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*From Pol
P.S. [unclear]*



10 DOWNING STREET

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FCO	D/TRANSPORT
HMT	CS, HMT
DES	CDL
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MAFF	CO
LPSO	CPRS
D/I	bc: JV & AW
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9 June 1982

From the Private Secretary

Pay Restraint and Additional Capital Investment

The Prime Minister was grateful for your Secretary of State's minute of 27 May. She has also seen the Chancellor of the Exchequer's minute on the same subject of 3 June.

The Prime Minister has noted your Secretary of State's ideas about a possible trade-off between pay restraint and capital expenditure stimulus. She is doubtful about the Chancellor's proposal that officials should work up in detail a scheme on the lines of that favoured by your Secretary of State, and would prefer to have a general discussion of these ideas when E Committee considers the 1982/83 pay round, on the basis of the paper promised by the Chancellor.

I am sending a copy of this letter to the Private Secretaries to other members of E Committee and to David Wright (Cabinet Office) and Gerry Spence (CPRS).

M.C. SCHOLAR

David Edmonds, Esq.,
Department of the Environment.

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