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Department.

Phone: 01-222 0151/8
01-222 9000

Conservative Central
Office.
32 Smith Square,
London SW1P 3HH

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RT HON LEON BRITTON MP

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Extract from a speech by the Rt Hon Leon Brittan MP (Cleveland and Whitby), Chief Secretary to the Treasury, to the Mid-Wensleydale Branch of the Richmond Conservative Association, at Falls Motel, Aysgarth, on Saturday, 7th May 1983

The two partners in the SDP-Liberal Alliance are indeed well matched. For whereas the SDP have no clear policies at all on most matters, the Liberals always offer more than enough half-baked proposals to go round. m

For example, the Liberals have always had an abundance of confused ideas about the tax system. When Labour introduced the job-destroying National Insurance Surcharge the Liberals attacked it. Then they wanted it raised by 1½%. Then they objected to its being raised further. Now they want to abolish it altogether. No wonder nobody in Parliament can take what they say seriously.

With their SDP partners, they proposed in February that we should cut taxes on industry and leave personal taxes to take care of themselves. Then, only a month or so later, we learn of their burning conviction to turn the personal tax structure upside down and inside out and replace it with a full blooded tax credit system.

Whatever may be thought of this highly complex plan, one fact is clear. The staggering amount of £20 billion - over twice as much as total Government borrowing last year - would be required to finance it each year! Not surprisingly, to go along with all this they propose a 44% basic rate of tax. In fact, it seems likely on their own costing that the basic rate would actually be at least 46% to 48%.

How can a party that once claimed to believe in incentives and spoke up for the individual, support such dangerous nonsense? They now seem prepared to raise the marginal rate of tax to a level undreamt of under Denis Healey - and unlikely even under Michael

Foot

All this has a significance, however, reaching far beyond the tax system. For years the Liberals have been telling us that under an allegedly fairer system of representation they would be able to bring their expertise to bear on the issues of the day, whichever minority Government nominally governed. They now claim that with Roy Jenkins as their Prime Minister-designate they have behind them the experience to rule.

Yet no serious political party could make proposals such as these for tax reform. Any more than any serious political party could now propose cancelling Cruise and Trident in the face of Soviet rearmament and in advance of any disarmament agreement. And it is not exactly a sign of confidence or sureness of touch for the Alliance to accept one leader in Opposition and then propose another in Government. Who are they trying to fool? And why? The truth is that the main potential political impact of the Liberal Party is now as it has always been - to let Labour in by default and then keep them there. That is what they did last time they had a chance. We have seen the Liberals in Alliance before and that kept Labour in power long after Labour had lost its Parliamentary majority. Those who recognise the threat to our society posed by Socialism today will not allow the Liberals to let it come in by the back door.

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