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Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

Paul Gray Esq  
Private Secretary to  
Prime Minister  
10 Downing Street  
LONDON  
SW1

Dear Paul,

ORIGINAL

**PUBLIC EXPENDITURE CABINET: LINE TO TAKE**

*with PG*

Your letter of 26 June to Carys Evans asked for a proposal on the remit that Cabinet might be invited to endorse. The Chancellor and Chief Secretary have discussed this, and they suggest the following:

*OVERSTATED*

"The Cabinet reaffirmed the policy that public expenditure should continue to take a declining share of national income, holding as close as possible to the ratio set out in the last Public Expenditure White Paper."

This is in line with the 1987 remit (see earlier correspondence attached). The 1988 remit referred to keeping as close as possible to the existing planning totals, and this would not be appropriate this year given that we are moving to the new definition of the planning total.

I am copying this letter Carys Evans.

*Yours  
Alex*

A C S ALLAN