

PRIME MINISTER

I have checked the public expenditure figures you referred to during the talk with the Chief Secretary this afternoon. You are right that total public expenditure as a share of GDP was higher, on the estimated out-turn for 1981/2, than in any year back to 1975/6, i.e. just before the approach to the IMF. The figures are as follows:-

1975/6	46 per cent
1976/7	44 per cent
1977/8	40½ per cent
1978/9	41 per cent
1979/80	40½ per cent
1980/1	43¾ per cent
1981/2	(estimate 45-46 per cent) —

A similar point may be made about the non-North Sea tax burden. The figures for that are as follows:-

1975/6	→ 36½ per cent
1976/7	36½ per cent
1977/8	35½ per cent
1978/9	35 per cent —
1979/80	36 per cent
1980/1	37¾ per cent
1981/2	40-41 per cent —

Here the point is not so much that we are re-approaching the pre-IMF level, but the current level is high in relation to the level at that time.

MCS