



FROM: MRS R LOMAX

DATE: 26 November 1985

cc PS/Chief Secretary  
 Sir P Middleton  
 Sir T Burns  
 Mr Cassell  
 Mr Scholar  
 Mr Turnbull  
 Miss O'Mara  
 Mr Pratt  
 Mr Cropper  
 Mr Lord  
 Mr H Davies

MR CULPIN

**CHANCELLOR'S TCSC APPEARANCE: OPENING STATEMENT**

I attach a final draft of the Chancellor's opening statement for use at his appearance before the TCSC this afternoon.

2. The Chancellor has decided to drop the prepared statement on privatisation. He will speak off the cuff, so there will be no hand out for the press on this subject.

A handwritten signature in cursive, appearing to be 'R.L.', representing Mrs R Lomax.

MRS R LOMAX

## CHANCELLOR'S OPENING STATEMENT TO TCSC, 26 NOVEMBER

This year's Autumn Statement is the fourth in the series. It sets National Insurance rates for the next financial year, and fulfils the Treasury's statutory duty to publish an economic forecast; but its main function is of course to give the results of the annual survey of public expenditure.

This year we have provided more detail than ever before. We have given a Departmental breakdown of likely spending in the current year. And we have shown forward plans for three years ahead, instead of just one. These changes respond to suggestions made by the Committee, and I am glad to see that they have been welcomed.

I know that the Committee is less happy about another change, which is the omission of a forecast "fiscal adjustment". But I believe this is no real loss. The fiscal adjustment was simply the difference between an early and inevitably uncertain forecast, on which no decisions were based, and a conventional assumption. It added nothing to understanding or evaluation of the public expenditure plans which, as I say, are the main focus of the Autumn Statement - nor did it either represent or foreshadow any policy decision.

For the Autumn Statement is not a preview of the Budget. It cannot report decisions on tax because I have not taken them. And the decisions on expenditure - which are genuine decisions - though important in themselves, represent only one side of the public sector's accounts, and thus inevitably carry no implication for the stance of fiscal policy either next year or beyond. To describe the Statement as reflationary or deflationary is thus, even in Keynesian terms, a logical absurdity.

I shall, as always, make my decisions on fiscal and monetary policy in the Budget. And they will be decisions to sustain the conditions which have brought us the prize of relatively non-inflationary growth.

PLEASE CHECK AGAINST DELIVER.

The record speaks for itself. We have held to a prudent fiscal policy, and reduced the PSBR from  $5\frac{1}{4}$  per cent of GDP to a forecast  $2\frac{1}{4}$  per cent this year. We have the lowest borrowing requirement, in relation to our national income, for 14 years: lower even than in 1981-82, when my predecessor with great courage presented a very tough Budget indeed. We have maintained monetary conditions tight enough to bring inflation down from double figures to  $5\frac{1}{2}$  per cent, with the firm prospect of a further substantial fall next year. We have resisted every temptation to seek short-term advantage in ways that would have undermined the long-term strength of the economy.

The Autumn Statement confirms that, even if you exclude the proceeds of privatisation, we plan to keep public expenditure broadly constant in real terms. With a growing economy, this should permit a gradual reduction in the burden of taxation. But the timing and size of any reductions are uncertain, and must depend on the judgements that I have to make at Budget-time each year.

The Autumn Statement shows expenditure under control and the economy set for a fifth successive year of relatively non-inflationary growth, and into the sixth. That is the prospect, and I shall do my best to answer your questions on it today.

---

PLEASE CHECK AGAINST DELIVER.