

SECRET

Ref. A0689

MR. WHITMORE

1.  
Prime Minister. 6

I know that you think that we should look again at public expenditure in 1980/81 and later. Are you content to proceed in the way suggested by the Chancellor?

Yes Mr. 16xi

I understand that, following yesterday's discussion in Cabinet, the Chancellor of the Exchequer has it in mind to bring forward proposals to his colleagues which will involve a limited reopening of public expenditure in 1980-81, a more major reopening of the figures for later years, with a review to be carried out during the next two or three months, and a postponement until about the time of the Budget of the publication of figures for the later years.

2. You will remember that we have been discussing arrangements for a Cabinet discussion of economic strategy in the New Year, and that part of that plan included the setting up of a small group which would have a first discussion of the subject before it went to the whole Cabinet. The Chancellor has it in mind that he should discuss his latest proposals on public expenditure in that small group, as a prelude to bringing them to Cabinet. ✓

3. We ought not to put off the start of this process too long, if we are going to proceed as the Chancellor suggests, because the various reviews which he wants to undertake will inevitably take some time, and it will be important to have the results available well before the Budget. If the Prime Minister agrees, therefore, I should like to suggest to the Chancellor that he should circulate his paper for the small group towards the end of next week, in time for a meeting early in the week beginning 26th November. The proposals could then come to the whole Cabinet during the following week - the week beginning 3rd December.

Proceed out

4. We have not actually yet set up the small group; so that, if the Prime Minister is content with these proposals, I shall need to make further proposals to her early next week as to the composition and terms of reference of this new small group.

Proceed out

REA

(Robert Armstrong)

16th November, 1979

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SIR ROBERT ARMSTRONG  
CABINET OFFICE

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Public Expenditure

The Prime Minister has seen your minute A0689 of 16 November 1979 to me and agrees with your proposals for arranging for a further review of public expenditure both in 1980/81 and in the later years.

C.A. WHITMORE

19 November 1979

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