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October

From the Private Secretary

26 January 1979

I have written to you separately confirming that the Prime Minister does not wish the unemployment assumptions underlying the social security expenditure figures to be published in the White Paper.

I also mentioned to you that the Prime Minister has now questioned the realism of the 1.65 million assumption for unemployment in 1980/81. She thinks that this may be unduly pessimistic. Although she appreciates that it is too late to change the social security expenditure figures, she wonders whether there is any scope for mentioning a lower figure if Ministers are pressed to reveal the assumptions underlying the expenditure figures. Alternatively, if it is possible to deduce the unemployment assumption from the expenditure figures, she wonders whether Ministers should not emphasise that the assumption is hypothetical and set on a relatively high level as a measure of insurance against under-provision. I understand that the Government Actuary will publish a report in the next few weeks which, on past form, would reveal the unemployment assumption. Is this absolutely essential?

I also confirmed that the Prime Minister is very content for there to be a sentence in the White Paper setting out the likely effect of income tax levels if the Government had continued with the expenditure plans inherited from the last administration. You promised to let me have a note by next Thursday explaining the basis of the figures. If Treasury Ministers are going to use other illustrations (for example, what levels of VAT would be necessary) in briefing the Press, it would be helpful if the note could cover these as well. It is clearly important that the Prime Minister should be using the same figures.

J. R. LANKESTER

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