

NOTE FOR RECORD

68 475
Copies to The Governor
Mr Fforde
Mr Dow
Mr Blunden
Mr Page
Mr Loehnis
Mr Walker

At lunch with Adam Ridley yesterday the following points came up. We both agreed that the next pay round was crucial to the Government strategy and he indicated some agreement with my suggestion that Ministers, including particularly the Prime Minister, would be well advised to make very clear in public the necessity for low wage settlements. (The Chancellor had made a good start with the Select Committee in pointing to the need for a fall in real income.)

Ridley thought that something could be done with public speeches, but not perhaps a great deal. The Chancellor had wished to work through NEDC but the unions would probably stymie any real discussion. His own idea, which I gathered was gaining some momentum in the Treasury, and which seemed to me a good one, was the following. The Government should declare the cash limits for public sector much earlier this year than last - say, early July - well ahead of all the conferences and early negotiations in the private sector. Moreover the cash limit might plausibly be related to the money supply targets: 9%, being in the middle of the range and in single figures, had a certain attraction. Once this were done alot could be made of it. In particular the CBI could be encouraged, perhaps covertly, to suggest this explicitly on their own responsibility, as some form of norm for the private sector.

Cwm

1 May 1980