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BC. J. Verker

From the Private Secretary

4 November 1981

Economic Assumptions

The Prime Minister was grateful for the Chancellor's minute of 27 October, about the economic assumptions to be given to the Government Actuary for his report on the National Insurance Fund; and about the forecast required by the Industry Act.

The Prime Minister is content with the Chancellor's proposals on unemployment earnings and inflation as set out in paragraphs 3-6 of his minute. On the earnings figure, she has commented that she hopes that the figure of 7½ per cent, which is on the face of it uncomfortably high in relation to the 4 per cent planning factor for public service pay, will be justified by reference to what she understands is the implied settlements figure of 5-5½ per cent. She hopes that the Chancellor will take every opportunity to make it clear that the 7½ per cent and the 4 per cent figures are not directly comparable one with another.

I am sending copies of this letter to Don Brereton (Department of Health and Social Security) and to David Wright (Cabinet Office).

M. C. SCHOLAR

John Kerr, Esq.,  
H.M. Treasury.

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