



10 DOWNING STREET

From the Private Secretary

4 October 1983

REDISTRIBUTION OF INCOME

We are trying to assemble some material on the "fallacy of redistribution", i.e. how much the incomes of the majority of tax-payers would be increased if all the income over a certain level of the very rich were taken away in taxation and redistributed. The analysis is rather complex though at the end of the day the Prime Minister is looking for a short, snappy statement.

I would be grateful if you could arrange for some material on this to be provided. One possibility would be to work from the kind of table published in Social Trends which in turn is based on the Survey of Personal Incomes. I notice, however, that Table 5.17 in the 1983 edition is based on 1979-80 data. Is there any more recent data, or, failing that, would it be possible to gross up the figures so that the final result is expressed as current money values?

Clearly, the formulation of the question is vital and I must look to you for advice on that. One possibility would be how much each tax-payer would benefit if the incomes of all those above the first or fifth percentile were reduced to the average/the level of those at the sixth percentile/the average of the 5-10 per cent band.

The Prime Minister may wish to deploy this material in her Party Conference speech and so I would be grateful if this material could reach me during the course of this week.

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