

CF - pc.

SECRET

Note

Planned a PM's council
to the Treasury.

10

PRIME MINISTER

PUBLIC EXPENDITURE: CABINET

Rec 6, 7

As promised, the Chancellor and Chief Secretary have now sent you drafts of their papers for next Wednesday's Cabinet. These are:

Flag A - the Chancellor's Economic Paper;

Flag B - the Chief Secretary's Expenditure Paper.

Also attached at Flag C is a speaking note for your use in Cabinet.

Although the Treasury will not be circulating papers until Monday, they are keen to have clearance by tomorrow. You will want to consider whether you have any comments.

I have marked on paragraph 4 the Chancellor's paper at Flag A a couple of suggestions you may want to consider. The second point marked, referring to the likelihood of the budget surplus falling, is designed to toughen the message of the paper and bring it into line with the similar point included in paragraph 2 of the Chief Secretary's paper at Flag B. I have no further suggestions on that paper.

You will see that the table at the back of the Chancellor's paper reveals the latest RPI forecast for the fourth quarter of 1989 and the revised 1989 GDP deflator. These may attract some attention in the Cabinet discussion. Departments will also be given separately (before Cabinet) the revised GDP deflators for the later years as well; this will lead at least some Departments to come forward with further increases to their bids.

Content with the two comments marked on paragraph 4 of Flag A?

Any other comments you want me to pass on?

Paul Gray
6 July 1989
DASAWM

Chancellor's paper
not worry up enough
Needs to be
framed

④ Chief Sec's
delete 'probably' in
para 6.

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③ delete 'slightly' in para 13

① I think
'for some time to
come' is more
credible than the
proposed alternative
'in any event'