

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

Public Expenditure in the Longer Term

In his minute to you of 15th June ^{with me} the Chancellor of the Exchequer has proposed that there should be a wide-ranging Cabinet discussion of public expenditure in the longer term, outside the framework of regular Cabinet meetings, that a half-day should be devoted to this in September, and that the meeting might consider three papers - the report by officials attached to the Chancellor's minute, a paper by the Chancellor himself and a paper by the CPRS.

2. There is a strong case on merits for a Cabinet discussion of public expenditure in the longer term. The danger is, as was recognised when the official study was put in hand on a low key basis, that difficult policy issues are bound to be exposed and, if the discussion leaks, there could be awkward presentational problems. Nevertheless you may think that, provided that reasonable precautions are taken, this risk should be accepted in the interests of developing realistic policies for the next Parliament.

3. On the proposed arrangements I am sure that it is right to have this discussion outside the framework of normal Cabinet meetings. A half-day discussion in a more relaxed environment, such as Chequers, at a time such as September, when Ministerial diaries are less crowded, seems appropriate. On the precise timing you will wish to consider in particular whether you agree with the Chancellor's judgment that it would be desirable to have the discussion before the Party Conference. If you decide on a half-day at Chequers you will want to give some thought to how such a gathering, whose existence will become publicly known, should be presented.

4. On the agenda I agree with the proposal that there should be a paper by the CPRS, and I understand that Mr. Sparrow is willing to take this on, He will be minuting you shortly on how he would propose to go about preparing the paper with the help of Departments.



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5. If you agree with the Chancellor's proposals, the next step would be to get a date reserved in Minister's diaries, with some clear understanding from the outset on how the occasion is to be presented. The timing will not be easy in view of the Chancellor's probable absence in the first half of September, your own provisional plans to visit China, Japan and Hong Kong in the period 18th-29th September, and the Party Conference. Perhaps Friday, 1st or Monday 4th October?

6. I am sending a copy of this minute to Mr. Sparrow.

REA

Robert Armstrong

17th June 1982



FILE

10 DOWNING STREET

From the Private Secretary

21 June, 1982

LONG TERM TRENDS IN PUBLIC EXPENDITURE

The Prime Minister read with interest the Chancellor's minute of 15 June, to which he attached a copy of the study by officials on the likely pattern of public expenditure over the next decade.

The Prime Minister is in agreement with the approach to these matters outlined in the Chancellor's minute. In particular, she agrees to an extended discussion with Cabinet colleagues in September (whether at Chequers or at No.10), and we will be in touch with you and the other Private Offices concerned to arrange a date. She agrees, too, that it will be useful to consider a CPRS paper on this subject at that time, and I would be grateful if John Sparrow would take this up.

I am sending a copy of this letter to Sir Robert Armstrong and John Sparrow.

M. C. SCHOLAR

John Kerr, Esq
HM Treasury