

Prime Minister

FINANCE COMMITTEE - TUESDAY 9TH MARCH 1982

1. The Chancellor said that his Budget had three economic objectives:-
  - (a) To sustain the battle against inflation.
  - (b) To nourish growth.
  - (c) In the medium term, to stem the rising tide of unemployment - hence his new scheme in conjunction with the voluntary organisations.
  
2. He said that his Budget had four political objectives:-
  - (a) To gain for our Party a second innings.
  - (b) Not to bequeath to ourselves, after the next Election, a legacy of rising inflation.
  - (c) To introduce measures of importance to our own supporters, eg. the Gains Tax provisions, help for charities, the 714 Certificate.
  - (d) To try to persuade Companies and people that they are now part of the same team working, in partnership towards a brighter future.
  
3. The following spoke, all, at the request of the Chairman, very briefly:-
  - (a) Robin Maxwell-Hyslop  
"Well done. Persevere with the indexation of capital tax".
  - (b) Terrence Higgins  
"Well done. This is the right Budget at the right time."  
Puzzled about some figures.

- (c) Michael Morris  
"Would the Chancellor please look even harder than he has already done about exempting charities from VAT?"
- (d) Brandon Rhys-Williams  
"Would the Chancellor be able to give some help for Private Companies?"
- (e) Tim Eggar  
"Does the Chancellor's Budget Statement mean the demise of £M3?"
- (f) Stephen Dorrell  
Qualified approval but wanted to see a higher reduction in income tax.
- (g) George Gardiner  
"Well done. Will the unemployment scheme benefit the middle aged, as well as the young?"
- (h) Norman St-John Stevas  
"Well done. The Chancellor has struck a reasonable balance as reflecting different views within the Party. The Party can unite behind this Budget."
- (i) Tony Durant  
"Pleased for the Mobility Allowance but what about widows?"
- (j) Jim Spicer  
"Do not forget that the publicans are our supporters"(!)
- (k) Nicholas Lyell  
Likes the balance in the Budget. "What about new projects for industry?"
- (l) John Townend  
"Do not relax the efforts to reduce public spending."  
(applause)
- (m) Patrick Cormack  
"Agree that the Party could unite on this Budget".  
"What about the £2,000 rule for entitlement for Supplementary Benefit?"

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4. Replying, the Chancellor said:-

- (a) That the P.S.B.R. next year, estimated at £9.5 billion, would be £1,3 higher than if he had simply done Rooker/Wise and valorised indirect taxes.
- (b) That he had been unable to find a satisfactory method of exemption for charities from V.A.T.
- (c) That it was his intention to extend the Rooker/Wise principle to C.G.T. and to C.T.T.
- (d) £M3 was not the sole yard-stick for measuring monetary growth; it was necessary to look at all monetary aggregates.
- (e) The latest Treasury forecast was that by November 1982 the Annual rate of inflation would be 9% and that by the second quarter of 1983 the Annual rate of inflation would be 7½%.
- (f) The new scheme for reducing unemployment would be open to all, not only to the young. This was not an S.D.P. proposal. It was his own.
- (g) So far as publicans and gaming machines were concerned, there was to be no ad valorem tax on these machines.
- (h) He would prefer to leave the question about industrial projects until later.
- (i) He was aware of the strong views about the £2,000 limit for capital so far as entitlement to Supplementary Benefit was concerned.

5. There was an exceptionally good atmosphere at the meeting. I walked up to it with Geoffrey. As we walked along the corridor, Norman St-John Stevas came up to Geoffrey and congratulated him.

6. I repeat the view which I express to you on Friday morning, that this is, politically, an immensely clever Budget. I believe that it will be perceived as such by the Parliamentary Party and, hopefully, by the Party in the country.

9th March 1982

IAN GOW