

February 1981

WRONG ORDER

~~8~~ Monday 23 Call from IL M + GH (with Wass) met on Budget. M pursued MY line, that we needed an increase in taxes and would agree to a 1 penny rise in standard rate. (I had said a 2 or best a 3 penny rise was right but at least it is something). Have I had a delayed impact? I do not really believe it - nor did Tim. He said PM told GH that he must get the PSBR down or "you are for the chop" - very unlike her. Still wait & see. Told Paddie about it and she was also skeptical

10 Tuesday 24 GH is thinking about it - but all very secret

11 Wednesday 25 M + GH (with Douglas Ward?) met as M was packing. GH said he had thought about Budget and need to reduce PSBR towards what M wanted (i.e. about £10 bn) and best way was No Rooker Wise. M apparently wants NOONE to know (i.e. not DW, JH or me). But DW discovered the results of meeting - JH DW and I think it is stupid politically, indefensible morally, and economically - but at least the PSBR will be about right and we shall avoid funding, sterling crises etc.

1981 February

Biffen

Thursday 12 26

Tony Burns wanted me to agree to - 2 MLR charge. I reiterated that the no Rooker Wise was bad - both economically & morally it was indefensible.

MT very annoyed at DW note saying that with this sort of budget in a few the directors would be fired - didn't finish it, tore it up.

Dinner with Ambrose (Congreve & French Duchesse de Magenta, John & Rosemary Partridge etc)

Biffen reported to give big hint in Press that MLR was to be cut by 3% (In rest of Press reports of 4% at rampant). Muddleston, writing budget speech, very surprised - arguments whether should be 1% or 2% Muddleston finding it v. difficult with no Rooker Wise a PSBR estimate rising by the hour, the Governor requiring no money targets but great emphasis on exchange rate - apparently GH did not stand up to Governor at all well. I told Muddleston that I thought still that this budget had all the seeds of disaster, but a lot had been done on the merger level.

But no. PW and Bante tax were not defensible. The objection to a std rate increase in wholly physical

Sir John & Lady Tynan - dismissed M - she was still electioneering

Sunday 15 29

Dinner with Ralph Hornsby Alfred Sherman Peter Baines