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FROM: CHIEF SECRETARY

DATE: 5 February 1986

PRIME MINISTER

PUBLIC EXPENDITURE PRIORITIES FOR THE NEXT PARLIAMENT

I have seen Keith Joseph's minute to you of 16 January, which he copied to Nigel Lawson.

2 I note the points Keith makes both about education spending generally; and in particular about the importance of getting better value for money for what we do spend. These are issues we can discuss in the public expenditure Survey.

3 Whatever decisions we take, our experience of the past few years underlines the need in my view to be exceedingly careful about going into the next Election encumbered by expenditure commitments. We criticise the profligacy of the Opposition parties in this respect. And we must remember that if we give specific commitments about priorities to increase spending, we may also have to indicate our priorities for reducing it if we want to retain the prospect of achieving our overall public expenditure objectives.

4 I am copying this minute to Keith Joseph and to Norman Tebbit.

A handwritten signature in blue ink, appearing to be 'Jm'.

JOHN MacGREGOR

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Education; Teachers Pay B 6 .



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