

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,
LONDON SW1A 0PW

25 March 1987

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The Chief Secretary to the Treasury
Parliament Street
LONDON
SW1

NBFR.

My dear John:

Guidelines for the 1987 Survey

at-11ap

Thank you for sending me a copy of your minute of 18 March to the Prime Minister.

If I may say so, I think the Guidelines you propose succeed admirably in carrying forward our wider objectives for public expenditure in the coming Survey. My only caveat is to echo the point made by Malcolm Rifkind, Geoffrey Howe and others about the relationship between the central pay settlement, gross running costs, and the attainment of policy objectives. Like colleagues, I will have problems in delivering targets which would otherwise be reasonable if there is a discrepancy between my assumptions for growth in business, pay levels, and productivity. I will ensure that the papers prepared for the Survey identify objectives which are particularly at risk.

Copies to Cabinet colleagues, Richard Luce and Sir Robert Armstrong.

Yrs.

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ECON 706 : Public Exp. PT37

