



Ami Mustafa

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PRIME MINISTER

PUBLIC EXPENDITURE WHITE PAPER

I enclose a draft of the White Paper. I propose to circulate it to our Cabinet colleagues on Tuesday, subject to your comments and to any final drafting points raised with me in the Treasury. Publication on Budget Day will require a deadline for comments of Tuesday week.

2. I draw your attention to the following points. First, the opening paragraphs say frankly that the totals are too high, despite the Government's considerable achievement in making the cuts announced on 24 November by the Chancellor. The final sentence of paragraph 2, implying that we must take steps in the next survey to reduce our plans, is in my view true and useful. But some of our colleagues may not like it.

3. Second, there is far more emphasis in cash than in previous White Papers. For the first time the cash limits and broad cash totals for 1981-82 will be included. This will fit in with a more extended passage in the Budget speech about our intended shift towards cash in our planning procedures, on which the Chancellor and I shall be consulting you shortly and then, I hope, our colleagues.

4. Third, the figures have changed a little since the Chancellor minuted you on 23 January. Estimating changes have reduced the 1980-81 total. This is good in itself. But for 1981-82 the British Steel figures now under discussion are of course higher

I suggest you just read up to Part I - i.e. up to page 46. But you should note that the social security plans (Part A) assume 2.7m net unemployed in 1982/83 and 83/84 (compare with 1.8m in last year's white paper)

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The section on cash planning and the point about expenditure is too high and to be strengthened.

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than previously assumed, so that the 1981-82 total is increased. In consequence, there is now no reduction between the two years.

5. Fourth, table 1.2 shows a large estimate ($44\frac{1}{2}\%$) for the ratio of public expenditure to GDP in 1980-81. (It is usual to publish estimates up to the current year.) The cause is not so much the increase in expenditure as the fall in GDP. Only 43% was suggested in the press last November. We expect a fall in the ratio over the later years, and can appropriately say so in the FSBR, which is printed later and can take account of the assumptions for the growth of GDP over the medium term when these are decided for the purpose of the Budget.

6. The figures for the contingency reserve are for the moment the same as in the Chancellor's minute to you.

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country
now suggest
but the Reserve
be named.

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LEON BRITTAN

6 February 1981