



Prime Minister

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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

The Rt Hon Norman Fowler, MP  
The Secretary of State for  
Social Services

15 March 1983

Dear Norman

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1983 BUDGET AND SOCIAL SECURITY UPRATING

Thank you for your letter of 14 March.

The formula you suggest would amount to repeating the present pledge for the next Parliament - which would be contrary to our general policy of avoiding new pledges. It would prejudice our consideration of the long-term prospects for public expenditure, on which the Prime Minister has commissioned reports from Ministers. I should therefore much prefer you not to use this formula.

I hope it is not necessary to decide now on the formula that should be used. We shall probably need to discuss this further. But if something has to be said soon, the third of the forms of words in the list attached to your letter seems much the best.

Copies of this letter go to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

*[Handwritten signature]*

GEOFFREY HOWE

Social Services: Upgrading of  
Benefits: Pt 3

15 MAR 1987





DEPARTMENT OF HEALTH & SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

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Prime Minister<sup>2</sup>

MCS 14/3

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Great George Street  
LONDON  
SW1

14 March 1983

*Dear Geoffrey*

1983 BUDGET AND SOCIAL SECURITY UPDATING

Last week we discussed possible long-term pledges on the updating of social security benefits.

I enclose possible variations on this theme which we have been considering. These are in addition to those set out in my second letter of 3 March. All these show how difficult it would be to hold the position if we give less than a whole-hearted pledge. I expect that we shall be pressed on our future intentions from the moment you sit down. In all the circumstances, I believe we should follow one of the lines suggested in my letter of 3 March:

"We stand by what we said in this Parliament - that we shall maintain the value of pensions and related long-term benefits."

In advocating this, I have in mind the savings we are already making - and will continue to make - from updating by prices only instead of the better of prices or earnings. We are already saving £500 million a year. By the end of the decade, on the assumptions on prices and earnings in the review of longer term expenditure, the annual saving will have gone up to at least £2 billion to £3 billion a year. This seems to me to be substantial by any standards - and I very much doubt if we can realistically expect to do more.

I am copying this to the Prime Minister, the Chief Secretary and Sir Robert Armstrong.

*[Signature]*

*[Signature]*  
NORMAN FOWLER

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Possible PledgesApproach A: price protection subject to escape clause

1. During this Parliament - as we pledged - we have fully protected the value of pensions and other related long-term benefits against rising prices. We have also brought inflation down very considerably. As a result, benefits, earnings and savings are keeping their value for longer than in many years past. During the next Parliament we intend to keep inflation under control, and we look forward to better pensions as new pensioners benefit under the new pensions scheme.
2. During the next Parliament we shall continue to protect the value of pensions and other related long-term benefits subject only to over-riding economic circumstances - a qualification which any responsible Government must give.
3. The pledge we gave in the last Parliament to protect the value of pensions was very important because of the high levels of inflation which so quickly eroded their value. Although there may be less need for a similar pledge, now that we have the lowest level of inflation for over 10 years, we shall continue to give a high priority to protecting the living standards of pensioners.
4. During the next five years, new pensioners will retire on better pensions, thanks to the growing maturity of the new pensions scheme and the growth of good occupational pension schemes. We shall moreover, continue to give a high priority to the interests of pensioners, especially existing pensioners.
5. During the next five years, we can look forward to new pensioners retiring on better pensions as the new pension scheme begins to mature. But it will still be important to protect the value of pensions and the supplementary pension safety net on which many existing pensioners depend for extra help. [We shall give this a high priority]. [Helping pensioners and other vulnerable members of our society is central to our priorities in Government].
6. Inflation is now at the lowest level for over 10 years and it will be one of our primary objectives to ensure that it remains under control. So long as it does not again get out of hand, we shall again protect the value of pensions and other relation long-term benefits during the next Parliament. [The basis of our policy has always been to protect the most vulnerable in society].

Approach B: committed on pledged but not unpledged benefits

Our [firm] [expectation] [intention] is that we will again be able to maintain the value of pensions and other related long-term benefits during the next Parliament.

8. We shall continue to put pensioners and pensions high on our list of priorities for Government spending.

9. We remain committed to protecting the value of retirement pensions and other related long-term benefits. The extent to which we are able to maintain the value of other benefits will depend on economic and other circumstances.