



10 DOWNING STREET

From the Private Secretary

Prime Minister

Public expenditure Cabinet

① I attach a note by Alan Walters with arguments against the P Jenkins approach.

I also attach

(i) a Treasury letter which shows that, for good tactical reasons, the Public Expenditure figures considerably understate - by up to £250-350m a year the EC Budget contribution (Play B)

(ii) at Play C a table showing how tax has grown since 1979 as a % of GDP to well above Labour govt levels

PTO

(iii) at flag D a table showing how public expenditure  
as a % of GDP has similarly risen since  
1979 to well above Labour Govt levels

(2) I haven't been able to get very far yet on  
who was behind Mr Jenkin's letter. It was,  
apparently, conceived several weeks ago. The  
Chancellor has protested to Mr Jenkin about the way in  
which, and the time at which, it was launched.

MLs 14/7

(3) Some Minister may make use of Sam Brittan's  
argument for a stimulus. A note by Terry Burns  
rebutting this is at flag E



1. Total taxation as a percentage of GDP at market prices

1973-74	33.4
1975-76	36.6
1978-79	34.5
1979-80	35.8
1980-81	37.4
1981-82	40.0
1982-83	39.3 estimate

Source Treasury Budget brief

Note : Real value of single and married allowances is  
~~not~~ in 1982-83, after the Budget changes, about 3%  
lower than in 1978-79



D

Public Expenditure as a Percentage of GDP at Market Prices

1975-76	46%
1976-77	44½%
1977-78	40½%
1978-79	41%
1979-80	41%
1980-81	43½%
1981-82	44½%
1982-83 (estimated)	44½%

Source Public Expenditure White Paper Command 8494 - 1

~~Public Expenditure Total~~ 1982-83 = £115b.  
1983-84 = £121b.  
1983-84  
+ existing  
bids for  
additions  
= around £128b.



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①

Prime Minister

The Chancellor wonders if  
Terry Burns could again come  
to the economic / public expenditure  
Cabinet tomorrow.

Agree?

Yes

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