



Prime Minister

SC NO.

(1)

Agree this timetable?

Treasury Chambers, Parliament Street, SW1P 3AG (The risk is  
01-233 3000

PRIME MINISTER

Yes no that the Autumn Statement will slip to early December)

**PUBLIC EXPENDITURE SURVEY 1983 - OCTOBER CABINET**

MUS 12/9

I have been considering the timing of the next Cabinet discussion on public expenditure, which might be on either 20 or 27 October.

2. As you know this year's Survey decisions seem likely to be more difficult than last year's. We are faced with strong bids of some £2½ billion for 1984-85 (with comparable sums in the later years) and we shall be trying to hold to the published planning total, without recourse to the planning reserve and without last year's advantage of a falling rate of inflation. The search for offsetting savings will therefore require a number of painful choices, and Cabinet may well be unable to reach final decisions in a single meeting.

3. The Chief Secretary intends to complete his initial bilateral discussions by the end of September. If at that stage there appeared to be little possibility of early Cabinet agreement, you might wish to consider setting up a Ministerial Group to narrow the range of differences before a full Cabinet discussion. This might then follow on the later date of 27 October. The early establishment of such a group could, however, lead to rumours of disagreements over public expenditure both before and during the week of the Party Conference. I should naturally prefer to avoid this. And I suspect that a Ministerial group might also find it easier to make progress after an initial discussion in Cabinet.

4. On balance, therefore, I would favour a discussion in Cabinet on the earlier of the two dates, 20 October, which has the added advantage of being before the return of Parliament. If a Ministerial group were then thought necessary, there would still be adequate time for it to complete and report on its work, and for Cabinet to reach final decisions by mid-November. A later start could mean delaying the Autumn Statement until the end of November or early December.



5. I propose, therefore, that to allow time for further work if necessary, the Chief Secretary should plan to report back to Cabinet on 20 October, the earliest feasible date - given the Party Conference - after the completion of his bilaterals. The papers would need to be circulated on 17 October at the latest. We would of course retain the option of allowing the Cabinet discussions to slip to 27 October, though that now appears less advantageous.

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6. I am sending copies of this minute to the Chief Secretary and to Sir Robert Armstrong.

(N.L.)

12 September 1983

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File

bc  
Nick Owen  
Ferdie Mount  
BTP

10 DOWNING STREET

*From the Private Secretary*

13 September 1983

Public Expenditure Survey 1983  
October Cabinet

The Prime Minister has considered the Chancellor's minute of 12 September about the timing of the next Cabinet discussion on public expenditure.

The Prime Minister, too, favours a discussion on the earlier of the two dates, 20 October.

I am sending copies of this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

PC

John Kerr, Esq.,  
HM Treasury

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A  
cc No

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

**LONG TERM PUBLIC EXPENDITURE: OPENING UP THE DEBATE**

In my minute of 12 August, I offered further advice on what might be said or circulated to Cabinet on this subject.

2. The Chief Secretary and I do not want to press for Cabinet discussion, either of the substance or of the question of public debate, before we have secured decisions on this year's Survey. But we do think it would be helpful if you were to write now to Cabinet colleagues, seeking their co-operation in opening up the public debate, and it might be useful to accompany this with a short "briefing note" on the points that Ministers might make in public speeches etc. A draft of such a note to colleagues is annexed. If you felt able to make a speech drawing on this material yourself - as the draft assumes - it would help to get the campaign off to a good start.

3. You may wish to discuss this before deciding whether to circulate guidance on these lines.

Margaret O'Hara

(N.L.)

20 September 1983

(approved by the Chancellor and  
signed in his absence)

*Public expenditure*

## DRAFT MINUTE FROM THE PRIME MINISTER TO THE CHANCELLOR AND CABINET COLLEAGUES

## PUBLIC ATTITUDES TO PUBLIC SPENDING

Public expenditure is too high; has tended to rise faster than the growth of the economy, and has risen by 5 per cent in real terms since we took office; and on existing policies is likely to go up by a further 10 per cent in real terms by the end of the decade. That would mean a vicious circle of high taxation - and ours is already much higher, at 40 per cent of the national product, than any of our main industrial competitors except the French - leading to inadequate incentives, continuing poor industrial performance and low growth, and a still higher tax burden.

2. The action required to break out of this circle plainly ought to command public support. And I believe that our decision to plan to keep expenditure broadly constant over the next 3 years was widely welcomed. Yet in the present climate of public opinion, action on individual programmes to reverse the trend over the decade would be unpopular. So we need to change the climate; and to press home the argument that the higher growth the country needs will not happen, on a lasting basis, unless we first succeed in reducing the burden of spending, taxes and borrowing. We need to demonstrate the link, through lower taxation, between lower public spending and more jobs.

3. The Chief Secretary will be reporting to Cabinet next month on his discussions with colleagues on the implications of this year's Survey decisions for the later years 1987-88 and 1988-89. But we need not wait until then to start working collectively to change the climate of public opinion. Our aim should be to make press and public face up to the problem, recognising the demographic and other trends causing some elements in public expenditure to rise; and the damage if the overall rise were not reversed. We need not argue for specific solutions at this stage: these can be allowed to emerge from the debate; and it will be easier for us to identify and implement solutions if it becomes generally accepted that public expenditure savings are inherently desirable.

4. As the next step in our work on longer term public expenditure, on which I undertook on 21 July to reflect, Cabinet colleagues may find it useful to have the enclosed background briefing <sup>at Annex A</sup> on the longer-term consequences of current public spending policies (and their tax consequences), illustrating how high public spending, far from stimulating growth and job opportunities, damages both. I intend <sup>myself</sup> to speak along <sup>the</sup> these lines <sup>myself</sup>, and Treasury

*of the text at Annex B*

*Speaking on similar lines*

Ministers will be ~~doing the same~~. We must all take every opportunity to get this message across - in our own speeches and statements, and by encouraging Parliamentary colleagues (and possibly the Treasury Select Committee), party spokesmen at all levels, and sympathetic correspondents, academics, and commentators, to address the issues, and help change the climate. The Chief Secretary will be glad to arrange more detailed briefing for any Minister who would find this useful.

5. Copies of this minute go to all members of Cabinet, and to Sir Robert Armstrong.