

24 October 1980 C

MR LANKESTER

You asked for my comments on Jim Prior's note to the Prime Minister about "Earnings 1979-80".

We have just one brief and general comment. Jim seems to be mostly concerned (and by implication, Geoffrey Howe and Christopher Soames likewise) to "talk down" the New Earnings Survey because it contains such large figures.

This seems to be quite the wrong way round. If our objectives are to create a climate which is (a) conducive to low public sector settlements, and (b) which helps us to explain cause and effect to the public (these huge increases, including the private sector, have to be paid for in unemployment, high MLR, expenditure cuts, higher taxes), the high figures in the Survey strengthen our case. In any case, they are so horrendous, however we talk them down, compared with the realities of our situation, that we risk looking ridiculous if we appear to be investing great effort in making absurdly high figures look slightly less absurd. Better to say that we've all behaved like greedy idiots and are now paying the price, and it would be stupid and (in the public sector) wicked to sustain such behaviour for another year. And we're not going to let it happen.

*JK*

JOHN HOSKYNS

This should be explicitly  
used as a launching-pad for  
announcement of Cash limits &  
the 6% objective