



*cc to Wilson
to Hockley*

Prime Minister

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The idea of a White Paper explaining the need for the "cuts" seems a good idea. You will want to raise this in Cabinet,

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PRIME MINISTER

PRESENTATION OF PUBLIC EXPENDITURE CUTS

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After our discussion in Cabinet yesterday, I have been thinking further about the presentation of our decisions on public expenditure.

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2. My minute of 18th July pointed to the operational arguments for announcement before the recess. But there are formidable difficulties about this course. If we set it aside, we shall, as we realize, need to find a way of giving sufficient early guidance to local authorities to enable the changes we want in their programmes to be implemented in an orderly way. But the point I want to raise in this minute is that, if our main announcement is delayed until the autumn, this gives a useful - crucial, indeed - opportunity to do more to prepare public opinion.

Yes indeed - there were "hammer stones" today about £1 bn of cuts in 1961/81

3. The fact is that the public in general are unprepared for the scale and nature of the public expenditure "cuts" which we are discussing. Many do not understand why such cuts are needed. On previous occasions large expenditure cuts have been understood as the response to a sterling crisis. This time there is no apparent crisis of this kind to explain the scale of the action proposed. On the contrary, sterling is strong, and the cuts will be thought by some to be an unnecessary attempt to impose extreme notions about economic management.

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4. We should seek to prepare public opinion in advance. With the other Treasury Ministers I propose to underline, in speeches and

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the media, the seriousness of the situation which we face, and its implications for expectations not only about living standards in general but about the standard of public services. It will clearly be most useful if all our Cabinet colleagues are willing to join in this campaign.

5. This could lead up to the publication in the autumn of a White Paper giving a full assessment of the economic prospects for the medium term, to set the context for a comprehensive announcement of our public expenditure plans, covering not only 1980-81 but also the later years of the survey, for which the Chief Secretary and I will be bringing forward proposals after the holidays. A comprehensive announcement of this kind could not of course be made until we have taken our decisions on the later years, but it ought to be possible to do it by the end of October, which would be satisfactory provided that we find a solution to the immediate problem of the local authorities.

6. The procedure we can discuss further at Cabinet on Monday. The point I want to emphasize now is the importance of the political task of presentation, and the possibility of using the coming weeks to build on what was said at the time of the Budget to prepare the ground for the strategy we are now implementing on public expenditure.

7. I am copying this minute to the Paymaster General, the Chief Whip and Sir John Hunt.

G.H.

(G.H.)

20 July, 1979

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