

Prime Minister (4)

Worth glancing at.

MUS 7/4

Stubs

FROM: R I G ALLEN
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→ MR SCHOLAR (NO 10)

cc Mr Williams
(without attachment)

LIVING STANDARDS COMPARED WITH LABOUR

We spoke about this on the telephone last week. You might be interested to see the attached note by Mr Williams. The real personal disposable income (RPDI) figures suggest that:

i. It can be argued persuasively that the Prime Minister is right on the narrow arithmetical point - certainly RPDI in 1981 Q4 was (marginally) higher than in 1979 Q1.

But ii. Notwithstanding its usefulness as a debating point, it is probably unwise to make too much of the point. Personal living standards are expected to fall this year so that any marginal advantage over 1979 Q1 will probably be lost. And since the Government believes that real wages are essentially too high and its policies are aimed at achieving a shift of income from individuals to companies there is an element in the argument of the Government trying to "have its cake and eat it".

iii. A possibly more robust point to make is that personal living standards are now some 10 per cent higher than the average for the period of the last Labour Government, though this again is subject to the difficulty noted in the final sentence of (ii) above.

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