

PRIME MINISTER

Enclosed in the envelope is a copy of the Budget speech. The Chancellor is coming to see you tomorrow for about 15 minutes to obtain your reactions and to talk about the response to the reports in the Guardian.

I have read an earlier draft of the speech (though this did not contain the sections on personal and business taxation). It is a very economical speech - no lengthy descriptions of the world or domestic economies; no list of special measures for this or that group. All very commendable.

I have only one significant reservation (apart from a few drafting comments). The Budget is described in the first section as having two themes:-

- i) Reduction of inflation in order to promote jobs.
- ii) Creation of a simpler and fairer tax system.

This section could be beefed up by having four themes which would allow the promotion of jobs to be identified separately rather than being simply a by-product of lower inflation:-

- i) Continued pursuit of sound money to reduce inflation.
- ii) Creation of a more efficient economy (e.g. cutting stamp duty) and measures to encourage the promotion of more jobs (e.g. abolition of NIS and restructuring of corporation tax to reduce the incentive to substitute capital for labour).
- iii) Creation of a fairer and simpler tax system (e.g. composite rate).
- iv) Leaving more of your money in your pocket to spend, or save, as you wish (e.g. wider base for indirect taxes, higher thresholds, abolition of investment income surcharge and removal of life assurance premium relief).

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I expect Bernard's reaction will be that there is not enough good news early on. I can see the force of this but it is not easy to identify what could be brought forward to the early part of the speech without doing damage to its structure.

8 March 1984

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