



10 DOWNING STREET

THE PRIME MINISTER

22 March 1982

Dear Michael,

Thank you for your letter of 4 March. I thought my letter of 2 March made it clear that the Government commitment is to price protect retirement pensions, and that we are committed to go beyond this only in terms of the restoration of the earnings shortfall in 1978. There was never a commitment to make good any earnings shortfall in 1979, but we have promised to make good any shortfall against prices that may arise. Our record in working to protect the pension against inflation stands up to the closest scrutiny.

You will now be aware of the uprating proposals for November 1982 set out in the Budget Statement and in the follow up statement of 10 March by the Secretary of State for Social Services. This is based on an 11 per cent uprating of retirement pension, made up of 9 per cent as the forecast inflation from November 1981 to November 1982, and 2 per cent to make good the 1981 shortfall. This will fully restore the pension to its 1979 value. The reasons for recovering in 1981 the 1 per cent overshoot at the 1980 uprating were discussed at considerable length when the Social Security Act 1981 was before the House and no useful purpose is served by going over that ground again. As to the previous government's record on pensions I would point to the massive inflation that was triggered off in 1974 and 1975 which led to a 110 per cent erosion in the value of personal savings through rising prices over the period to the 1979 election and to the suspension of the Christmas bonus in 1975 and 1976 when the value of pension was under the most severe pressure.

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Nor will pensioners readily forget the switch in uprating methods in 1976 which led to them being shortchanged to the tune of £500 million, equivalent to over £900 million at today's prices.

Yours sincerely  
Raymond Deakin

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The Right Honourable Michael Foot, M.P.,