



cc: T/F  
 Pts was ~~the~~ in a different  
 figure for nurses (perhaps  
 an excluded midwife?)  
 AT

Treasury Chambers, Parliament Street, SW1P 3AG

Bernard Ingham Esq  
 Private Secretary  
 10 Downing Street  
 London  
 SW1

18 July 1985

Dear Bernard

**MINISTERIAL GROUP ON THE PRESENTATION  
 OF ECONOMIC AND SOCIAL POLICY:  
 THE GOVERNMENT'S PUBLIC EXPENDITURE RECORD**

At its meeting on 10 July, Lord Whitelaw's group commissioned a note on the government's public expenditure record. The Chief Secretary has approved the enclosed note for circulation to Backbench groups.

The Chief Secretary will incidentally be meeting his group of MPs on Monday, 22 July. Unless you see any difficulties he proposes to hand out the note to his group then.

I am copying this letter to Andrew Turnbull and to Joan MacNaughton (Lord Whitelaw's Office).

Yours sincerely  
 Richard Broadbent

R J BROADBENT  
 Private Secretary



PUBLIC EXPENDITURE:THE GOVERNMENT'S RECORD

Control of public expenditure is a key element in the government's economic policies.

2 The government's objective is to hold public spending broadly stable in real terms. No more, no less. So that as the economy grows, public spending falls as a proportion of national income.

3 It is this that makes it possible for government to reduce the burden of tax while keeping public sector borrowing down.

4 What has the government achieved?

5 As a proportion of national income, the public expenditure planning total has fallen every year since 1981-82 (leaving aside the exceptional costs of the coal strike last year). This year the total is expected to be 41½ per cent of GDP compared to 43½ per cent in 1981-82.

6 Over the same period, the PSBR has been reduced from 3.3 per cent of national income to a forecast 2 per cent in the current year. At the same time the government has succeeded in raising income tax thresholds by <sup>29</sup> per cent in real terms since then.

7 Not dramatic figures, perhaps. But steady, well-managed progress. A consistency which contrast sharply with the damaging ups and downs of the 1970s. A consistency which the government means to stay with.

8 But what has this consistent approach meant in practice since 1979?

9 It has meant a bit more where it was needed. <sup>9600</sup> ~~8,500~~ more doctors/  
for example, <sup>57,000</sup> ~~48,000~~ more nurses. <sup>and more</sup> 5 per cent more in real terms for pensioners, £473 more for each child at school. 37 per cent more on law and order. 29 per cent more on defence.



10 And this has been balanced by a bit less where we think it is not needed. Less support for big loss makers (British Leyland received no aid this year compared to £175 million in 1978-79). Less council house building, more private ownership (over 800,000 council houses sold). Lower net contributions to EC institutions (£91 million less than in 1979-80).

11 And it means achieving better value for money. Getting more for each £ of taxpayers' money. Cutting out bureaucracy. Since 1979, Civil Service numbers have fallen by 133,000 saving about £750 million.

12 In other words, a sensible balance of priorities within a controlled total. Proper account being taken of changing needs and changing priorities. Getting more out of what we put in. Not "slashing expenditure". Not "a free for all". No boom and bust. But disciplined self-restraint within a controlled total.

13 That is what is required of any responsible government.