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 Sir Douglas Lovelock - C & E
 Mr Wakeham
 Mr Stewart

FINANCE COMMITTEE - 11 NOVEMBER

No topic had been announced, so the Chairman, Sir William Clark, invited contributions.

2. Michael Latham proposed the topic of unemployment, saying that the Conservative Party would have no chance of re-election if unemployment were three or four million; that in Leicestershire a sizeable Conservative local government majority would be swept away next May, and that the situation in the textile and footwear industries was disastrous. What were Ministers doing, if anything?
3. Alan Clark (Plymouth) felt, however, that the level of unemployment was what was holding the Party activists steadfastly together in many constituencies. For better or for worse it was seen as giving the Trades Unions their deserts.
4. George Gardiner tended to side with Alan Clark.
5. John Townend reported that in East Yorkshire unemployment was not the worst problem. In any case, it was attributable to past Trade Union tactics.
6. Tony Grant wondered whether we had any grounds ^{expecting} for unemployment to come down at all; maybe it was a reflection of a changed economy. Were we at all confident that "small businesses" would fill the jobs gap before 1984?
7. Esmond Bulmer described how in Kidderminster small firms had absorbed most of those displaced from the carpet industry.

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8. Anthony Meyer. Now we have got an incomes policy why do we not say we have?
9. John Wheeler (Paddington). Much of the talk about unemployment was misjudged. There were 100,000 vacancies in London; 4,000 in the Metropolitan Police alone. It was the mismatch between jobs and the Education system that really needed attention.
10. Tim Sainsbury. The education system is a mess and it fails to prepare people for careers.
11. Nick Budgen. The 6 per cent was not an Incomes Policy; an incomes policy prescribed relativities, this does not.
12. Peter Lloyd. The sad thing was the way the 6% trickled out. The Press had dubbed it an Incomes Policy before anybody had asserted it otherwise. Electors are prepared for harsh measures but not for incompetence. The apparent muddle over money figures in the late summer was very damaging.
13. Nick Lyle. We are losing credibility because of the money supply muddle and because of interest rates. We are told that the government has been printing money in order to keep interest rates down. Is that so?
14. Peter Viggers. It is an illusion to think that the jobs we have lost to Taiwan (textiles etc) will ever come back, exchange rate or no exchange rate, so it is no use resorting to cosmetic measures.
15. William Clark. Why has the Centre for Policy Studies stopped examining and commenting on the validity of unemployment figures?
16. Julian Amery asked whether, if we cut interest rates before public expenditure was under control, the government would be able to finance its borrowing requirement.
17. Peter Tapsell declared for cutting MLR by 2%, then by successive $\frac{1}{2}$ s to 4%. An initial cut of 1% would only send sterling up as people piled in to the country to speculate on the next MLR cut.

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If you cut the full 4% at one time you would run straight into a buyer's strike. This coming Thursday is the last chance; if we miss it we will find the American prime rate up to 20% and then we will be stuck.

18. Jock Bruce-Gardyne felt that for all the talk about interest rates, it was really exchange rates the CBI was worried about. It is difficult to cut interest rates at a time when government has actually been intervening to stop rates rising.

19. Tim Eggar agreed broadly with Peter Tapsell, but favoured cuts of 1% successively.



E. J. CROPPER
12 November 1980

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Bonson

367 m 1 m 2 m 4 m 10

planning

HILLI.

All to do with capital -
recession not as bad as 1975

K.J.

not a CRUMS - ANALYSIS COM-157

FINANCE COMMITTEE

Rippon

Reaction ^{John} in the sector where expansion
at degree are no stronger interest.

Hazel The trouble about relying on expansion is that
if it fails, there is nothing else left.

Money supply is assumed P.S.B.A. is a function
not of central bank but of interest rates.

NOT OPPOSED TO STABILISE.

P.M. 25/7/1964 One of defects of

high spending is high interest rates.

CUT

TAX

BANK

Wanted 18 mths.



Don't cut public investment

Better thing is to tax - alcohol -

Tobacco. P.

LATHAM

a, Money Supply. Are we trying to cut
capital borrowing - high interest rates are
self-defeating - Bond has been holding down
interest rates

b, P.S.B.A. So long as we are in
recession P.S.B.A. will have to rise - Don't
cut all public loans. But Cabinet

ii) P.S.A. taxes at cut - no

on iii) cut income tax - as in recession.

HOADLEY

Monetary Policy is vital

Real strain is public sector.

Private sector is paying for economic stability
in public sector.

We shall never have another depression.

1 million people out of manufacturing &
into public sector

CIVIL SERVICES

M.H.S.
LOAN AUTHORITY



ABANDON - CONSERVATION IN PUBLIC
 SECTOR - WE MUST NOT SIMPLY
 WHAT NATION CAN AFFORD - 5% OR
 6%.

BROWN?

Agrees with Henderson.
 TOO MUCH STAKE ON FINANCIAL
 INDIVIDUALS.
 GOVT. SPENDING 2.5% OF GDP.
 WE DID NOT PUT INITIALS AMONG - P
 HIGH INCOME TO SPENT WITH.
 NO FOR STATE BODIES OUTSIDE GOVT OFFICES.

SHAW

Private Sector HAS SWIMMED
 IN dealing with private sector also D.K.
 WE HAVE STUCK IN PUBLIC SECTOR.
 Call lower interest rates
 Some exchange controls needed.

B-G.

NOT 18 MONTHS WOULD.
INFLATION - SUCCESS.
 AS IN 1971 - 1971 we cut taxes at
 rate of spending - no effect now.
 MUST REDUCE ^{inflation} GROWTH OF P.S.B.A. - NOTHING IS
 SPENDING. Better to face DIRECT TAX
 INCREASES

BAKER

Overall strategy correct.
 Weapons in line have not been
 successful. P.S.B.A. more important than
 monetary targets & deficits of more money.
 Public Sector Pay.



HIGGINS POLICY AIMS.

Big P.S.B.A High interest rate
Small P.S.B.A Low interest rate.

How a monetary policy is practised?

Must reduce P.S.B.A. - Time is
Lunatic D.T.

Also increase ADVICE BY REGULATORS.

G.I.T. INTEREST RATES DOWN THROUGH INFLATION P.S.B.A.

GRANT

PUBLIC SPENDING

LOCAL AUTHORITIES - CUT STAFFS FOR

IDEALLY BUT STAFFS GO ON.

INTEREST RATES ARE CALCULATING OUR OWN

Small Business SUPPORTS.

Not a cut in interest rates is desirable

Put up INDIAN TAXES.

WADSWORTH

Only one year - M.L. - argument for
reflex.

We have not believed as it is
believed in the policy - if we were
really monetarists rate should be high.

UNDER WADSWORTH DOGS.

BE GOVT SPENDING INCLUDING CAPITAL

DEFICIT CANNOT BE SUSTAINED.



TOWNSEND

BOARD

TAX - NO INCREASE IN
CUT - TAX A.P.I.
==
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Now moved to cut for - public sector
the to cut programmes.

NATIONALISED INDUSTRIES
PUBLIC SECTOR PART.

TAYLOR

Criticising letter for his letter

Half way through 1970 Parliament we
lost an ounce.

EEC

INDICATE UNKIND OPINIONS.

Plenty of time to see policy through to
front

CUT - NO GOVT INDEBTMENT IN
TAX - INDUSTRIAL TRAINING.
P.S.A.
BOARD

STICK TO OUR POLICY.

BUTCHER

CUT
PUBLIC SECTOR PART.

5%

ALYS WILLIAMS

STRATEGY ALIEN.T.
TACTICS WRONG



CUT I. T. TOO much.
 SHOULD NOT HAVE PUBLISHED
 MONIAMS DETAILS.

Public spending is too high -
 fight all money - M.H.S.

VEN SHARP CUT -
 IN FIRST APPEALS
 DOWN E.M.S.

REFORM C. T. T. to left
 small business.

BUDGET

CUT P.S. B.R.

TOO MUCH TOUCH TAX. } IN FIRST
 TOO LITTLE TOUCH ACTION } 1st MONIAMS.

WE SHOULD REVERSE THIS.

By law to increase taxes
 offered to identify of whole enter.
 individual taxes.
 POSSIBLY I. T. AS WELL

WELL

STATION CORRECT.

ONLY PAY CENTS - 100%
 FOR MAN OUVRE