

PRIME MINISTER

PUBLIC EXPENDITURE - PRESENTATION

This minute looks forward to next week's Cabinet and how we might handle the presentation of the public expenditure discussion.

This exercise has however to be seen against the background of where the Government stands now presentationally and in what condition it hopes to go into the Recess.

I mentioned some of the thoughts set out below in the car yesterday and I will rehearse them briefly:

- we have not demonstrated a sureness of presentational touch since the election; I have found it difficult to get a real "feel" for the Government;
- this may be because the Government needs a break after 4 years and the election, and because it has all been a bit of an effort to crank it up for the 6-7 weeks' essential work to the Recess; but
- after a very brisk, businesslike and impressive start (reshuffle, Speaker, Stuttgart, Queen's Speech and essential Bills re-introduced) two issues have been rather damaging:
 - hanging;
 - short-term public expenditure;
- so far as hanging is concerned, the Lobby feel that this distraction has shown you in a less resolute light. Their argument is that if you had really wanted hanging restored you would have campaigned for it; you didn't and therefore you were part of the conspiracy to kill the issue for this Parliament;
- hanging has also left the impression that the Government went into a vote on capital punishment without having thought it through - which some see as irresponsible and others as clear evidence that the Government's heart was not in it:

- but short-term public expenditure control has been more damaging. This is because the Chancellor is widely felt by the media to have been less than frank and to have bounced his colleagues into submission. They see him paying a longer-term price for a short-term gain. A senior Lobby correspondent has told me bluntly that Geoffrey Howe would never have presented such a package as Mr Lawson did - having bounced his colleagues, partly by leaking, it is said, he then brazened it out without conviction in the House;

- all this means that potentially at least your priceless assets with the electorate - integrity and resolution - may have been compromised, especially as you are and will be seen to be endorsing the Chancellor at every stage. I do not think any serious or lasting damage has been done but it would be as well to avoid any repeat before the Recess.

It is against this background that we need to consider the presentation of the public expenditure Cabinet on Thursday, assuming there are no leaks before then.

The media will be watching this exercise very closely for evidence:

- of your continuing determination at least to hold to the public expenditure targets in the years ahead;

- of a drive for cuts in those totals - ie. of the hidden manifesto, especially in relation to the NHS;

- that rising damp in the Cabinet has become a surge or that the Wets are fighting back and intend to be very awkward in the autumn;

- of Mr Lawson being made to pay for his short-term success last week.

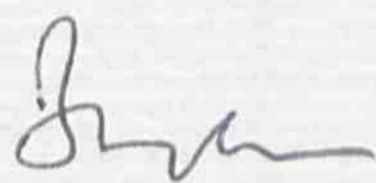
The markets will be looking for reassurance that the Government really is determined to keep on top of spending and exercise restraint as a way of life.

It will be important to put out ideally in a statement or at least guidance which takes account of these objectives immediately after Cabinet. We must not allow others to get their oar in first. The Treasury is recommending this course to the Chancellor and a draft is being prepared. Any such statement will be conditioned by any lack of success over MPs' pay. But I am sure that we need a display of resolution on Thursday; anything less will not serve.

It is crucial to your aim of going into the Recess with the public impressed that your Government:

- is on top of things;
- is determined to stick to its public expenditure targets and MTFs;
- is more rather than less united (or that the dissenters are few in number and isolated);
- is braced for a tough public expenditure round in the autumn, but will approach it in a constructive frame of mind.

I do not think it sensible to contemplate broadcasts by the Chancellor that day. A statement after Cabinet and you at Question Time should set the tone, and the Chancellor should not expose himself to Questions or give others an excuse for going on radio or tv.



B. INGHAM

14 July 1983