

Prime Minister

You asked me to let you
have these papers back in Blackpool.

PRIME MINISTER

MCs 13/10

ECONOMIC POLICY, PUBLIC EXPENDITURE, ETC.

I hesitate to add to this formidable quantity of paper.

It seems to me that your principal decision this weekend on these papers is the tactical question - do you wish to abandon from the start the possibility of getting back to the White Paper totals: is the Chancellor's judgement, that it would be "wholly impossible" to get back to £110 billion for 1982-83, unassailable?

The arguments for sticking to Cmnd. 8175 totals are:

- (i) there were strong words in Cmnd. 8175 about these totals being too high and that the Government's aim was ^{to} work on them and get them down before this year's White Paper. There must be a real problem about credibility (matching, perhaps, the problems with the pledges in index-linking social security?) if this is seen to have proved too difficult.
- (ii) Market and confidence points, perhaps bearing on the exchange rate, arise from (i).
- (iii) The fact that we will be demonstrably off course on the public expenditure objectives (with the increased share of total public expenditure in GDP since 1979 rising still further) will help those who argue that the Government's policies are causing the burden of the recession to fall, via high interest rates, NI surcharge, etc., mainly on the private sector.

I recognise that the list of cuts needed to get back to £113.5 billion is serious enough.

/But

But, clearly, if the Treasury papers are circulated in their present form, £113.5 billion not £110 billion will be the floor from which the argument will start - upwards.

If I can be of any help today I of course stand ready to come in any time.

Michael Scholar



11 October 1981