

PRIME MINISTER

PUBLIC EXPENDITURE

Andrew Turnbull, Treasury, has discussed the line to take after Cabinet tomorrow and you in turn have considered this with the Chancellor.

I would merely make the point that we need to get over that:

- i. the objective of the exercise is to contain public expenditure within the planned and published path;
- ii. it follows from this that the objective is NOT to cut expenditure;
- iii. instead, the exercise is concerned with dealing with bids by Departments to spend more and how they can be reconciled with the overall objective of containing public expenditure within planned totals.

The Lord President, Chancellor of the Duchy and the Chief Whip and I have discussed the problem of presentation and we are anxious to deal with the "cuts" point, in the manner set out above.

But it would be helpful if tomorrow you also reminded Ministers that the Government has consistently shot itself in the foot by playing out the public expenditure exercise in the press. This is very damaging and a self-denying ordinance would not come amiss.

*Ind*

BERNARD INGHAM  
2 October 1985

*Prime Minister  
Also worth making  
the point - Unless we  
contain public expenditure,  
we will not be able  
to reduce tax (so much).  
N.L.W. 2-10*

## LIST OF PAPERS

- A Cabinet Office brief
- B Minutes of July Cabinet
- C Chief Secretary's paper
- D Speaking note to open the discussion
- E Speaking note to close the discussion
- F Brief on running costs control (positive and defensive points)
- G Chief Secretary's minute on running costs
- H Mr. Younger's minute on running costs
- I Press handling
- J Composition of the Star Chamber
- K Public expenditure and tax in the UK
- L Other countries' policies

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CC B.V.P.  
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Treasury Chambers, Parliament Street, SW1P 3AG

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Private Secretary  
10 Downing Street  
London  
SW1

*Dear David*

2 October 1985

**3 OCTOBER CABINET**

... I enclose, as discussed at various points earlier today, an opening speaking note for the Prime Minister's use tomorrow; a note on press handling arrangements; and a summary brief on running costs. The Chief Secretary has seen and is content with all this material.

*Lawrence*  
*Richard*

R J BROADBENT  
Private Secretary

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