

BRUCE-GARDYNE, J.P.

22nd May, 1981

Thank you so much for your letter of
16th May.

I have asked Ian Gow to have a
word with you about this.

Jock Bruce-Gardyne, Esq., M.P.

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HOUSE OF COMMONS

LONDON SW1A 0AA

May 16th, 1981

The rt honble Mrs Thatcher,
10 Downing Street
SW 1

R19 198

Dear Prime Minister,

Thank you so much for your kind note. I'm delighted to hear the Perth speech went off alright - I had certainly heard encouraging reports. But you should not have bothered to write.

I hope you won't mind me raising with you a couple of matters which worry me not a little. I didn't myself see your appearance on Nationwide on Thursday evening, although my spies tell me it was a great success. What does rather concern me, though, was the comment (made, I realise, very much in passing) that 'cuts' in public expenditure had gone about as far as they could be taken. I saw the corrective gloss to some of the interpretations put upon this comment in Rodney Lord's piece in this morning's Daily Telegraph - that you had this year in mind, and not 1982 or 1983. Even so I confess my fears are not entirely allayed.

As far as 1982 and 1983 are concerned it seems to me beyond dispute that existing spending plans would give us an unfinanceable PSBR and more inflation, or much higher interest rates, or substantial increases in taxation, and probably a combination of all of them. But I'm afraid I don't think we should rule out the possibility of needing extra economies this year either. Otherwise I think we'll find it very hard indeed to stick within the £10.5bn PSBR; and if it looks as though we're running well outside that I'd be afraid of a run on the exchanges against the pound. With all that that implies.

My second worry concerns the public service pay increases which you announced yesterday. The increments for Ministers are eminently defensible - indeed I'd be inclined to argue that Ministers will still be underpaid. But I'm afraid I simply do not see how we can justify 18 percent for backbenchers; and expanding the cash limits at the Ministry of Defence to accommodate the 10½ percent for the armed forces isn't very easy either. I know we said we'd take the findings of the armed forces pay review body on the chin. But I don't think they're having any difficulty about obtaining recruits of the calibre they need at the present rates - rather the contrary, I believe. And as for us backbenchers, of course I know we're only completing 'staging' which I suppose we had to do. But I can't believe there's any justification at all for adding another 6 percent on top. I know it will be said that anything less would have led to a shopfloor revolt. Well, perhaps it would. But would it not be better to have had the Commons as a whole taking responsibility for an excessive settlement for itself in defiance of the Government's advice than to have such a settlement handed to it on a plate? I know these are difficult matters, and I recognise the force of the argument that those of us who are in a position to earn a good living outside the House are not best placed to claim abstinence. Nevertheless I am afraid we shall pay very dearly indeed for the memory of this 18 percent.

Yours ever
Jock