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PRIME MINISTER

HANDLING BY CABINET OF CASH LIMIT FACTORS

Thank you for your personal minute M2/81 about the Cabinet's handling of the question of pay and price factors for cash limits.

2. I fully share your view that this has not been a satisfactory episode. There were several reasons, some at least with hindsight avoidable, some less so, why events developed as they did. Before each of the two recent Cabinets Treasury officials did what they could, within the timescale available, to keep in touch at official level with the other departments chiefly concerned to alert those who would be briefing their Ministers to what might be discussed; but we must all agree that it would have been better had the matters at issue been more fully documented.

3. Some of the trouble sprang from the desire of colleagues, contrary to my original proposal that we settle and announce all the general price and pay factors together last November, to take the decisions on each of the pay factors as the relevant pay negotiations arose. This meant that discussion was spread over a series of meetings. Matters were further complicated when, at each of the meetings it emerged that some Ministers were so unhappy with the consequences of the decision in which they had previously acquiesced that they sought to reopen options which had been thought to be discarded.

4. That said, I am sure that it would be useful for Sir Douglas Wass and Sir Robert Armstrong to have a talk as you suggest about what can be done to handle such questions better in future. We should ask them to report to us what conclusions they come to.

M. (G.H.)

3 February, 1981

Print Minutes

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The Chancellor's reply to your criticism of the Treasury handling of the pay/price cash limit issue. See also

Robert Armstrong's report (attached) on his discussion with Douglas Wass.

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