

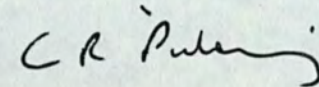
FROM: C R PICKERING  
DATE: 14 MARCH 1985

MR FOLGER

cc PS/Chancellor  
TWEB/alternative policies checklist recipients

'ALTERNATIVE BUDGETS' 1985

Mr Hattersley released an alternative budget after all. I enclose a summary. which can be used with section C of the checklist attached to my minute of 13 March.



C R PICKERING

Mr Hattersley  
Press Conference  
on 13.3.85

- (i) Use 'fiscal adjustment' (£1.5 billion) and increase PSBR (£3.5 billion) to finance investment on infrastructure and manufacturing; employment effect 270,000 first year. 1 million over three years.
- (ii) £3 per week increase in child benefit
- (iii) £5 per week increase in single person's pension. £8 married couple
- (iv) Introduce long-term supplementary benefit for long-term unemployed

Total cost (ii)-(iv) £2.85 billion. net of inflation and a clawback of other benefit costs. Financed by restoring tax of the rich to 1979 levels. by restoring 1979-84

- (v) Reduction in Capital Gains Tax
- (vi) Reduction in Capital Transfer Tax
- (vii) Abolition of investment income surcharge
- (viii) Reduction in top income tax rate bands

Total revenue effect (vi)-(viii) £3 billion

- (ix) Abolish UEL for NICs. to finance lifting NIC threshold and/or income tax personal allowances. and/or reducing employers' NICs via employment subsidy.