

2 July 1980

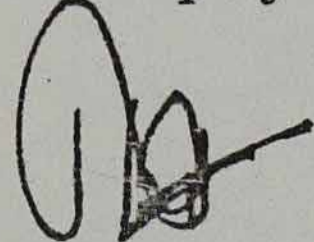
Policy Unit

PRIME MINISTER

TSRB - CABINET

One or two points that occur to us, if Cabinet discusses TSRB after the Terry Burns presentation.

1. It would help if something can be said publicly about MP's pay, before the nurses' ballot which is, I think, on 8 July. The moral pressure will work both ways. MPs can be told that we're asking the nurses to accept 14%. The nurses are more likely to do so if MPs have made a genuine sacrifice.
2. Everyone knows that you have personally taken a very substantial cut from the outset. I think this carries most moral force with colleagues and MPs if it is not spelt out. If it is overtly used to set an example, then inevitably people will say that different individuals have different circumstances and that it is an unfair form of pressure.
3. Colleagues may tend to think serially about the whole public sector pay problem, seeing each case in isolation. It is important they they understand that each situation sets the stage for simultaneous situations in the private sector and subsequent situations in the public sector. Thus, MPs' pay and nurses set the stage for each other, and both set the stage for public services pay as a whole and for any public debate about British Telecommunications. If the public sector settlements begin to get out of control, the Government could be left with the choice between two politically unpalatable alternatives: abandon the struggle against inflation; or face much higher unemployment much greater recession, far more bankruptcies. Jim Prior seems fully aware of the risks. Once Cabinet is - and they seem well on the way to conversion now - it will be easier to get the message across to MPs.
4. But MPs, like everyone else locked into the Prisoner's Dilemma, will be hard to persuade unless they believe that sacrifice by them is going to lead to similar sacrifices elsewhere in the public sector. An early and unfavourable settlement of British Telecomms (I'm not sure of the time scale for that) could conceivably even feed back and upset the MPs' pay decision.



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