

Prime Minister

1. Herewith, copy of a letter dated 5th August from Ralph Harris, which I have acknowledged.
2. It is a splendid Roll of Honour, and of course any discussion with them would be fascinating.
3. The real problem is to educate the Cabinet, many of whom are economically illiterate.
4. "They that are well have no need of a physician, but they that are sick."
5. Could we get these heroes to talk to some Members of the Cabinet?

IAN GOW

6th August 1981

Prime Minister

1. Herewith an extract from the Hansard (House of Lords) for 31st July.
2. I have no doubt that Arthur Cockfield is on our side; however, you should know that there is considerable impatience among our backbenchers about the long delay in announcing a decision as to what to do about Scott. I had not realised that indexation has now been extended as Ralph Harris points out, to more than 5 million people employed in the nationalised industries and in Central and Local Government.

IAN GOW
6th August 1981

Harris

6th August 1981

Thank you very much for your letter of 5th August.

The Prime Minister is most grateful to you for your suggestion.

Thank you, too, for the Minutes of the meeting of the Repeal Group, held on 23rd July. These I have read with great interest.

I was also most interested to see the exchange in the Lords about the Scott Report. I know that you will not be put off by the barracking which you received. I think that your supplementary question to Arthur Cockfield was masterly.

I was most disappointed not to be able to come to your lunch on Monday. Thank you very much for having kept me supplied with cigarettes at Chequers. The box gave me ideas above my station.

The Prime Minister enjoyed, greatly, having you and Josee to lunch.

Let us keep in touch.

IAN GOW

The Lord Harris of High Cross



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RH/PH

5th August 1981

I was about to send the two enclosures in a plain envelope when I thought of a suggestion Mrs. Thatcher made on Sunday.

More or less out of the blue she asked whether it might be useful to bring together a select group of economists for informal discussions on policy at Chequers during the recess. If this idea was thought to have merit, my suggestions for participants in rough order of priority would be:

Harold Rose
Patrick Minford
Alan Budd
Jim Ball
Brian Griffiths
John Burton
Gordon Pepper
Ivan Fallon

There are others like Brian Walden and Sam Brittan about whom you can judge at least as well as me.

Lord Harris

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Confidential

Encs.

House of Lords

Friday, 31st July, 1981.

The House met at eleven of the clock: The LORD CHANCELLOR on the Woolsack.

Prayers—Read by the Lord Bishop of Oxford.

Public Service Pensions: Indexation

Lord Harris of High Cross: My Lords, I beg leave to ask the Question which stands in my name on the Order Paper.

The Question was as follows:

To ask Her Majesty's Government whether they have considered how far to modify the indexation of public service pensions in the light both of the Scott Report and of the severe economic pressures on incomes in the private sector.

The Minister of State, Treasury (Lord Cockfield): My Lords, the Government are considering in detail the issues raised by the Scott Report. No decisions have yet been taken, but we hope to reach initial conclusions within the next few months.

Lord Harris of High Cross: My Lords, naturally I thank the noble Lord for that rather sparse Answer, coming six months after the publication of the Scott Report. Is the Minister aware that statutory and discretionary indexation has been extended rather surreptitiously until it embraces over 5 million people employed in nationalised industries and in central and local government? Accordingly, will the Government take a rather hard look at two aspects of present arrangements? The first is whether the Government Actuary underestimated the cost of indexed Civil Service pensions, which he put in the Scott Report at 16.8 per cent. of salaries, whereas the Scott Report estimated that perhaps a figure twice as high—namely, 36 per cent. of salaries—might be more appropriate.

Several Noble Lords: Speech!

Lord Harris of High Cross: My Lords, the second question concerns the choice of index. Do the Government consider that the retail price index is appropriate for calculating indexation when it reflects not only the debasement of the national money but also a rise in relative import prices and shifts to taxes on expenditure, such as VAT?

Lord Cockfield: My Lords, the Scott Report raised far-reaching and important issues which require very careful consideration. In these circumstances I think that the time taken—which is an indication of the depth of consideration which has been given—is not unreasonable.

On the other points raised by the noble Lord, the Government give attention to all representations received and views expressed, including those expressed

by the noble Lord. But I suggest that the right course would be to wait until such time as the Government have stated their initial conclusions.

Lord Plant: My Lords, will the Minister agree that the Government Actuary did not overestimate the effect of index-linking on Civil Service pension? Will he also agree that having just settled a long Civil Service strike, to have another confrontation would not be in the best interests of the country?

Lord Cockfield: My Lords, I do not think that it would be the right occasion on which to endeavour to debate the Scott Report. On the Civil Service dispute that has now been settled, and I think the important thing is to try to restore harmonious relations rather than indulge in discussion of the issue.

Lord Boardman: My Lords, does my noble friend agree that it is quite impossible to cost either the value of an inflation-proofed pension or the liability that places on an employer? For that reason, does he agree that no private employer can afford to fund such pensions? Will these be factors which are taken into account in the present considerations?

Lord Cockfield: My Lords, of course I note what my noble friend says. These particular issues were discussed at length in the Scott Report itself, which is now the subject of the Government's detailed consideration.

Lord Bruce of Donington: My Lords, will the noble Lord give the House the assurance that the limited pledges that have already been made by Her Majesty's Government, or on their behalf, in regard to indexation will, in fact, be honoured in any event?

Lord Cockfield: My Lords, we are, of course, aware of various statements which were made and which are no doubt, those that the noble Lord has in mind. These are a matter of importance and full regard will be paid to them in consideration of this problem.

Lord Leatherland: My Lords, when the Government are considering public service pensions will they—perhaps by some accident—extend that consideration to include Members of this House?

Lord Cockfield: My Lords, in so far as Members of this House draw pensions, they are covered by a different pension scheme from those which were the subject of the Scott Committee Report.

Lord Leatherland: My Lords, that was not quite the answer that I sought. My question was directed at the Minister in order to ascertain whether long-service and somewhat elderly Members of this House could themselves look forward to a pension under this new scheme.

Lord Cockfield: My Lords, I am well aware of the point that the noble Lord was trying to make, but I fear that it lies outside the ambit of the Question on the Order Paper.