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PRIME MINISTER

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PUBLIC EXPENDITURE CABINET

You might find it useful to have some figures on public expenditure for Cabinet tomorrow.

Public Expenditure Growth

In cash terms, spending has more than doubled from £65.8 billion in 1978-79 to £134.2 billion this year. Measured in constant prices, public spending has also increased every year.

	<u>£bn (Cost Terms, 1984-85 Prices)</u>		
1978-79	117.1
1979-80	117.3
1980-81	119.1
1981-82	122.2
1982-83	123.9
1983-84	125.5
1984-85	129.4
1985-86	127.8 (assuming no overshoot)
1986-87	126.8 (the current baseline)

By comparison, in 1976 the Labour Government achieved real cuts in public expenditure of 6%.

Public Expenditure as a Percentage of GDP

Between 1979 and 1981, public expenditure as a percentage of GDP rose rapidly because of the recession. But despite the economic recovery, we haven't fully reversed the increase. Even if we stick to the Survey baseline for next year, public expenditure will be around 42% of GDP, compared with 39% in 1978-79. Is this rolling back the frontiers of the state?

The Burden of Taxation

Meanwhile, the tax burden rises. Excluding North Sea revenues, tax has risen as a percentage of non-oil GDP from 34% in 1978-79 to 38% in 1984-85. That's a £15 billion increase, with a further £12 billion of increased North Sea oil revenues.

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