



FROM: MISS M P WALLACE

DATE: 5 January 1989

PS/CHIEF SECRETARY

cc PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Anson
Sir T Burns
Mr Monck
Mr Phillips
Mr Luce
Mr Odling-Smee
Mr Sedgwick
Mr Spackman
Mrs Butler
Mrs Brown
Mr Gieve
Mr MacAuslan
Mr Hansford
Mr Mowl
Mr Potter
Mr Richardson
Miss Walker
Mr Call
Mr Tyrie

1988 PUBLIC EXPENDITURE SURVEY POST MORTEM

The Chancellor has seen Mr MacAuslan's postmortem on the 1988 Survey, which he thought a very good paper.

2. He has noted the comment in paragraph 3.10 that from 1990 the measured level of money GDP will be about 1½ percentage points lower, because "whereas local authority rates are classified as an expenditure tax adding to GDP at market prices, it has been decided that the community charge will not be so classified". The Chancellor does not recall this decision having been taken, nor does he see how it can be taken in advance of the decision about the treatment of the community charge in the RPI. Furthermore, the consequences for GDP, and the GGE:GDP ratio appear somewhat



absurd. He would be grateful for a further note on this classification issue. I should be grateful if Mr Sedgwick could provide.

A handwritten signature in black ink, appearing to read "Moira Wallace".

MOIRA WALLACE