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cc Press ✓

Mr Gray No. 10

We spoke. I attach the
Chancellor's press release
for today.

AMH

29.3.

TAX REFORM WITH A BALANCED BUDGET - A UNIQUE COMBINATION

There are many similarities between economic policy here and in the United States. We both believe in free markets. We both believe in getting inflation down. We both believe in tax reform. And we have both delivered on our objectives.

But there is one key difference. The Reagan Administration cut taxes first and let the deficit rise. We have combined tax reform with a balanced budget.

And that combination is unique.

Over the 1980s, we have reduced Government debt, as a percentage of national income, whereas in every other major country it has gone up.

In the financial year which ends on Thursday, we are repaying £3 billion of Government debt. During their current financial years, the United States will be borrowing some \$150 billion, Germany DM40 billion, and France FF115 billion.

What a turn round.

During the 1970s, Britain's budget deficit was consistently among the largest in the seven major industrialised countries. And in 1979, the United States actually ran a small surplus.

Now the roles have been reversed. In my Budget Statement a fortnight ago, I announced a balanced budget, not just for the year now ending, but for the coming year and thereafter.

The balanced budget is a readily comprehensible financial discipline on the Government. It leaves more room for the private sector to expand, with the Government no longer competing for people's savings. It is an insurance policy against unforeseen shocks. And by reducing the national debt as a share of GDP, it

● brings down the burden of debt interest for the future, without surrendering to inflation.

Let me be quite clear. I am determined to get taxes down still further. But that will not be at the cost of higher borrowing. The balanced budget is here to stay.