

PRIME MINISTER

Bilateral with the Chancellor

The subjects which could be raised are:

(i) The Budget. Attached is a note by one of the Special Advisers in the Treasury of the Chancellor's remarks at the Backbench Trade and Industry Committee. Although it claims that the Chancellor made no comment on what might be in the budget it seems clear that the Chancellor allowed himself to be drawn into discussion. You might want to caution him against trailing too much of the budget in advance, particularly the good bits.

✓ (ii) Competition policy. Having considering Sir Robert Armstrong's arguments you now wish to proceed with the original proposal which Mr. Tebbit favours of having a separate Sub-Committee of E(S) on competition policy. You thought, however, that it might be better for the Chancellor rather than Mr. Tebbit to be in the chair. Before a minute is sent to colleagues you might want to clear this with the Chancellor.

✓ (iii) Salaries for the Chairmen of CEGB and the Electricity Council. Mr. Walker has re-submitted his proposal for raising their salaries to £64,000 a year. Earlier the Chancellor had objected that these were too high and had made a counter-proposal of £61,000 a year. You queried whether it was right to pay the two Chairmen more-or-less the same since you thought Walter Marshall was the more able. Mr. Walker had, however, argued in favour of paying the same salary to both. You might want to concert a response with the Chancellor.

✓ (iv) Withdrawal of ½p coin. The Chancellor proposes to announce this as soon as possible. There do not appear to be any political objections to this but you might want to confirm that the Chancellor has taken soundings on this.

✓ (v) Treasury Ministers and Lloyds. Sir Robert Armstrong has not yet replied but I believe that he is content with the

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revised Treasury formulation but is considering whether it really is advisable to consult as opposed to inform Lloyds.

AT

25 January 1984

cc BT  
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CHANCELLOR AT BACKBENCH TRADE AND INDUSTRY COMMITTEE

Note for No 10

The Chancellor of course made no comment on what might be in the Budget, and did not respond to specific suggestions made to him.

2. He said that as he saw things at present there would be no scope for net tax reductions. Indeed the figures suggested, if anything, a need for a small net tax increase, though he hoped that that might not prove necessary.

[This reflects public pronouncements at the time of the Autumn Statement].

Note: The Treasury does not yet have the forecasts on which the Budget judgement is based.

3. His comments on the PSBR were confined to parrying suggestions that it could be allowed to rise without risk to interest rates.

4. Asked about thresholds he agreed that when there was room for manoeuvre on personal taxation, thresholds would have priority. [This echoes previous pledges made by Treasury Ministers]. His remarks bore no relation to this budget.

5. On public expenditure, the Chancellor said that the Prime Minister had been absolutely right to avoid giving Brian Walden a pledge to reduce it below planned figures. Parts of public expenditure were rising and reductions elsewhere would have to be found to keep spending level in real terms.

6. The Chancellor did not use the phrase quoted in the FT:

"What I am able to give away with one hand I will have to take back with the other".

He said that while he believed the Budget was likely to be PSBR neutral or slightly worse, he nevertheless expected to be able to make certain adjustments that could be beneficial to the economy.