



Robin

Not much use.

ms 27/9

Treasury Chambers, Parliament Street, SW1P 3AG
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Michael Scholar Esq
10 Downing Street
LONDON SW1

Dear Michael,

HISTORIC PUBLIC EXPENDITURE TO GDP RATIOS

I am sorry that it has taken us a little time to produce the figures for which you asked and even now I am afraid that they are not exactly what you want.

First, we are looking out the book by Peacock and Wiseman to which Robin Butler referred. But it is badly out of date. Subsequent public expenditure statistics use two slightly different definitions for public expenditure. So the enclosed tables do not stretch back beyond 1959. Second, we have figures for 1959-64 only on a calendar year basis; thereafter they move to financial years. Finally, the figures from 1973-74 have been calculated on the definition of public expenditure used in Cmnd 8789. Those for earlier years have been calculated on a slightly different definition which excludes public corporations' market and overseas borrowing and also the 1982 Survey Regional Water Authority classification change. I am told that at most this would make only a 1 per cent difference to the level of the ratio; the trend remains the same.

The figures are based on the revised GDP numbers published by the CSO earlier this month. (That for 1983-84 is based on the revised GDP figures for 1982-83 plus 7.9 per cent - the growth in money GDP forecast at Budget time.) The result is to reduce the percentages. (The attachment of the Chancellor's minute to the Prime Minister of 20 September will, of course, also need to be revised in due course.)

The new figures will be unfamiliar and are likely to be revised further to take account of new estimates of public spending this year and last and of the autumn Industry Act forecast (although this will not make much difference). We should therefore be particularly grateful if you could consult us before using the figures publicly at this stage. The figures from 1973-74 should in any case only be quoted to the nearest half and you will also want to note that the figure for 1983-84 shows plans, rather than estimated outturn, as a proportion of the revised estimate of GDP.

Yours sincerely

Margaret O'Mara

MISS M O'MARA
Private Secretary

PUBLIC EXPENDITURE AS A RATIO TO GDP

Expressed in percentages using revised GDP figures of September 1983

	Earlier definition (1)	Cmnd 8789 (2) definition
1959	33.1	
1960	32.9	
1961	33.6	
1962	34.0	
1963	33.8	
1964	33.9	
1963-64	34.0	
1964-65	33.9	
1965-66	35.1	
1966-67	36.4	
1967-68	40.0	
1968-69	38.3	
1969-70	37.6	
1970-71	37.7	
1971-72	37.6	
1972-73	38.5	
1973-74	40.1	40.9
1974-75	45.2	45.9
1975-76		45.8
1976-77		43.9
1977-78		39.8
1978-79		40.7
1979-80		40.4
1980-81		42.7
1981-82		44.2
1982-83		43.2
1983-84		42.5

Notes:

- (1) Cmnd 8789 definition of public expenditure as a ratio to GDP except that the planning total excludes PCMOB and the 1982 RWA reclassification.
- (2) Earlier years consistent with the historical trends exercise. Series uses Cmnd 8789 planning totals as updated in 1983-84 FSBR.