



10 DOWNING STREET

From the Private Secretary

9 February 1981

The Prime Minister was grateful for the Chief Secretary's minute of 6 February with which he enclosed the latest draft of the Public Expenditure White Paper. She has noted the points in the Chief Secretary's minute, and has read Part 1 of the draft. On paragraph 5 of the latter, she has queried the third sentence which says that "The Government reaffirm the central principle that finance should determine expenditure, not expenditure finance." She wonders if this statement can be defended at a time when spending as a proportion of GDP is likely to be increasing. She has also suggested on that same paragraph that "provisional working targets" might read better as "indicative working targets".

In Part 2 of the draft, the Prime Minister has noted the estimating assumptions for unemployment underlying the social security programme.

TL

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