

P E R S O N A L

Public Expenditure
file
(Please attach a copy of
Chancellor's speech)
FROM: H J DAVIES
DATE: 12 JULY 1985
AT
14/7

SIR T BURNS

cc FST
Mr Cropper
Mr Lord

PUBLIC EXPENDITURE PRESENTATION

You might like to consider the following points in relation to the Chancellor's speech last weekend and the subsequent reaction:

- i) It is usually better if policy presentation matches the underlying facts, unless there is a compelling reason to do otherwise.
- ii) In the long run a presentation on the lines of the Oxford speech is more likely to capture public support.
- iii) If the climate of opinion about the state of public spending can be changed, so that the argument that no further cuts can be made because we have already gone too deep is discredited, the Treasury's chances of success in the public spending round are increased.
- iv) If the Treasury never admits that any public spending is worthwhile it is condemned to endless "Treasury defeated" stories. This is not simply a presentational point, since widespread perception that the Treasury is regularly defeated affects market confidence and makes our economic management task more difficult.
- v) We were emphatically not trying to take credit for failure, as some have charged. The programmes where we attempted to take credit were ones which the Government has

always said it would increase.

vi) If you are going to change presentation at all then you need to do it with a splash. The phrase "the middle way" attracted attention and ensured that the argument was put in the centre of public debate. Without this it would be a long uphill struggle to communicate the truth about our spending record.

vii) In the specific circumstances of last weekend it was better that the Chancellor should have been in the public arena explaining the public expenditure consequences of Brecon and Radnor than some other Ministers one could mention. Had the Treasury been silent the atmosphere could have been much worse this week.

viii) We have given the impression that the Treasury is not afraid to enter public debate, and indeed is still making the running on economic policy and policy presentation.

ix) There has been a resurgence of "Government must cut spending" stories. We have been attempting to inspire these recently to make our control task easier, though without success. We wanted to be in a position to say that there were others, not just the Treasury, arguing for spending controls. Now we can say that again.

2. I would be happy to discuss any of this with you if you wish. Some of the arguments are clearly post hoc rationalisations though some were advanced as we drafted the now infamous release.

HJD

H J DAVIES