

1 February 1983

MR INGHAM

cc Mr Scholar
Mr Vereker

PUBLIC EXPENDITURE WHITE PAPER

I have belatedly seen the Treasury's briefing for publication. It seems far too complacent. "Quiet satisfaction at the achievement of one of the Government's central economic objectives" is scarcely the way to describe it. The ratio of public expenditure to GDP is falling and would fall further with an end to the recession, but the ratio is still considerably higher than in Labour's last year.

Surely the line ought to be more energetic: "We have at last got public expenditure under control, and we intend to strengthen that control. But there is a long way to go before we shall be satisfied".

FERDINAND MOUNT

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Pl copy to BT

PUBLIC EXPENDITURE

Public expenditure is under firm control and the planning totals have been held. There has been a further reduction in the planning total between the autumn statement and the White Paper. But this should not be taken as indicating in any way any particular change in the fiscal adjustment from that shown in the autumn statement. There have been a number of changes of considerable importance since the autumn which work in both directions, including, for example, the exchange rate and oil prices. A new forecast will be produced for the Budget. Meanwhile, no decision has yet been taken on the appropriate PSBR for 1983/84. This White Paper is, however, evidence of the benefits of reducing the rate of inflation and of our determination to release to the private sector resources which would otherwise have been consumed by the public sector.