Subject file

Econ Poi - Public Exp

Strategy Pt 4.



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## 10 DOWNING STREET

From the Private Secretary

5 November 1979

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The Chancellor of the Exchequer called on the Prime Minister at 1730 hours today to discuss his proposals for the Bray forecast and for the economic assumptions to be given to the Government Actuary. (These proposals were set out in his minute of 2 November.)

They agreed on the following forecasts/assumptions:

- (i) RPI per cent increase 4th quarter of 1980 on 4th quarter of 1979 (or for the Actuary's report, November 1980 on November 1979) - 14%.
- (ii) Average earnings increase financial year 1980/81 on 1979/80 14%.
- (iii) Average number wholly unemployed (Great Britain) financial year 1980/81 1.6 million.
- (iv) Average number wholly unemployed (Great Britain) financial year 1979/80 1.25 million.

The Chancellor and the Prime Minister agreed that the Treasury forecast should not be circulated widely in Whitehall.

The Chancellor raised the question of whether there should be an economic strategy discussion in Cabinet. He said that he would find it helpful to have such a discussion in order to persuade more Cabinet colleagues

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- 2 -

of the rightness of the overall strategy. He suggested that, before putting a paper to Cabinet, a draft might be considered by a small group of senior Ministers. The Prime Minister agreed that a strategy discussion in Cabinet would be useful, and that this should be preceded by a smaller meeting. Ministers for this smaller meeting should include the Secretary of State for Employment, the Lord President, the Home Secretary and the Secretary of State for Social Services. The Chancellor should aim for this initial discussion within the next few weeks.

The Chancellor reported that Treasury officials were examining the options for the presentation of the figures in the Public Expenditure White Paper for the later years of the P.E.S.C. period. He was hoping to have a meeting with Treasury Ministers to consider a paper by officials in the near future, and would then be ready to discuss the question with the Prime Minister.

T. P. LANKESTER

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