



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1.
Prime Minister.

This seems a sensible way to proceed.

J.M.S.

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Agreed M.S.

PRIME MINISTER

PUBLIC EXPENDITURE PLANS AND AUTUMN ANNOUNCEMENT

Since our agreement in Cabinet that the revised public expenditure plans for 1980-81 should be announced after the recess, and in the context of a White Paper, I have been giving further thought to the form and timing the announcement might take and I thought it would be helpful to give you a broad indication of my present views before I depart on holiday at the end of this week. No decisions are required now, but there are a number of interlocking factors that complicate the timing and presentation and I think you will want to be aware of them.

2. In addition to the public expenditure plans themselves, we are statutorily required to publish the next Industry Act Forecast (covering the period up to the end of 1980 and including the PSBR for 1980-81) by about the end of November, and I shall need to announce the roll-forward of the current money supply target to next April at around the same time. Moreover, I am also considering the possibility of linking the announcement of the public expenditure figures to a quantified financial plan for the medium term.

3. Ideally all these decisions should be included in a comprehensive announcement so that our monetary and fiscal policies for both the short and the medium term can be presented on a consistent basis and seen to form part of a coherent overall economic strategy. The spending decisions for both 1980-81 and



later years would be justified in their proper economic context and closely related to prospects for the PSBR and our medium-term monetary objectives, whether or not we decide to express the latter in quantified terms.

4. I fear, however, that publication of a comprehensive document of this kind (which would be tantamount to an expanded Part I of the traditional Public Expenditure White Paper, with the detailed Parts 2-6 to follow separately at the end of the year) is unlikely to prove possible until a good deal later than I think we can reasonably defer announcement of the 1980-81 expenditure figures. The new short-term forecast on which the published Industry Act Forecast will be based will not be available until the end of the first week of October; and this itself will involve cutting some corners. And the new medium-term assessment, which will play an important part in determining the economic background to our medium-term expenditure and monetary proposals, cannot be completed until the outstanding public expenditure issues for the later years have themselves been settled by Cabinet - though I hope it will be possible to make a good deal of progress on this in advance of final Cabinet decisions.

5. Taking all these factors into account, and even allowing for the possibility of some reduction in the detail we provide on the public expenditure plans for the later years (I shall, as requested by Cabinet, be bringing forward a separate paper on this), I doubt very much whether we could publish a comprehensive White Paper embodying all the above decisions much, if anything, before the end of November. And this itself assumes that, following the meeting on 13th September, Cabinet will be able to complete the public expenditure decisions for the later years by about the middle of October at the latest, and not need to continue discussion into the last week of the month.



6. This seems to me to be much too late for announcing the 1980-81 figures. We shall be pressed hard to reveal our decisions for next year as soon as Parliament reassembles, and there are strong operational arguments for making the announcement as soon as we can after the recess.

7. What I have in mind, therefore, is a two stage presentation as follows:-

(i) End October/early November - a short White Paper incorporating the public expenditure figures for 1980-81 and the Industry Act Forecast. The White Paper would thus set the decisions in their immediate economic context and look forward to later publication of the medium-term plans.

(ii) December - a second White Paper containing the public expenditure plans for the later years, set in a medium-term economic context. This would also include as much as we decide is appropriate on medium-term financial and monetary objectives. If practicable this White Paper would also incorporate the detailed Parts 2-6 public expenditure information on individual programmes, but this will need further consideration in the light of our decisions on how much detail for the later years it is sensible to try to publish. Decisions on this can be left until somewhat later, but it would clearly be desirable, if possible, to embrace all the remaining public expenditure information in a single document.

I should like to leave open for the time being whether to announce the roll-forward of the monetary target in the first or the second White Paper.



8. I think that this is the most feasible option if we are to avoid delaying the 1980-81 figures and yet present our plans for that and the later years in their full economic context in a consistent way. A two-stage presentation of this kind is not, of course, as straightforward and clear cut as a single, unified publication. But in response to any criticisms that may arise we should be able to point out that we were providing more information about the economic prospect than any previous Government had done.

9. We shall, of course, need to review the possibilities as time progresses and be prepared to re-adjust if there are any unforeseen hold-ups. These could occur, for example, if there were serious delays in resolving in Cabinet the public expenditure issues for later years, or if the new forecasts or new economic events made it necessary to reconsider any of the decisions that we had already taken. But I hope that we can plan for the time being on the above basis and I am instructing my officials to make preparations accordingly. I shall, of course, bring these proposals formally to Cabinet when we resume business in September.

10. I am sending a copy of this minute to Sir John Hunt.

G.H.

(G.H.)

9 August 1979

- 9 AUG 1979



10 August 1979

Public Expenditure Plans and Autumn Announcement

The Prime Minister has seen the Chancellor's minute of 9 August. She is content that he should proceed in the way proposed in paragraph 7 of that minute.

I am copying this letter to Martin Vile (Cabinet Office).

N. J. SANDERS

A.M.W. Battishill, Esq.,
H.M. Treasury.

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