

Ref. A0664

PRIME MINISTER

Financial Statement

We have rung round to reinstate the 11 o'clock start for tomorrow's Cabinet (and MISC 22 at 10.15 am).

2. The Bank of England's announcement will not be made until later in the morning. I therefore suggest that it would be convenient to get the three routine items out of the way, before you ask the Chancellor of the Exchequer to tell his colleagues about the measures proposed and about the statement which he intends to make in the afternoon.

3. I daresay that, after the Chancellor has made his statement to his colleagues, you will want to make the general point that this situation underlines the implications of the fact that, painful as the process of reducing the growth of public expenditure has been, we still face in 1980-81 a figure which is no less than (on present published figures a little higher than) the figure for 1979-80 in constant terms. That will increase the importance of getting a satisfactory outcome at Dublin, which could take the 1980-81 figure below the 1979-80 figure.

4. I suggest that you should not suggest or even hint at the possibility of a further review of public expenditure for 1980-81: that could lead to defensive counter-briefing by Ministers who saw their programmes as threatened. But perhaps we do need to begin to prepare for the possibility of having to make further cuts in expenditure for 1980-81, if over the coming few months it is not possible to regain control of the monetary targets by the measures now proposed. I believe that it would be useful for you privately to ask the Chancellor and the Chief Secretary, strictly within the Treasury, to review the programmes for 1980-81 with a view to identifying options for further cuts, if further cuts had to be made. It would be useful if they could report on the results of such an exercise by Friday, 7th December, so that it would be available if needed in the following week - the week before you go to the United States.

MR.
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ROBERT ARMSTRONG

14th November, 1979