL



FROM: MARK CALL

DATE: 30 OCTOBER 1987

CHANCELLOR'S MORNING MEETING36TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lennox-Boyd MP
Mr Forman MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES

Apologies for absence were received from the Paymaster General.

2. BP

Mr Lennox-Boyd reported that the Chancellor's statement had gone down extremely well in the House, and he had received praise from some unexpected quarters.

3. PUBLIC ACCOUNTS COMMISSION

Sir Peter Hordern had accepted the Chairmanship of the Public Accounts Commission on condition that he give up membership of the Public Accounts Committee. The Financial Secretary is to consider candidates for the vacancy so created on the Committee.

4. BACKBENCH FINANCE COMMITTEE

The Chief Secretary has been invited to address the Backbench Finance Committee next Tuesday on the Autumn Statement and public

expenditure. Since the Chancellor would normally have done this it would be helpful if it was made clear that there had been a specific request for the Chief Secretary.

5. SUPPLEMENTARY ESTIMATES FOR BP SALE

The BP sale had now had plenty of airing and there was no case for giving any more Parliamentary time to the supplementary estimate.

6. PUBLIC EXPENDITURE CABINET

While the statement was straightforward, Post-Cabinet Lobby briefing might have left the unhelpful impression that the outcome could have been better than that actually achieved. This had not been picked up by the newspapers.

7. SUPPLY DAY DEBATE: NOVEMBER 5TH

The Opposition had changed the motion to 'The economic implications of the collapse in the financial markets'. This was probably so that they could continue to raise the BP question and avoid more general questions of economic policy, so shielding Mr Gould. In view of this the Financial Secretary would wind up the debate. In addition to quotes of Mr Kinnock advocating the US fiscal deficit, it would be useful to have a statistical analysis of the many Labour questions on this issue. Mr Tyrrie will arrange this. The Chancellor would hold a meeting today with advisers and Mr Forman to discuss ideas for the Supply Debate. He asked the Economic Secretary and the Chief Secretary to submit their ideas for his week-end box. The Chancellor's private office would find quotations of his own warnings about the US budget deficit going back over a number of years.



MARK CALL



FROM: MARK CALL
DATE: 2 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING

37TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Cropper
Mr Tyrie
Mr Call

1. BP

It had been necessary to put the record straight regarding BBC coverage of the BP decision. The Financial Secretary would handle over the next few days the detailed decisions on the support scheme.

2. TEN MINUTE RULE BILL AND THE BUDGET

The Chancellor had asked that this be considered as a matter of urgency by the Procedures Committee. However, progress was slow, so we may need to be prepared to use the current system.

3. AUTUMN STATEMENT

The Chief Secretary would clear the draft of the Autumn Statement Backbench Brief produced by Mr Tyrie. The Chancellor suggested that coverage of events in the stock market be expanded, drawing on the material in his speech to the Stock Exchange last week. The

CONFIDENTIAL

Chancellor proposed to leave the analysis of the world economy to his Mansion House speech, confining his Autumn Statement to public expenditure and economic forecasts. He would of course have to be prepared for supplementary questions on the international scene.

The Chancellor would attend the Backbench Finance Committee following the Autumn Statement in addition to the Chief Secretary. Mr Cropper would ask Mr Forman to arrange this with Sir William Clark. Mr Lennox-Boyd would arrange for a Supplementary Whip to be issued indicating the Chancellor's attendance for discussion of the Autumn Statement.

4. SUPPLY ESTIMATES

It now appears that, due to delays in the appointment of Select Committees, the Winter Estimates would be put to the House without Select Committee debate. This should not cause a problem, and had in fact happened in 1983. The Chief Secretary would nevertheless make sure that ^{Mr.} ~~Sir~~ Terence Higgins is aware of this.

5. MISC133: DEREGULATION

The Chancellor, when he saw Lord Young on Friday, 6 November or Monday, 9 November, would refer to the proceedings of MISC133 in respect of Treasury matters. It was necessary to be co-operative but firm about Treasury interests.

6. SUPPLY DATE DEBATE: 5 NOVEMBER

Mr Tyrie said that the Advisers were working on material for the Supply Day Debate. The Chancellor had put together some notes for various sections of the Supply Day Debate, and Advisers should get these from his Private Office.

Mc

MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 4 NOVEMBER 1987CHANCELLOR'S MORNING MEETING38TH MEETINGNOTE FOR THE RECORD

Present: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Favell, MP
Mr Maples, MP
Mr Stern, MP
Mr Favell, MP
Mr Twyman
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES FOR ABSENCE

The Chief Secretary said that the Chancellor was working on his Mansion House speech and had apologised for being unable to attend this morning's meeting.

2. AUTUMN STATEMENT

There was discussion about the Autumn Statement and the ensuing debate, which PPSs felt had gone very well. They reported that while the Parliamentary Party were in confident mood, they were sensing a feeling of fragility among some City institutions about the risks of recession.

3. OPPOSITION DAY DEBATE: 5 NOVEMBER

There was a discussion of the approach to be taken in Thursday's Opposition Day Debate.

Mc

MARK CALL



FROM: MARK CALL
DATE: 6th NOVEMBER 1987

CHANCELLOR'S MORNING MEETING

39TH MEETING

NOTE FOR THE RECORD

Present: Chancellor of the Exchequer
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Forman MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Lennox Boyd MP.

2. PAYMASTER GENERAL

Enthusiastic congratulations were proffered to the Paymaster General on his recent appointment as Chairman of the Conservative Party.

3. COMMITTEE APPOINTMENTS

The following Members have been appointed to the TCSC: Higgins, Townend, Watts, Beaumont-Dark, Budgen, and Hamilton. Mr Howell and Mr Powell had not been re-appointed. Mr Quentin Davies's nomination had not been accepted, and Mr Redwood in the event did not apply.

Sir Peter Blaker and Sir Barney Hayhoe had joined the Public Accounts Commission, and Sir Peter Hordern had been elected Chairman. There was still one vacancy and it was agreed that Mr Tim Smith's name should be put forward.

4. MINISTERIAL RESPONSIBILITIES

The Paymaster General will continue to have responsibility for the Community budget, pay, civil service unions, and the Royal Mint. In addition he would now undertake all the non-tax aspects of

CONFIDENTIAL

charities. This latter will remain with the Financial Secretary. The Economic Secretary will take on Customs & Excise and indirect taxes. The Financial Secretary will take over responsibility for Industrial Casework from the Economic Secretary.

The Chancellor's Office will arrange for an office notice detailing these changes. The Paymaster General would give further thought to appropriate external publicity.

5. BP WINTER SUPPLEMENTARY ESTIMATE

The Financial Secretary will handle this on Wednesday November 11th. He would be able to draw on material prepared for the Chancellor for the Opposition Day debate, which had not been used.

It was difficult to say whether announcement of the Supplementary Estimates would attract attention. It could provoke a question on the effect on the PSBR if all the relevant BP shares had to be repurchased by the Issue Department. The Chancellor estimated that this would raise the PSBR from £1 billion to £2½ billion in the current year, still below the £4 billion for which he had budgeted. This would result in the Government acquiring a further 5½ per cent of BP stock, increasing the Government's stake from 31½ per cent to 37 per cent. This increased stakeholding would be acquired at 40 per cent of the current market price, and even when all costs of the operation are netted out 5½ per cent of BP shares would have been acquired at half of the current market price. This is the "worst" case, and it is unlikely that the Issue Department would have to buy back 100 per cent of the shares. Because of the partly-paid nature of the shares the impact on the PSBR would carry forward into future years.

On the question of the duration of the support operation, the Chancellor felt that by the end of the period currently envisaged most shares would have been unloaded from shaky hands to firmer hands. As a result he saw no need to extend the offer.

6. INLAND REVENUE LETTER

No official public reply would be made to the Oliver Stanley letter on the Inland Revenue. Although this was an insulting piece, Ministerial reply may appear over-sensitive.

7. BRITISH VENTURE CAPITAL ASSOCIATION INVITATION

Although the Paymaster General had accepted the invitation to open the BVCA's financial forum on Thursday 3rd December at 9.30 am, this may now clash with Cabinet. If it proved impossible for the Paymaster General to undertake both of these commitments, the Financial Secretary would step in for the BVCA.

8. CIVIL SERVICE UNION BALLOT

Departments would be informed of the outcome of the request for facilities for a ballot to set up a political fund, but Ministers would not be consulted.

9. STUDENT GRANTS AND LOANS

Referring to Mr Jackson's initiative on student loans, the Paymaster General felt it would be pointless to get into substantive discussion with officials until the views of Mr Baker were know. A review group meeting was planned for November 18th, and Mr Jackson wanted to know if there was any mileage in the proposals before then. Treasury Ministers would meet early next week to discuss the matter before the Paymaster General's meeting with Mr Jackson.

10. ROYAL MINT ADVISORY COMMITTEE

The student finance review group on 18th November coincides with the next meeting of the Royal Mint Advisory Committee. It was unfortunate that at the first meeting following agreement that Ministers should always be present, the Paymaster General would be unable to attend. The Paymaster General would draft a letter to Prince Philip, indicating how distressed he was at being unable to attend the next meeting, but that he would certainly be at the

following meeting. This would be sent after the meeting with Mr Jackson, mentioned above, if it transpired that the Paymaster General's attendance at the review meeting on 18th November was essential.

11. SPEECH ON PAYROLL GIVING

The Economic Secretary would press release his forthcoming speech on payroll giving to a Westminster charity group.

12. PARLIAMENTARY QUESTIONS

Mr Forman opened a discussion of the next day of Treasury First Order Questions, 26th November. There was a good story to tell on the strength of the economy, manufacturing productivity and manufacturing unit labour costs and it would be helpful to have the opportunity to provide upbeat answers on these topics. In addition with the Autumn Statement out of the way it was now open season for questions on public expenditure. Although following the Autumn Statement attention turned to the Budget, it would not be helpful to have questions on tax at this early stage. It would also be wise to avoid the subject of wider share ownership in the current climate.

13. SPEECHES BY NON-TREASURY MINISTERS

It was important that speeches by non-Treasury Ministers on economic issues and the state of the stock market do not give the impression of an orchestrated attack on the United States. It would be helpful however if they were to underline the dangers of protectionism. The Chief Secretary would have an opportunity to reinforce this particular message on November 14th in his speech to the Conservative National Women's Conference.

14. WEEKEND WORLD: NOVEMBER 8TH

There was a discussion of the likely line of questioning during the Chancellor's appearance on Weekend World. The programme had a bias towards the gloomy, and it would be important to stress that there

CONFIDENTIAL

was a wider measure of agreement in the United States about appropriate action to take in the wake of the stock market collapse than was commonly recognised. Criticism of the United States should refer to the difficulty experienced by the Administration in coming to an agreement with a Democrat-controlled Congress, rather than criticism of the Administration per se. Other questions likely to arise were: is \$23 billion enough? what would come out of a G7 meeting? should the UK increase borrowing in the event of a recession? are we really shadowing the Exchange Rate Mechanism?

The strength of the UK economy should be emphasised, and the impression that everything depends on a solution to the US problem avoided. In this vein it would be useful to inject a little optimism in relation to the Gramm-Rudman deadline.

If asked whether it isn't presumptuous for the UK to lecture the Americans, the Chancellor would refer to the firm action taken in the UK in 1981, which signalled the return of confidence.

Mc
MARK CALL



FROM: MARK CALL
DATE: 9 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING

40TH MEETING

NOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. HOUSING BENEFIT

There was a discussion of Mr Ridley's proposal that responsibility for Housing Benefit be shifted from DHSS to DOE. The Financial Secretary said that while there was some logic in the proposal, there were some practical disadvantages, and he remained a qualified sceptic. The study would proceed with HMT maintaining a neutral stance. If in the end both Mr Ridley and Mr Moore wanted to make the change, the Treasury would not oppose it.

2. LETTERS FROM LORD VINSON

The Chancellor would see Lord Vinson and Mr Philip Chapple, nearer Christmas, to discuss points raised in Lord Vinson's letter to the Financial Secretary dated 13 October.

3. COMMUNITY CHARGE

There was a discussion of the political risks associated with the proposal to give local authorities the option to phase introduction

CONFIDENTIAL

of the community charge or to implement it in one go. Mr Lennox-Boyd reported that the backbench view was that while it was all very well to allow the option for the Tory boroughs, Labour would choose the most embarrassing option for the Government. The option of immediate introduction was considered attractive by many backbench members who wanted to "get it over with", but some had not fully grasped the implications. The Chancellor said it would be helpful if these sensitivities could be discussed at regional meetings of Members of Parliament.

The Economic Secretary said that the community charge would be criticised for being an attack on marriage, since non-earning wives would have to pay while non-earning co-habitees would not. Mr Tyrie would check the detail on this.

4. MINISTERIAL RESPONSIBILITIES

An Office Notice would be issued this week announcing changes in responsibilities, and official publications would be updated in due course. The Economic Secretary asked if a press notice would be issued. The Chancellor said he did not think that would be necessary, but would check the precedent.

EDG
no rules
always.
IDT
say precedent
is no PN.

Mc
MARK CALL

CONFIDENTIAL



FROM: A G TYRIE

DATE: 11 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING41ST MEETINGNOTE FOR THE RECORD

Present: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Stern MP
Mr Maples MP
Mr Lennox-Boyd MP
Mr Favell MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES

Received from Paul Twyman, Nigel Forman.

2. PRIVATISATION SEMINAR

The Chancellor said that he would prefer to defer the privatisation seminar, planned for 14 December. He wanted to attend and that day would be difficult for him. He suggested that the Financial Secretary try and rearrange for some time in January.

3. CHRISTOPHER PROUT'S INVITATION

The Chancellor asked the Paymaster General to address the EDG next year in his stead.

4. EAST SUSSEX STORM DAMAGE

East Sussex council were concerned that they were not receiving adequate financial support to deal with their storm damage. The Paymaster General would invite the leader of the council to write

to him. DOE and the Treasury could then jointly agree a reply to the letter.

5. AUTUMN STATEMENT DEBATE

The Chancellor said he would prefer the debate to be in the week starting 14 December which would allow Mr Terence Higgins time to get his report out before the debate.

Mr May

pp A G TYRRE

CONFIDENTIAL



FROM: MARK CALL
DATE: 18 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING42ND MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Favell, MP
Mr Stern, MP
Mr Maples, MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Economic Secretary.
2. BACKBENCH FINANCE COMMITTEE

Mr Lennox-Boyd reported that opinion in the House had become more gloomy, with growing concern over the wisdom of criticising the United States. There was criticism in predictable quarters that intervention to support exchange rates was both ineffective and expensive. The Chancellor said that he recognised that there was a sense of unease, but pointed out that there was no consistency in the criticisms, some being diametrically opposed. Mr Tyrie would examine the comments made by Mr Budgen, MP, during past TCSC questioning of the Chancellor, in order to cast light on his poor record of economic predictions. Sir Peter Hordern would be reassured by an indication that we were going to get to grips with the CAP.

Although the latest inflation figures had unsettled Members, this was a temporary problem.

3. OTHER BACKBENCH COMMITTEES

At last night's Foreign Affairs Committee the Foreign Secretary had rebutted a suggestion that the US deficit was not a major contributor to current problems. He also advocated British participation in the Exchange Rate Mechanism.

Trade Union representatives invited to the Aviation Committee expressed strong support for efforts to avoid the development of protectionism in the US.

4. ECONOMIC SITUATION

Mr Favell said it was not popularly understood why we were buying dollars on a falling market. It would be advantageous to spell out the objectives of intervention in the currency markets. The Chancellor said that exchange rate stability was the main objective of intervention, and he was sure that business and industry placed great importance on this. Whether it was profitable depended on the dollar/pound exchange rate in the medium term. The biggest danger in the UK was of industry losing its nerve, so he had conducted short term policy with the aim of maintaining industry's confidence. Mr Tyrie said that if industrialists valued stable exchange rates it would be helpful if they said so publicly.

The Chancellor said he hoped to be able to work into his speech to Glasgow businessmen on 23 November the results of the CBI Survey due to be published that day.

CONFIDENTIAL

5. LETTER FROM MR KINNOCK

The Chancellor referred to the letter from Mr Kinnock which was a thinly disguised plea for a return to Retail Price Maintenance. It appeared that he had been visited by the tobaccoists' lobby, and was now convinced by the last person he spoke to. Mr Forman pointed out that the ideas in the letter were at odds with Labour policy for a sharp increase in the price of tobacco based on health considerations. Mr Tyrie would consider how the letter could be put to the best effect. The Paymaster General felt it would be useful to look back to the debate on the Committee Stage of the Prices Bill in June 1977 or 78, for comments made by Mr Hattersley.

6. HEAD OF ECONOMIC SECTION, CRD

To avoid any possible conflict of interest with consulting assignments Mr Twyman had resigned from the Economic Section. Ian Stewart had been appointed Acting Head of the Economic Section, pending a permanent appointment. Mr Stewart would attend Prayers on a temporary basis. The Chancellor asked for any suggestions on possible candidates for a permanent Head of the Section to be passed to Mr Cropper.

7. CHANCELLOR'S GLASGOW SPEECH

Mr Call would arrange for a copy of Allen Stewart's pamphlet "Apostles not Apologists" to be sent to the Chancellor.

Mc

MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 20 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING43RD MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. EUROPEAN COMMUNITY FUNDING

Mr Lennox-Boyd reported that there was alarm among backbenchers about the Commission's proposal, which would raise by 45% the UK's contribution. The Chancellor pointed out that the Commission's opening bid had been in the public domain since February, and expressed surprise that the House had only now become aware of this. The Commission agreed that this was a large increase, but said that it was meant to last for a long period, and that it had no intention immediately to raise spending to that level. Conservative Research Department would prepare a brief for backbenchers on the future financing of the European Community, aimed at allaying the fears of the silent majority who were neither Europhobes nor Europhiles.

2. LOCAL GOVERNMENT BY-ELECTIONS

The Paymaster General reported on the results of the local government by-elections.

CONFIDENTIAL

3. CSU NEGOTIATIONS

The Paymaster General would discuss with Mr Kemp the potential interaction between the CSU negotiations and the IRSF settlement.

4. US DEFICIT NEGOTIATIONS

The Chancellor said that no agreement had yet been reached, although the possibility of a last-minute settlement could not be ruled out. In the event of a failure to agree the sequestration procedures would be brought into effect. There would then follow a 10 day period during which the detailed legislation would be drafted, and efforts to achieve an agreed solution could continue during this period. There was no point in a meeting of the G7 countries until the Americans had reached agreement on measures to cut the budget deficit.

5. COMMUNITY CHARGE

Mr Forman had attended the Backbench Environment Committee, where Miss Hale of the Chartered Institute of Public Finance had made a very powerful case against the Community Charge. This, however, did not shift anyone from their entrenched positions.

6. SELECT COMMITTEES

These were still not finalised, and Mr Lennox-Boyd would keep the Chancellor's office informed of progress.

Mc

MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 25 NOVEMBER 1987CHANCELLOR'S MORNING MEETING44TH MEETINGNOTE FOR THE RECORD

Present: Chancellor ^{*}
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lennox-Boyd, MP
Mr Favell, MP
Mr Maples, MP
Mr Stern, MP
Mr Cropper
Mr Tyrie
Mr Call
Mr Stewart (CRD)

1. APOLOGIES for absence were received from the Paymaster General and Mr Forman, MP.

2. SELECT COMMITTEES

Mr Lennox-Boyd said that the composition of the Treasury Select Committee had been approved, and this could now be set up. Objections had been made in respect of all other committees. The Chancellor's Private Office would confirm with Mr Higgins, MP, the dates for the Autumn Statement debate.

3. CONSOLIDATION OF FINANCE ACTS

Mr Lennox-Boyd reported that a recent meeting of the Parliamentary committee working on consolidation of the Finance Acts had gone inquorate. Arms had been twisted and this should now continue its work. The alternative would be to have all the consolidation measures in next year's Finance Bill, something to be avoided at all costs.

CONFIDENTIAL

4. NHS SPENDING

Mr Lennox-Boyd stated that the Minister of Health was coming under increasing pressure on NHS spending. Mr Newton would shortly be meeting a group of West Midland MPs on this matter. The Chancellor pointed out that there was always a delayed reaction to the PES settlement, since it was some weeks later that districts were informed of their allocation.

5. BACKBENCH FINANCE COMMITTEE

Mr Stern reported that Professor Alan Budd had addressed the Bankbench Finance Committee, and had stressed the need to reduce inflation. Otherwise his message had been "carry on the good work". Mr Maples said that during the ensuing discussion Eric Forth had criticised the propping up of the dollar. In his view it would be helpful if the Chancellor would reiterate the policy on exchange rate intervention. The Chancellor agreed, saying he would have an opportunity during the debate on the Autumn Statement. The Financial Secretary said that there was also a need to explain clearly the "crawling peg" system. The Chancellor felt that could await a G7 meeting.

Sir William Clark had invited the Treasury team to attend the meeting of the Backbench Finance Committee on 19 January to listen to the Committee's Budget submissions. The Chancellor asked those present to check their availability.

*I have told Mark Call we can do 19 Jan
Call do 12, 26 or 2 Feb*

7. RESTRICTIVE PRACTICES IN THE LEGAL PROFESSION

The Chancellor asked those who had a legal training or experience to send him their views on the removal of restrictive practices in the legal profession. Particular areas discussed were the separation of barristers and solicitors, conveyancing, and the two counsel rule. The Financial Secretary pointed out that restrictive practices led to high costs, so there were public expenditure considerations relating to the Crown Prosecution Service, as well as market efficiency considerations.

CONFIDENTIAL

8. SPECTATOR AWARDS

The Spectator had named the Chancellor for their Annual Parliamentarian of the Year Award. The Chancellor asked for suggestions for his short acceptance speech. Since previous holders of the award were David Owen, John Biffen, and John Smith, one obvious theme was "bucking the trend". The Backbencher of the Year Award had been awarded jointly to Jonathan Aitken and Richard Shepherd. The man to watch is apparently Gordon Brown. And the newcomer of the year is John Redwood.

Mc
MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 30 NOVEMBER 1987

CHANCELLOR'S MORNING MEETING46TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. DEBATE ON NHS

Mr Lennox-Boyd said there was a strong feeling in the Whip's Office that the Government would have to decide long before the next election what it wanted to do with the National Health Service. There was a need to start an educational process outside Parliament in order to build up a head of steam for change. With the Opposition in a poor state it was inevitable that the press would seek out dissidents among the Conservative ranks.

2. NHS PES

The Paymaster General said that Mr Newton had been aware since before the Survey Bilaterals that health would overrun by £120 m. This would apparently mean that 8,000 beds would have to close between now and the end of March 1988. The Chancellor said that the alleged consequences should be checked. Furthermore it should

be ascertained whether the overrun was on capital or revenue, since there were provisions for end-year flexibility for capital spending. The Chief Secretary said that it was surprising that the projected overspend had not surfaced during the PES negotiations. The Chief Secretary and, separately, the Paymaster General would raise the matter with Mr Newton in the continuing absence of Mr Moore.

3. AUTUMN STATEMENT DEBATE

This was now likely to be in January. Mr Lennox-Boyd would confirm.

4. ASSOCIATION OF DISTRICT COUNCILS ENGAGEMENT: 1 JULY 1988

The Chief Secretary would take on this engagement from the Chancellor.

5. BACKBENCH FINANCE COMMITTEE

The meeting at which Treasury Ministers would attend to hear the Committee's Budget submissions had been provisionally fixed for 26 January 1988.

6. ADVOCATE GENERAL'S REPORT

The Advocate General would report on Wednesday his opinion on UK compliance with European VAT legislation. The full Court judgement would be given in the New Year, and while not bound by the Advocate General's opinion, would be unlikely to contradict it. The politically-sensitive category was housing, although safety clothing and news services (other than newspapers) could also cause difficulties. The Prime Minister would need a full and detailed brief for Thursday's Questions, including the drawing of a clear distinction between this opinion and Lord Cockfield's initiative. In addition the Economic Secretary should be prepared to go on the Today Programme on Thursday morning.

Mc
MARK CALL

CONFIDENTIAL

pmp

FROM: MARK CALL
DATE: 27 NOVEMBER 1987CHANCELLOR'S MORNING MEETING45TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Financial Secretary
Paymaster General
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Chief Secretary, the Economic Secretary, Mr Forman, and Mr Lennox-Boyd.

2. FIRST ORDER PQs

The Chancellor noted that a number of backbenchers with questions early in the Order had failed to be present. This was quite unsatisfactory, and Mr Forman and Mr Lennox-Boyd should have words with them. Julian Brazier had, however, apologised to him subsequently.

The Opposition had developed the habit of putting Supplementary Questions which were not related to the main question. As a result, all Treasury Ministers should be briefed on recurring awkward questions, such as the manufactured trade deficit. Mr Tyrie would raise this with Stephen Pickford.

3. SUPPLY SIDE MEASURES

The Financial Secretary said two developments this week were to be welcomed. Firstly, the decision to allow an alternative supplier

CONFIDENTIAL

of telephone kiosks. And secondly, the joint venture by the Anglia and Nationwide building societies to form a subsidiary to provide private rented housing. The latter was all the more satisfactory because the former manager of the Glasgow District Housing Department had been chosen to run it.

M

4. UK NET OVERSEAS ASSETS

The Paymaster General said that although the Bank had published a correction of the error in the Quarterly, the message had not got through. A note would be sent to all Cabinet Ministers, to ensure that the error was not compounded in speeches.

5. PURDAH AND THE PAYMASTER

The Paymaster General described the proposed programme of political engagements which he had agreed with Sir Peter Middleton.

6. INTER-MINISTERIAL WORKING PARTY ON ALCOHOL ABUSE

Mr Tyrie said that he had been contacted by the Chief Whip's Office which was seeking a date for a meeting between the Chancellor, Mr Moore, Mr Hurd, and the Chief Whip. It would be appropriate to wait until the Economic Secretary, as the Treasury representative, had attended at least one meeting of the Inter-Ministerial Working Party.

Mark Call
MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 4 DECEMBER 1987CHANCELLOR'S MORNING MEETING48TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. APOLOGIES were received from the Financial Secretary.

2. BSC PRIVATISATION

Mr Lennox-Boyd reported that the announcement on BSC privatisation had been received as a pleasant surprise by backbenchers.

3. BP Support Scheme

Mr Lennox-Boyd said that there were rumours that the Bank of England were buying very large numbers of BP shares. The Chancellor said that while there was a steady trickle of buying by the Issue Department, it was impossible to say at this stage what would be the final outcome.

4. INTEREST RATES

The Chancellor said that the concerted reduction in interest rates should be seen as a good sign and bring a better tone to the markets.

CONFIDENTIAL

While we were now in a classic bear market where there is no such thing as good news, the Christmas break may bring a change of sentiment. Mr Forman said that it was encouraging that people were now referring to buying by Japanese institutions in the United States, and expecting more institutional turnover in the first quarter of next year.

6. COMMUNITY CHARGE

There was a growing feeling among backbenchers that the Government would be forced to make concessions on the Community Charge, perhaps by introducing a tiered Charge. There was thus the risk that the Community Charge would slide into a local income tax. Mr Lennox-Boyd said the Whips' Office were taking this matter very seriously. Regarding presentation the Paymaster General said that it was regrettable that a discussion of rebates would come at a late stage.

Mc

MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 2 DECEMBER 1987

CHANCELLOR'S MORNING MEETING47TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Maples, MP
Mr Favell, MP
Mr Stern, MP
Mr Cropper
Mr Tyrie
Mr Call
Mr Stewart, (Central Office)

1. EDUCATION BILL

Mr Lennox-Boyd said this had gone extremely well, with only Mr Heath and Mr Rost abstaining.

2. AUTUMN STATEMENT DEBATE

A decision would be made at 10 o'clock today on whether to take the Second Reading of the Local Government Finance Bill before or after Christmas. The Chancellor said that in the event that it was decided to take the rates Reform Bill after Christmas he would be prepared to debate the Autumn Statement before Christmas. Otherwise 14 January would be the preferred date.

CONFIDENTIAL

3. EUROPEAN ELECTIONS

The Chancellor referred to the minutes of Mr Cropper and Mr Tyrrie, and said it would be useful to have a consolidated aide memoire. The Paymaster General would meet with Mr Cropper and Mr Tyrrie to develop this.

4. CONSULTATIVE DOCUMENT ON COINAGE

Strong support had been received for the option of a 10p coin reduced to the size of the current 5p coin, and a consequently much-reduced new 5p coin. The new smaller 5p coin would have to be introduced first, probably in late-1991. There would then need to be a delay before the new 10p coin was introduced, probably in 1993, while old 5p coins were removed from circulation. The long timescale envisaged was to ensure the most cost-effective transition.

5. BACKBENCH COMMITTEES

Sir Nicholas Goodison had attended the Backbench Trade and Industry Committee, where he had put forward the view that the reason that the London market had fallen further than others was that institutions were not liquid at the time, and they needed to free up resources for BP. The Chancellor said that the institutions just felt uncomfortable with their highly illiquid position at the time, and wanted to hold cash. It was significant that in the recent fall the market had been marked down on very little turnover, indicating more an absence of buyers than panic selling.

The Director General of the Association of British Chambers of Commerce had attended the Backbench Finance Committee, where he made two main points. Firstly, pointing out that ABCC members were experiencing severe skill shortages, and secondly, calling for lower interest rates.

Mc

MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 9 DECEMBER 1987CHANCELLOR'S MORNING MEETING49TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Maples, MP
Mr Stern, MP
Mr Cropper
Mr Tyrie
Mr Call
Mr Stewart (CRD)

1. APOLOGIES for absence were received from the Paymaster General, and Mr Favell.

2. BACKBENCH FINANCE COMMITTEE

Professor Minford attended the Backbench Finance Committee and made the following points. Dollar devaluation alone was not a sustainable cure for the US deficit; the pound may have to rise, especially against the deutschemark, in order to refocus attention on eliminating inflation; the Budget should be used for a comprehensive reform of taxes. In particular Professor Minford said that transferable allowances would mitigate the unemployment trap, taking 200,000 people out of unemployment. Although this would be very expensive, at around £5 bn, it could be phased in over 4 years.

3. BACKBENCH HEALTH AND SOCIAL SERVICES COMMITTEE

Tony Newton had attended last night's meeting and had been well received. Members were concerned to know what changes the Government hope to achieve in the Health Service before the next election, and especially the extent to which privatisation would feature in those changes. Some members who would not normally do so, were now urging for more money to be spent on the Health Service. The Chief Secretary said that most commentators had not yet looked at the detail of next year's settlement, and there was low awareness of the contribution made by land sales, cost improvements, and income generation schemes. As a whole, next year's settlement allowed for a real growth of 3%.

4. NHS FUNDING

The Chancellor pointed out that while any structural change would inevitably mean more emphasis on direct finance rather than tax finance, the recently announced modest move towards dental and eye charges had been very badly received. It was felt that eye tests may not have been the best place to start, but that John Moore's choice had been limited by previous pledges in other areas. It was increasingly common to hear talk of the need for tax incentives to accompany any move towards compulsory health insurance. This however would give the greatest benefit to those least in need of financial assistance.

5. INTERNATIONAL MARKETS

The Chancellor said he had the impression that people were less nervous about the state of the markets. Mr Lennox-Boyd confirmed that while initial fears were that the market uncertainties would go on for 12 months, people were reassured by a few days of improved performance. Mr Forman pointed out that members were also influenced by the fact that arms control had taken the place of the markets in the headlines.

6. NURSES NUMBERS

In a discussion of nurses numbers the Financial Secretary pointed out that the nurses had wanted a reduction in recruiting for grades below SRN. Mr Call would check the background on this. The Daily Telegraph had an article making international comparisons on nurses numbers, very much along the lines of the Sunday Times article. Mr Tyrrie would obtain the definitive comparison from the Special Adviser at DHSS.

7. BP/BRITTOIL

There was a discussion of BPs announced intention to take a 29.9% stake in Britoil, and the options open to the Government arising from its golden share.

Mc
MARK CALL

FROM: MARK CALL
DATE: 10 DECEMBER 1987

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Cropper
Mr Tyrie

BACKBENCH FINANCE COMMITTEE: 8 DECEMBER 1987

Professor Patrick Minford of Liverpool University addressed the meeting. 5 present.

Aftermath of Stock Market crash

2. Professor Minford said that the stock market falls had been caused by the United States unwillingness to deal with its deficits; the final trigger being Secretary Baker's comments. The US's current approach of trying to devalue its way out of deficit was unsustainable, and without domestic action would lead to higher inflation. His overall message was optimistic: 1988 would see a slowdown, not a recession, with a pick-up in late '88 or early '89.

3. In his view the situation in the world was mainly deflationary, and caution was necessary to avoid inflationary reaction in Germany or Japan. Although central banks were exceeding in their targets, money was quite tight. He was encouraged by supplyside measures being taken by governments throughout the world, with the exception of Germany which seemed wedded to corporatism. Japan, France, Italy the US as well as the UK, had made good progress. Overall then, the fundamentals of the world economy were quite good. He welcomed the supplyside changes which had taken place in the UK, pointing out that this was "the real business of government". Reform of

trade union law, privatisation, and deregulation had all contributed to rapidly growing productivity. He also welcomed the inner city policies, claiming that things looked better in Liverpool already.

4. The debate on the Community Charge had failed to recognise the important contribution that the unified business rate would make to inner city recovery. It would also take the steam out of the land and house price spiral. The Community Charge was a political necessity for restoring responsibility into local government. He claimed that Liverpool was already acting more cautiously. The Rent Act reforms would also have an important part to play. He felt that the first steps being taken to reform education and health were too slow and too cautious. If the Government didn't press for bold action there was a risk that it would end up just spending more and achieving less impact in efficiency improvements.

Personal Tax Reform/Fiscal Policy

5. There was scope for important tax reform, in particular there was no case for top rates. The object should be to get all marginal rates down. Inheritance Tax should be reduced significantly or abolished. To deal with the unemployment and poverty traps there was a need to resuscitate the Green Paper on allowances. Transferable allowances would cost about £5 bn, but could be brought in slowly perhaps over 4 years. They would take 200,000 people out of unemployment.

Monetary Policy

6. The pound was now hitting the 3 Deutschemark ceiling, the only justification for which was that it was a round number. With MO at current levels he believed we are a long way from eliminating inflation. There was a need to bring inflation back on the agenda and if necessary jettison the 3 Deutschemark limit in order to get money supply growth down.

Questions

7. Sir Brandon Rhys Williams asked if the United States were

letting the dollar drop quickly in order to convince future would-be lenders that this was a once-and-for-all adjustment. Professor Minford thought that if so it was a risky policy, as there would always be an expectation that they could do it again.

8. Sir Brandon Rhys Williams said that there was a golden opportunity for a reforming Budget. In particular there was no case for higher rate taxes at all. Furthermore the anomaly between earned and unearned income should be addressed. Professor Minford agreed, saying that the yield on higher rate taxes was very low at around £1 bn. His package would be 25p base rate, no higher rates or at most 35p, and phasing in of transferable allowances.

7. John Townend asked whether Professor Minford was worried that government expenditure was not being reduced quickly enough. Professor Minford pointed out that government expenditure was falling as a percentage of GNP. He was however more concerned about reform: introducing greater competition, greater choice, and more widespread charging. The fact that demand for education and health was very high meant that it would be easier to get the Government out of these activities. He said it was sometimes necessary to spend a bit of money to achieve reform.

Me

MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 14 DECEMBER 1987CHANCELLOR'S MORNING MEETING50TH MEETINGNOTE FOR THE RECORD

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. LOCAL GOVERNMENT BILL

Mr Forman reported that Mr Nicholas Budgen, MP, had obtained the signatures of 46 colleagues to an Early Day Motion proposing a tiered Community Charge. On the strength of this he had put down an Amendment to the Local Government Bill along the same lines. As a result, there was a 3-Line Whip for tonight's Debate. Mr Forman would make arrangements for the Chancellor.

2. BILL OF RIGHTS TRICENTENIARY

The announcement of the Bill of Rights Tercentenary £2 coin would be made in the New Year, in order to separate it from the impending announcement of other coinage changes.

3. PEWP ETC TIMING

The Chancellor will Chair the next meeting of the NEDC on 13 January. The Autumn Statement Debate would take place on 14 January. It

was agreed that the best date for the PEWP would be the 20 January, with the DTI White Paper on Regional Assistance on Monday, 18 January.

4. BACKBENCHERS AND THE BUDGET

PPSs would as usual attend the Annual Briefing under the Chairmanship of the Chief Whip. During the last Parliament there had been some complaints by Junior Ministers that they were out of touch with Budget developments. It had thus been proposed to arrange briefings of Junior Ministers. The Chancellor believed that most Cabinet Ministers consulted their Junior Ministers before putting in their own Departmental submissions, and before Budget discussions in Cabinet. Nevertheless he would be prepared to see a similar briefing as that given to PPSs. It may, however, be more practical to let them know that if they had any general thoughts, as opposed to detailed points made in their Departmental submission, then they could send these direct to him. The remaining backbenchers would be briefed in groups, with the exception of a number of individual briefings. The Economic Secretary would circulate a list of those to be briefed individually.

5. CHEVENING

The Chevening papers would be ready this weekend. The Chancellor said that the most value would be achieved from the Chevening weekend if participants reflected not on specific issues but on the package in the round. Participants were not requested to make submissions in writing before Chevening, but if they had strong feelings they could do so. The Chancellor said there should be no requests for further work to be undertaken between the issuing of the Chevening papers and the Chevening weekend.

Mc

MARK CALL

CONFIDENTIAL

FROM: MARK CALL
DATE: 16 DECEMBER 1987CHANCELLOR'S MORNING MEETING51ST MEETINGNOTE FOR THE RECORD:

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Maples, MP
Mr Stern, MP
Mr Cropper
Mr Tyrie
Mr Call
Mr Stewart, CRD

1. BUDGET BRIEFING FOR JUNIOR MINISTERS

Mr Lennox-Boyd said that the Chief Whip had thought this a very good idea, and that Whip's should be included. The briefing would be on the same basis as that for PPSs.

2. APPOINTMENT OF COMPTROLLER AND AUDITOR GENERAL

There was a discussion of the handling of tonight's Motion to appoint a new Comptroller and Auditor General. This would be the first appointment under the new system under which the C&AG was appointed by resolution of the House on the joint recommendation of the Prime Minister and the Chairman of the PAC. The Prime Minister and the Chairman of PAC, who is always an Opposition member, each have a veto on the nominee. The Prime Minister herself was required to move the Motion.

CONFIDENTIAL

3. DEREGULATION OF THE LEGAL PROFESSION

The Chancellor thanked Mr Lennox-Boyd and Mr Stern for their minutes on the deregulation of the legal profession.

4. WIDER SHARE OWNERSHIP SURVEY

It was agreed that it would be appropriate to conduct another survey jointly with the Stock Exchange. Furthermore it was felt that there would be some advantage to having a regular survey.

5. CENTRAL COUNCIL MEETING

The Chancellor said that the timing of the next Central Council meeting in Buxton was poor, and asked the Chief Secretary to undertake this engagement.

6. BACKBENCH FINANCE COMMITTEE

Mr Maples reported that Lord Boardman, Chairman of the National Westminster Bank, had addressed the Backbench Finance Committee. On the question of Third World debt, he said it was important to take a country-by-country view since their circumstances were so different. His view on investor protection was that we had built a bureaucracy which would be costly in terms of compliance, and would not catch the rogues anyway. Finally he cautioned against the US cutting its deficit too fast, as he believed this would have a recessionary impact in Europe. He advocated tighter fiscal policy and looser monetary policy in order to achieve a Dollar/Sterling exchange rate of 1.60 and a Deutschemark rate of 2.80. He recognised that the Chancellor may not find this a palatable prescription.

7. POTENTIAL PRIVATISATION CANDIDATES

Mr Stewart said that many members at last night's Backbench Trade and Industry Committee had been in favour of privatisation or liberalisation of the Post Office. It was felt that the Business

CONFIDENTIAL

Schools were good candidates for privatisation. The Chief Secretary would look at the relation between the endowment cost and any public expenditure savings involved.

8. CHEWED TOBACCO PRODUCTS

These products, apparently resembling a teabag, were mainly sold to children. After allegations that they caused cancer of the tongue, there was a proposal to ban them. The Scottish Office had entered an objection to the ban on libertarian grounds.

9. CPSA

It was unlikely that there would be a ballot on the political fund until after the next executive elections. If the moderates were returned this issue would be likely to go on the backburner.

10. VAT AND FREE ZONE PORTS

The Economic Secretary would announce in a Written Answer the outcome of a review of the VAT regime for traders in free zone ports.

11. COINAGE CHANGES

The Chancellor would make the announcements to the House, and the Paymaster General would undertake media coverage.

12. CORRECTION TO MINUTES OF 50TH MEETING

In discussion of the Local Government Bill the Early Day Motion was referred to by Mr Lennox-Boyd and concerned the Contract Compliance Cause in the Bill.

Mc
MARK CALL

FROM: MARK CALL
DATE: 16 DECEMBER 1987

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Cropper
Mr Tyrie

MINUTES OF BACKBENCH FINANCE COMMITTEE 15 DECEMBER 1987

Lord Boardman, Chairman of the National Westminster Bank, addressed the meeting on Third World debt, financial regulation and investor protection, and the collapse in the stock markets.

Third World Debt

2. The cause of the problem had been the rapid rise in oil prices in the 1970s followed by a policy of the UK and US Governments to recycle funds. Thus extensive loans were made to Brazil, Mexico etc. At the time, banks were praised for their responsibility, now they were attacked for their imprudence. The important question was not whether the principal sums could be recovered but whether the debts could be serviced. It was impossible to take a broad approach to this matter, since individual country's circumstances varied so greatly, and thus it was necessary to take a country-by-country view. He believed the solution could be found if governments in the countries concerned had the political will to do so.

Investor Protection

3. A piecemeal approach to the legislation had spawned the SIB with a mass of regulation, SROs, and compliance officers. He feared that this would be a real mess. He said that Sir Kenneth Berrill might be the right man to run this bureaucracy, but it wouldn't

catch the rogues. Furthermore it would be very costly, over £100 m for the central systems, and unquantified but large compliance costs. He was worried that the UK might lose a number of foreign finance houses as a result of the extra cost and complication.

Fall in stock markets

4. Although it was widely said that the fall in the world stock markets was the fault of the United States, he felt that was being harsh. While \$150 bn Budget deficit was large, when local effects were netted out this was really \$100 m. This was 2½% of GNP compared to 2.9% in the UK, and 2.9% in France. So proportionately he felt this was not out of line. (He made no mention of the different savings ratios nor the countries respective ability to finance their deficit. Neither was this point made in questions.) The US had not been given credit for the significant reduction, \$70 bn, made last year. Further reductions over 2 years of \$76 bn would be a major reduction. He said we could not expect much more, since the present economic scene had very little impact on the average US investor or voter. They would, however, object at a tax on gasoline.

5. The trade deficit was much more serious, at 3½% of GNP. There was a real risk that the US could let protectionist measures through, pull back troops from Europe, and perhaps cancel the Harrier Jets on order. His conclusion was that we should restrain our attacks on them.

6. The primary cause of the collapse in stock markets was a lack of confidence in the US administration. But the question had to be asked of why the market rose so fast in the previous 12 months.

7. When considering where to go from here, governments should be aware of the opposing dangers of recession and inflation. The greatest danger of all would be recession in the United States, as this would cut across the world. This should be avoided at all cost. Thus while he welcomed the proposed \$76 bn cut in the

Budget deficit, he felt the Americans should not reduce their domestic demand too fast. The problem should be divided between the European Community and Japan. Japan had behaved rather responsibly. The European Community would have to create faster domestic growth to fill the gap.

8. Turning to the UK, **Lord Boardman** said he was concerned at the trend in the balance of payments. Further, MO was knocking the top off its bracket. He felt we should aim to achieve a Dollar/Sterling rate of 1.60, and a Deutschemark/Sterling rate of 2.80. To achieve this, the Government should adopt a relaxed monetary policy, reducing interest rates, and a tight fiscal policy. He recognised that the Chancellor may not find this a palatable prescription.

Questions

9. **John Townend** asked whether governments had been unwise to put pressure on banks to recycle, and whether he feared a debtors cartel. **Lord Boardman** replied that 14 years ago the situation looked quite different, and in hindsight the policy now looked very unwise. He pointed out that encouragement had been given with a view to boosting exports.

10. **Quentin Davies** felt that monetary policy had not been good for getting countries out of recession. He asked whether it wasn't more appropriate to compensate the contractionary effect of the US economy by fiscal relaxation in surplus countries. **Lord Boardman** replied that tightening up monetary policy could lead to a recession. The overriding aim must be to get the exchange rates down, and this required a relaxed monetary policy, compensated by a tight fiscal policy.

11. The Division Bell interrupted what, I'm sure, would have been a lively discussion.


MARK CALL

CONFIDENTIAL



FROM: MARK CALL
DATE: 18 DECEMBER 1987

CHANCELLOR'S MORNING MEETING52ND MEETINGNOTE FOR THE RECORD:

Present: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Lennox-Boyd, MP
Mr Forman, MP
Mr Cropper
Mr Tyrie
Mr Call

1. BP BID FOR BRITTOIL

BP's announcement that it would be bidding for 100 per cent of Britoil was imminent. Given that the Government would be using its Golden Share to block the bid, it would not be necessary to make a statement in the House.

2. COMMUNITY CHARGE

Mr Lennox-Boyd said that although 17 Conservative members voting against the Government indicated widespread concern at the Community Charge, the debate had done better than it might have done.

3. RICHARD SHEPHERD'S BILL

Richard Shepherd's Freedom of Information Bill, on which there would be a 3-line Whip, had provoked lively debate in the 1922 Committee. Some surprise had, however, been expressed at the imposition of a 3-line Whip.

4. TCSC HEARING

The TCSC hearing on 13 January would cover tax approximation in Europe and a number of other questions relating to indirect taxation. The Chancellor said that the Government's position had not altered, so the hearing should present no great difficulty. On tax approximation the line would be that we were waiting for the report from the Economic Policy Committee of the Council on the economic implications of the Cockfield proposals. These would then be discussed at the March ECOFIN. The Economic Secretary asked to what extent the Government wanted to be drawn on a market driven approach to approximation rather than the approach in the Cockfield proposals. The Chancellor agreed that that would be worth covering. If the TCSC raised short-term VAT questions, such as infraction, Ministers would respond that the Government is considering the judgement, and not be drawn on detail. The Chancellor said it would be useful to have a meeting on this before the 13th.

5. BUDGET BRIEFING FOR BACKBENCHERS

Mr Forman had advised the Chancellor which Backbenchers should be seen individually by him, and which in groups. The Chancellor asked for this list to be circulated, and requested the views of Ministers and Advisers. The briefings would start on 13 January.

6. APPOINTMENT OF COMPTROLLER AND AUDITOR GENERAL

The Financial Secretary reported that this debate had gone off without incident.

7. REGIONAL POLICY/AUTUMN STATEMENT POLICY

The Chancellor had discussed this with Lord Young, who had reasons to make his Statement on the 12 January. Lord Young would be at the NEDC meeting on the 13th to handle the inevitable questions on RDG. The Chancellor would make no reference to this in opening the Autumn Statement debate, although the Chief Secretary would clearly have to cover any regional points raised in winding-up.

8. STRENGTH OF THE ECONOMY

The Financial Secretary said that recent figures for sector outputs, especially motor car production, were extremely impressive. Mr Tyrie added that he had attended a James Capel seminar at which participants were very bullish about the UK economy, although sanguine about the prospects for the German economy.

Mc

MARK CALL