

SECRET

*Seen by the Prime Minister 19/11
MCS.*

PRIME MINISTER

Papers on NIC and NIS

You were concerned about the wide circulation of Alan Walters' note to you of 13 November, given its sensitivity and the fact that the Chancellor's note was copied only to Sir Robert Armstrong.

You asked for a list of everyone to whom these documents are being copied and all who see them. Within No.10 Downing Street the following people saw either the Chancellor's minute or Alan Walters':-

Mr. Scholar	
Mr. Wolfson	
Mr. Hoskyns	
Mr. Duguid	
Mrs. Padwick	
Mr. Walters	
Mr. Davies-Jones	} Duty clerks
Neill Mitchell	
Steve Pike	
Charlotte Stevens	
Alan Logan	
David Collins	
Andrew Coombes	
Steve Geary	} Filing clerks
Jan Crean	
Trevor Garrett	

No one outside No.10 Downing Street saw Alan's note. The Chancellor's minute was seen by the Cabinet Office people listed in Mr. Wright's minute to me of 18 November. The Chancellor's minute would also of course have been seen by a number of people in the Treasury.

If the Chancellor had classified his minute "Budget - Secret" the number of people who would have seen it would have been drastically reduced. Within No.10 it would have been seen only by Alan Walters and me, and perhaps Clive Whitmore. He did not so classify it because he does not regard it as a Budget Secret, as can be seen from the wider distribution he has given to his later minute on the

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same subject, of 17 November. In view of this, I do not myself think that Alan Walters gave too wide a distribution to his note, particularly since I understand that there have been discussions within the Policy Unit about the NIC and NIS.

As to the substance of the matter, I suggest that you discuss the Chancellor's two minutes with him at your regular meeting with him at 0945 tomorrow morning. You will see from Alan Walters' note to me of 18 November that he supports the Chancellor's proposals, both in order to maintain the soundness actuarially of the Fund; and also because he thinks it is a useful pre-emptive strike for a smaller PSBR. He, however, does not accept the Treasury assumption that by loading the NIC onto employees rather than employers the employment effect is minimised. Alan thinks it important to argue this out with the Treasury, to prevent them putting forward wrong headed proposals in the future. You may wish to suggest to the Chancellor tomorrow that Alan discusses the issue with the Treasury people concerned.

The Treasury have not been able to give me notice of any issues which the Chancellor will wish to raise at tomorrow's meeting.

MCS

18 November, 1981.