



10 DOWNING STREET

Feb. 25, 1981.

*Parsons the most
bitter letter / minute
of the whole budget
episode!*

Prime Minister.

The attached record of meeting, if anything like true, is a profoundly shocking document.

At the start of the meeting you are (rightly) dismayed by a PSBR forecast of £11½Bn. (You know the market will add £2Bn.) Yet minutes later you are willing to accept the Chancellor's judgement that an increased basic rate is not politically possible. I beg you to believe that responsibility for this POLITICAL JUDGEMENT is your own. It is the Thatcher Strategy, and the Thatcher-Howe Budget. If it results in a funding crisis, you will be held responsible both by the City, the Country, and the Colleagues. The Colleagues have asked for discussion of Budget Strategy. You have refused. In doing so you have taken upon yourself a joint responsibility with the Chancellor, and let the Colleagues off the hook.

The Chancellor's "arguments" are nothing more than random assertions. "An increase in the basic rate would be extremely difficult politically and would be very bad for business morale". True, BUT WHAT ARE THE ALTERNATIVES? Will a continuation of high MLR, or a funding crisis, be an easy political result? Will they be good for business morale? To rule out something because it is unpleasant is not possible. Otherwise why not make every Budget a give-away budget?

The Sentence I have underlined is Incredible. Does the Chancellor believe the country is full of imbeciles who don't realise that we have failed to cut Public Spending sufficiently? Most people know already that money for Steel and Coal must come from Taxpayers in the long run. Of course we must raise taxes to pay for our own failures. It is self-delusion to believe that we can hide this fact. THE OPPORTUNITY TO DEMONSTRATE, QUICKLY, THAT MORE FOR COAL MEANS LESS FOR EVERYONE ELSE IS THE ONLY GOOD THING IN PROSPECT. Does the Chancellor really hope to fool all of the people all of the time? Do you? If not Tax, borrowing or printing? And when the PSBR forecast goes up, borrow at what rate?

A comparison springs to mind. A Company is doing badly. The Directors meet and decide not to cut the dividend, because the shareholders might suspect the Company was doing badly! On the arguments advanced at your meeting, professional incompetence would be certain to be proved. The Question under the Companies Act would be whether or not the self-delusion had crossed the boundary of Criminal Liability.

David W.