SECRET LTPE file

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MR TURNBULL

I have now read the draft Green Paper on Public Expenditure and Taxation. My comments are these:

1. In paragraph 3, I do not think the assumptions about the economy in the final sentence need be called "reasonable and defensible"; that can be left to the reader to decide.

2. In paragraph 7, I think the figure for the current level of public spending as a proportion of GDP should be included in the text. i.e 1983-84

3. In paragraph 15(vii), more could be made of the surge in local authority spending and manpower, as this is a very large programme which has been difficult to control. It provides background to the rate-capping measures being introduced.

4. Paragraph 21. Corporation Tax: attention could be drawn to the rising company profitability now being experienced which will lead to an increase in the yield of Corporation Tax.

5. In paragraph 39 on health, it is stated that as affluence increases, people should make a larger direct contribution to the cost of their medical treatment through charges. The Government is pledged during the lifetime of this Parliament not to make any charges for items like stays in hospital which are not currently covered by a charging system. If this is not rephrased, it could be used by the Opposition as evidence that the Government does intend "to dismember the National Health Service", and intends to levy substantial charges on some of those using it. It also reads as a veiled attack on the middle classes in the revised version.

6. In paragraph 57, the projected decline in the PSBR in later years seems quite modest. This does not seem to be compatible with zero inflation. I also agree strongly with Alan Walters' comments on the target for the PSBR in 1984-5.

7. Paragraph 37. The 1 per cent standstill figure starkly reminds readers of the severity of current expenditure controls on health. Could the potential for efficiency be highlighted to offset it?

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