

1344



CHIEF SECRETARY  
FINANCIAL SECRETARY  
MINISTER OF STATE (C)  
MINISTER OF STATE (L)  
MR. RIDLEY  
MR. CROPPER  
MR. CARDONA

1981 BUDGET

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The Chancellor would like to have a preliminary indication of your thinking on what should be the thrust and character of the 1981 Budget. To this end he would be grateful if you would provide succinct answers to the questions posed in the attached questionnaire. To enable these to be considered in time for the meeting which has been arranged for Friday, 19 December, returns should be submitted by close of play on Wednesday, 17 December.

*R.I.T.*

(R.I. TOLKIEN)  
15 December 1980

QUESTIONNAIRE FOR MINISTERS AND ADVISERS

Assuming PSBR, £M3, inflation, output etc. come out roughly as now expected and the next NIF does not suggest any important change in the economic prospect, what do Ministers feel intuitively are the answers to the following questions?

(1) At what level as a % of GDP should we ideally set next year's PSBR? EG A little lower, as in the Industry Act forecast? Much lower? Or no lower?

(2) If it is felt Revenue is to be raised,

(a) How would you rank the possible sources?

(b) Other things being equal, how far would you feel it right to raise some or all of the specific duties by more than the amount required for valorisation?

(c) How far would you feel it reasonable to fall short of indexation of income tax thresholds? Should all thresholds be treated uniformly?

(d) Any other ideas for widening the revenue base?

(3) The "Burns-Middleton" analysis suggests industry is £6 bn worse off because of recent developments which, by and large, we didn't foresee [two years ago]. How far should the Budget ideally aim to offset this transfer of resources?

(4) Which taxes would you like to see reduced?

(a) Should such cuts be for the private sector as a whole? Or far more limited sectors?

(b) Any further ideas?