



Prime Minister

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PRIME MINISTER

REVIEW OF EXPENDITURE PROGRAMMES

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I have seen your Private Secretary's letter of 21 May containing your suggestion that the options requested in my proposed paper to Cabinet concerning the medium term review of expenditure programmes should be sufficient over the Survey period to bring public expenditure back to the 1977-78 level, with a further margin to allow Ministers some area of choice.

2. I have amended the paper in accordance with your wishes, and am now circulating both it and the companion paper.

3. The percentage in my original draft was a minimum. This identification of options by departments is in any case only the first stage of the process. I am sure that we shall need to add to them. I did not propose to ask initially for such large mandatory options as you envisage on the tactical ground that the request may provoke a substantive argument in Cabinet about the extent to which acceptable, or practicable, reductions of this order can be identified by some of the departments concerned. I hope we can avoid argument of substance at this preliminary stage, not only because in the next week or two we all want to concentrate on the quick cuts for the Budget, but also because the substantive discussion ought to be related to a factual base, which the Survey now being commissioned will provide.

4. May I suggest therefore that when we take the paper at Cabinet, you discourage argument at this stage about the applicability of the figures to different departments and programmes. Ministers are

not being asked now to commit themselves now but to identify options for substantive discussion later. We must resist pressure for exceptions to the study of options, apart from those already proposed concerning defence, law and order, and to some extent health. We must watch also that these exceptions are not interpreted so generously that they shift too much of the burden of cuts onto other programmes and change the pattern of expenditure more than we intended.

5. I am copying this minute to Sir John Hunt.

WJB

JOHN BIFFEN
23rd May 1979

25 MAY 1979

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