

CONFIDENTIAL



Prime Minister
The Biffen's formulation
at X seems the best
we can ~~do~~ get away with.

Agree?
R
30/10

Agreed
out.

PRIME MINISTER

PUBLIC EXPENDITURE WHITE PAPER: DISCLOSURE OF UNEMPLOYMENT ASSUMPTIONS

Your Private Secretary wrote to mine on 26 October to confirm that the assumptions about unemployment used in preparing the figures should not be disclosed in the 1980-81 public expenditure White Paper.

2. We need however to decide how to respond to questions about what levels were assumed. My strong preference is to give the figures if I am asked a direct question about them in the House following the Statement on Thursday. I am sure that we would have to disclose them later on if pressed - as we are bound to be - in a Select Committee hearing, and I could not refuse the House on Thursday, knowing this.

3. To deny the House as a whole what I am prepared to give in due course to a Committee would be to set a damaging precedent for this Government's dealings with the House. I personally attach great importance to this.

4. In this case there is anyway a difficult history, culminating in Denis Healey's agreement last year to give the then figures to the Social Services and Employment Sub-Committee of the Expenditure Committee and the inclusion of unemployment assumptions in the last full White Paper last January (Cmd 7439).

5. If asked I would give the two key numbers of 1.35 million for 1979-80 and 1.65 million for 1980-81 for the number of unemployed (excluding school leavers etc). I would say that the assumptions had been chosen some months ago; that the first looked to be on the high side, given the movement of unemployment so far this year; and that the second was a broad assumption and is under review. As it stands it happens to be not out of line with projections published in recent months by forecasting bodies such as the London Business School or the National Institute.

X |

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6. In fact my Treasury colleagues and I believe that the House will generally be expecting a higher figure for unemployment in 1980-81.

7. It is perhaps worth recalling that details of the working assumptions were obtained by the Guardian and published on 10 October in a form that maximised the figures (by including the peak of school leavers etc due in July). As far as I am aware this had no harmful repercussions.

8. I hope therefore that you can accept this way of responding to pressure in the House.

9. Mr Lankester's letter asked whether it is essential for the Government Actuary's report to reveal the unemployment assumptions. It is. The Secretary of State must under statute lay before the House a copy of the Actuary's report at the same time as the draft Contributions Rerating Order. This report must, again under statute, give the Actuary's assessment of the effect of the Order on the National Insurance Fund. The unemployment assumption is, of course, critical to his assessment, and therefore must emerge.

x | 10. The question of the assumption to be used by the Actuary will be dealt with in the Chancellor's minute about the Industry Act forecast and related matters.

x This will follow
tomorrow
R
2/10

Aclinc

P.P. JOHN BIFFEN
30 October 1979

(approved by the
Chief Secretary and signed
in his absence)

1 November 1979

The Prime Minister has considered the Chief Secretary's minute of 30 October about the disclosure of the unemployment assumptions in the context of the Public Expenditure White Paper. This is to confirm that she is content with the Chief Secretary's proposals for handling this. She has also noted that there is no way of not revealing the unemployment assumptions in the Government Actuary's report.

T.P. LANKESTER

A.C. Pirie, Esq.,
Chief Secretary's Office.

