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PRIME MINISTER

*Can I see the revised version?  
mt*

Civil Service Pay : Terms of Reference of Independent Inquiry

Sir Robert Armstrong has submitted in the attached minute terms of reference for the independent inquiry which he has produced in the light of your meeting on Tuesday of this week.

Mr. Prior is entirely content with the terms of reference, and the Lord President is not disposed to offer comment on them (!).

The Chancellor of the Exchequer is of course not here to give a view on them but Sir Douglas Wass has spoken to me this evening to raise what he regards - I think rightly - as an important political point about them. He is unhappy about the use, in the preamble, of the phrase "the management of the economy". This is the first time that this term has appeared in the draft terms of reference and Sir Robert Armstrong's reasons for putting it in are explained in paragraph 2(ii) of his minute. Sir Douglas Wass' objection to the phrase is that it is not consistent with statements which you and the Chancellor have made making clear that you do not regard the Government as responsible for the whole economy and for everything that goes right or wrong within the economy. Rather, our position is that the Government is responsible for only part of the economy such as public finance and control of the money supply. This phrase, on the other hand, might be criticised as smacking of demand management. Sir Douglas Wass suggests therefore that we drop it altogether so that the sentence would read "... to the need for the Government to reconcile its responsibilities for the control of public expenditure and its responsibilities as an employer". Agree? *Yes*

While I have been dictating this minute the Chief Secretary's office have phoned to say that Mr. Brittan would like to suggest that the opening of the preamble should be amended to read "... in the recruitment and maintenance of an efficient Civil Service and in the conduct of the business of Government and its services to

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the public in an orderly manner and without disruption". I think that this is a slightly nit-picking change and makes the sentence rather clumsy, though I can see why the Chief Secretary wants it. Shall we include it or not?

The Prime Minister did not accept this amendment. M.S.

I have incorporated these two amendments in pencil in the draft terms of reference attached to Sir Robert Armstrong's minute so that you can readily see how the amended version would run.

J.H.W.

PS.

John Hoskyns has now produced some comments too (file A). He has made the same point as Sir Douglas Wess. He has also suggested a further change at the end of the draft terms of reference which I have shown in pencil in the same way as the other two suggested amendments.

The Prime Minister accepted the amendments with one more change. M.S.

J.H.W.

21.5.

21 May 1981

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