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10 DOWNING STREET

From the Private Secretary

5 March 1984

Dear John.

Public Expenditure and Taxation in the Longer Term

The Prime Minister has seen the draft Green Paper on Public Expenditure and Taxation in the Longer Term and was content with the text. She agrees with the choice of options illustrated in Section V. She thinks that to widen the range further would blur the message.

She has noted, however, that the trends in the ratio of public expenditure to GDP are illustrated using general Government expenditure rather than the definition used in the Autumn Statement and the PEWP ie the planning total plus net debt interest. She questions whether it is wise to bring in a different definition. First, an additional series will tend to confuse the debate. Secondly, the programme analysis elsewhere in the draft relate to the planning total. Finally, and most importantly, the General Government definition, while broadly the same over a twenty year span, shows a rise in 1982-83 rather than the fall shown by the PEWP definition. This is a fall for which Government has already claimed credit. For these reasons, she would prefer to see the figures presented using the PEWP definition.

I am copying this letter to the Private Secretaries to members of the Cabinet, to Murdo Maclean (Chief Whip's Office), Henry Steel (Law Officers' Department) and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew

(Andrew Turnbull)

John Kerr, Esq.,
HM Treasury