



10 DOWNING STREET

PRIME MINISTER

FINANCE COMMITTEE

1. I HAVE REPORTED TO  
YOU VERBALLY.

2. HERewith NOTE PREPARED  
BY PETER CROPPER.

I am.

27/11/1980.

CHANCELLOR  
CHIEF SECRETARY  
FINANCIAL SECRETARY  
MINISTER OF STATE (C)  
MINISTER OF STATE (L)  
MR NEWTON  
SIR DOUGLAS WASS  
SIR KENNETH COUZENS  
SIR ANTHONY RAWLINSON  
MR W S RYRIE  
MR T BURNS  
MR UNWIN  
MR RIDLEY  
MR CARDONA

cc Sir Lawrence Airey - IR  
Sir Douglas Lovelock - C & E

CONSERVATIVE PARTY FINANCE COMMITTEE - 25 NOVEMBER 1980

The Chancellor introduced the discussion. He was accompanied by the Chief Secretary, who is due to speak on public expenditure aspects to the Committee on Tuesday 2 December. Approximately eighty members present.

2. Terence Higgins was afraid that the government might be running out of time. He congratulated the government on its moves on public sector pay, and on accepting the advice of the Select Committee on staging payments. He was worried about the inconsistency of cutting MLR when the PSBR was running so far ahead of target. He would have preferred measures which would have brought revenue in sooner, eg the regulator. (Chancellor gave him a figure of "under £250 million" for the potential yield of a regulator lift on the excise duties (not including VAT) for the balance of this year.

3. Michael Morris asked if the Chancellor realised he had alienated 11 million pensioners.

4. Hugh Fraser accepted the case for extra tax on oil, but warned against alienating the foreign investor and harming our only real boom industry.

5. John Browne: The government had lost the better part of a year. More needed to be done for small business; the banks ought to be encouraged to set aside additional money for risk loans to this sector (£100 million each) and the government should match it pound for pound.

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6. Tim Sainsbury: Why announce the NI contribution increase now when it does not take effect until next November? Should not mortgage tax relief have been restricted to the basic rate, at the same time?
7. Geoffrey Rippon: Welcomed "the move away from monetarism", and warned against pinning any particular hopes on Monetary Base. It was vital to switch public expenditure from consumption to capital spending. If government consumption expenditure could not be cut it would be better to raise taxation than to continue chopping government capital programmes.
8. Edmund Bulmer: What was the Chancellor's estimate of the cost of Clegg? (£2 billion estimated).
9. Jock Bruce-Gardyne advised the Chancellor not to over-estimate the revenue elasticity on drink and tobacco in a recession. He also asked who was responsible for the 'non-recessionary' half of the PSBR over-run.
10. Julian Amery felt the primary question was why, despite having had all the help of a research department and a 'think tank' in opposition, to help draw up the policies, there had still been a failure to get public spending under control once in office.
11. Peter Hordern welcomed the statement primarily for its reiteration of commitment to the MTFs. He asked whether the government's financial targets for the nationalised industries was realistic. He asked for the role of the P.R.U. to be looked at very critically.
12. George Gardiner detected disappointment in the Party over the inadequacy of the cuts. He asked the Chancellor to elaborate on something he had said in response to an earlier question - "The Cabinet went right up to the frontiers of its pre-election commitments (Clegg, pensioners, education, defence)." Gardiner asked "Is the Chancellor telling us that the Cabinet has gone as far as it can?" To which the Chancellor replied that there was still a formidable task to be done in improving efficiency and that that was where the greatest scope lay.

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13. Nigel Forman: While welcoming the MLR cut and the public sector 6 per cent (although deploring its presentation), was deeply worried that the Chancellor was "still pursuing a policy of deflation at home". He also asked whether the idea of an economic Forum was in abeyance.
14. Tim Eggar: supported Geoffrey Rippon over the importance of keeping government capital spending apart from government current spending - particularly in the context of the PSBR discussion. Pressed for more active sale of BNOC shares.
15. W. Madel asked why we did not cut young people out of National Insurance contribution and thus encourage employers to take them on - rather than paying them the dole.
16. William Waldegrave pointed to the inconsistency of announcing an MLR cut in the House at a time when one is trying to de-politicise the thing.



P J CROPPER  
26 November 1980

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