

Chapter 4

The Course of Public Expenditure to 1977-78⁽¹⁾

by

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1. The basic source of any projections of public expenditure are the White Papers published towards the end of each year, which present the official forecasts of public sector spending for the next four years or so. On the same day as the December 1973 White Paper, 'Public Expenditure to 1977-78' (Cmd. 5519) was published, the Chancellor announced cuts to the programmes for the financial year 1974-75 amounting to £1180m. at 1973 survey prices. These cuts were restricted entirely to expenditure on goods and services, principally capital formation which was reduced by £851m. (over 14 per cent) below the level proposed in the White Paper. Any analysis of the projections presented in the 1973 White Paper must take these cuts into consideration, though it is not possible to do this unequivocally on the basis of the information at present available. Their scale certainly entails important modifications to the expenditure plans for the years after 1974-75, but no amendments have as yet been issued. Nevertheless this chapter does make some suggestions as to what the effect of the cuts is likely to be.

2. The first section of this chapter, is concerned with expenditure in 1972-73 and 1973-74, while the second section examines changes to the estimates for 1974-75, including the substantial cuts announced a few hours after the publication of the December 1973 White Paper. The third section considers the whole course of expenditure for several years beginning 1970-71, as presented in the 1973 White Paper, compares these with what was proposed in the two previous White Papers (Cmd. 4829 and 5178), and attempts to estimate the effect of the cuts announced by the Chancellor on December 17. Finally the successive changes that have been made to the forecast of expenditure for the year 1974-75 since the present Government took office are brought together on a common price basis.

Changes to the Cmd. 5178 Estimates of Expenditure for 1972-73 and 1973-74

3. Table 1 summarizes the successive changes to the estimates of expenditure in 1972-73 and 1973-74 between the publication of Cmd. 5178 in December 1972 and the present time, as described in the December 1973 White Paper and as implied by the latest national income figures. Although the 1973 White Paper sets out the revisions made subsequent to Cmd. 5178 in much greater detail than previous White Papers, which

(1) The full derivation of all the figures in this chapter are available on request to the author.

is a very welcome feature, the division by economic category in Table 1 involves a good deal of approximation, though it probably gives a fair representation of the actual break-down.

4. The changes between December 1972 and May 1973 refer to the revisions announced in March and May of 1973, which were described by the Treasury in Eleventh Report from the Expenditure Committee, 'The May 21st Expenditure Cuts' (H.C. 398, 1972-73).

It is important to note that our figures differ from the figures given in that report, to the extent that they have been inflated very approximately from a 1972 price basis to 1973 survey prices, but mainly because certain items have been excluded from Table I altogether and indeed from the chapter as a whole. These items are social security upratings, the refinancing of home shipbuilding lending and of fixed rate export credits, investment grants, regional employment premiums and regional development grants. The reasoning here is that none of these represents a 'genuine' net cost to the Exchequer.⁽¹⁾ Other points which should be noted are that changes to the shortfall allowance are included under "goods and services", while those to the contingency reserve are included in the "other" category and treated as policy changes.

5. The table indicates that, in 1972-73, total underspending in relation to the sum of the individual programmes presented in the 1972 White Paper amounted to some £900m. at 1973 survey prices⁽²⁾, of which £300m. had been written by the Treasury into the forecast of overall expenditure in the form of shortfall (£100m. appearing under 'nationalised industries', £200m. remaining unallocated). This total of £900m. should be considered in relation to the figure of about £615m. on the definition of expenditure adopted here, which was expected by the Treasury in May and the details of which were outlined to the Expenditure Committee in June, more than two months after the end of the financial year in question. In other words, a shortfall of almost £300m., over and above the Treasury's June estimate, mostly falling on goods and services, materialised between June and December 1973.

6. The underspending was widely dispersed between the individual programmes, with five showing actual expenditure as being over £100m. less than estimated in the December 1972 White Paper. The items on which important shortfalls occurred include subsidies to agriculture and industry, nationalised industries capital expenditure, investment in roads and housing, payment of social security benefits

(1) To amplify this as regards R.E.P. and regional development grants, the argument is that the monetary cost tends to be offset by increased resource availability so that no net increase in revenue is required.

(2) £947m. if the items excluded from the analysis are reinstated.

Table I

Successive Changes to the 1972 White Paper
Estimates of Public Expenditure in 1972-73
and 1973-74, fm at 1973 Survey Prices

	Total	Economic classification of changes			
		Goods and services		Other	
		Policy	Estimating	Policy	Estimating
<u>1972-73</u>					
Shortfall allowed for in Cmnd.5178 (Dec.1972)	-300	0	-300	0	0
Dec.1972 to May 1973	-315	0	-95	0	-220
May 1973 to Cmnd.5519	-287	-20	-211	+80	-136
Total changes to individual programmes, Dec.1972 to Dec.1973 (i.e. before deducting shortfall)	-602	-20	-306	+80	-356
Difference between estimated outturn and sum of individual programmes in Cmnd.5178 (i.e. after deducting shortfall)	-902	-20	-606	+80	-356
<u>1973-74</u>					
Shortfall allowed for in Cmnd.5178 (Dec.1972)	-300	0	-300	0	0
Dec.1972 to May 1973	-350	-85	-115	-15	-135
May 1973 to Cmnd.5519:	-200	0	-200	0	0
of which, increased shortfall					
other	+622	-61	-356	+304	+735
Total changes to individual programmes, Dec.1972 to Dec.1973 (i.e. before deducting shortfall)	+272	-146	-471	+289	+600
Difference between estimated outturn and sum of individual programmes in Cmnd.5178 (i.e. after deducting all shortfall)	-228	-146	-971	+289	+600
Additional underspending suggested by national income figures for 1st 2 quarters of 1973-74	-300	0	-300	0	0

and expenditure on environmental services. Most of these were identified by the Treasury in June as being likely to experience major shortfalls, but the size of this appears in some cases, the 'Trade, industry and employment' programme, for example - to have been underestimated.

7. As regards the current financial year, 1973-74, Table 1 indicates that by the end of May 1973, the forecasts of expenditure presented in the December 1972 White Paper had been revised downwards by about £350m. at 1973 prices, in addition to the shortfall of £300m. initially expected. £100m. of this was associated with the May policy cuts to the 1974-75 programme, the remainder being estimating changes (mainly to agriculture and nationalised industries). In October, further reductions of £100m. to expenditure on goods and services were announced, as a consequence of the rephasing of building contracts and the postponement of the procurement of defence supplies. However, other changes made between June and December have had the effect of actually increasing the estimate of final outturn contained in the December 1973 White Paper above that expected in December 1972, by about £72m. (£272m. on individual programmes, less an increase in the shortfall allowance of £200m.). In other words, during this time a net addition of over £400m. has been made to estimated expenditure. As the table shows, this comprises two very divergent tendencies. While spending on goods and services is now officially expected to be £600m. below the revised estimate presented to the Expenditure Committee in June, which would represent a total underspending on the sum of the programmes described in the December 1972 White Paper of £1100m., the forecast of expenditure on transfers and subsidies has escalated by more than £1000m., or by almost £900m. over the proposals of the 1972 White Paper.

8. As regards the latter, the two items sharing major responsibility for this increase are debt interest, payments of which are now estimated to be some £470m. in excess of the December 1972 forecast, and the housing programme, to which over £400m. has also been added, in the form of rebates, subsidies and loans. For goods and services, in addition to the increase of £200m. to the shortfall allowance, reductions in investment in housing and nationalised industries account for much of the downward revision between June and December. Both of these are estimating rather than policy changes, and in the case of nationalised industries capital expenditure it seems worth noting that, for estimating reasons alone, the present forecast of 1973-74 outturn is some £360m. - if the initially expected shortfall is included - or over 16 per cent below the sum proposed in the 1972 White Paper⁽¹⁾.

(1) Much of this has materialised since June, as the Treasury gave evidence before the Expenditure Committee in June, to the effect that the underspending was expected then to be only about £80m. in addition to the shortfall of £100m. See Eleventh Report from the Expenditure Committee, op.cit., Minutes of Evidence, para.26.

9. The outcome of these two opposing tendencies is to reduce the forecast of outturn for the current financial year presented in the December 1973 White Paper by £228m. below the sum of the individual programmes proposed in the December 1972 White Paper.⁽¹⁾ However, the final line in Table 1 indicates that, on the basis of the national income accounts for the first half of 1973-74, an additional shortfall of some £300m. may well occur. More specifically this is the underspending on the December 1973 White Paper estimate which would result if the rate of current expenditure on goods and services in the first two quarters of the present financial year, as shown by the seasonally adjusted national income figures, at 1970 prices, were to be maintained over the remaining half of the year. Thus the increase in public consumption between 1972-73 and 1973-74, derived on the basis of this assumption, is 2½ per cent as compared with a rise of 5 per cent implied by the details given in the 1973 White Paper; this represents a discrepancy of about £300m. if expressed in terms of 1973 survey prices.

10. As regards capital expenditure, any attempt to carry out a similar exercise is frustrated by the fact that the national income figure for this item with respect to the second quarter of 1973-74 is, at the time of writing, not available. The rate of capital formation in the first quarter of the current financial year was substantially less than that necessary to achieve the volume of expenditure proposed in the 1972 White Paper for the year as a whole. However, the combined public and private investment figure for the second quarter of 1973-74, which has been published, shows a big increase over that of the first quarter. More importantly, the volume of fixed capital formation proposed for 1973-74 in the 1972 White Paper was markedly reduced, when the 1973 White Paper forecasts were formulated. As described above, almost all of the changes made to the estimates of spending on goods and services in 1973-74 between June and December 1973 fell on this particular item. In view of these considerations, the most reasonable assumption would seem to be that actual outturn as regards investment will be as forecast in the 1973 White Paper. Nevertheless even on this assumption the apparent underspending on public consumption means that expenditure on goods and services in 1973-74 will be some £1400m. less than the sum of the individual programmes presented in the December 1972 White Paper - £1271m. being due to estimating reasons - providing no acceleration takes place over the second half of the year.

11. The above calculation makes no allowance for the effects of the present fuel crisis or for the reduction in expenditure expected in the last quarter of 1973-74 as a corollary of the cutback to the 1974-75 programme announced by the Chancellor

(1) £316m. if the items excluded from the analysis are reinstated.

on December 17. It merely indicates what would be the outcome if spending on goods and services were to continue at the same rate over the second half of the current financial year as over the first half. In other words, any effect on expenditure arising from the three-day working week or the situation as regards coal stocks would be additional to the shortfall of £300m. on the 1973 White Paper estimate suggested by the national income accounts.⁽¹⁾

Changes to Expenditure in 1974-75:

12. In the first section, the concern has been with the changes to the 1972-73 and 1973-74 estimates between the 1972 White Paper and the present time. Because of the size of the cutback to the 1974-75 programme made after the publication of the 1973 White Paper, expenditure in this particular year is considered separately in this section. Table 2 follows the pattern of Table 1 and shows the changes to the forecast for 1974-75 since December 1972.

Table 2

Changes between Cmd. 5178 and December 1972 to Expenditure in 1974-75

£m. at 1973 Survey Prices

	Total	Economic classification of changes			
		Goods and Services Policy	Estimating	Other Policy	Estimating
Shortfall allowed for in Cmd. 5178 (Dec. 1972)	-300	0	-300	0	0
Dec. 1972 to May 1973	-603	-555	0	-48	0
May 1973 to Cmd. 5519 of which: Shortfall	-100	0	-100	0	0
Other	+702	+63	-73	+229	+483
Total changes to individual programmes, Cmd. 5178 to Cmd. 5519 (i.e. before deducting shortfall)	+99	-492	-73	+181	+483
Difference between expected outturn and sum of individual programmes in Cmd. 5178 (i.e. after deducting all shortfall)	-301	-492	-473	+181	+483
December 17 cuts	-1180	-1180	0	0	0
Total changes to programmes Dec. 1972 to Dec. 1973	-1081	-1672	-73	+181	+483

(1) The calculation, of course relates only to purchases of goods and services, and it may well happen that the factors mentioned might give rise to a higher than expected increase in transfer payments, which as far as total expenditure is concerned would tend to offset any reduction in direct expenditure on resources.

13. The table indicates that in May 1973, cuts amounting to some £600m., falling mostly on goods and services, were announced to the 1974-75 proposals as presented in the December 1972 White Paper. This was largely in response to the very rapid decline in the level of unemployment over the preceding few months. However, between June and the publication of the December 1973 White Paper, this reduction in planned expenditure was more than counterbalanced by a rise in expected transfer payments. As occurred with respect to 1973-74, substantial estimating changes were made to the forecasts of debt interest and housing subsidies, loans and rebates. Moreover nationalised industries capital expenditure once again accounts for much of the downward revision to the estimate of spending on goods and services.

14. The cuts of £1180m. announced on December 17 result in the official forecast of expenditure on individual programmes in 1974-75 - that is, before allowing for the expected shortfall - being a total of £1081m. less than forecast a year ago and £1745m. less as regards purchases of goods and services considered in isolation. However, when it comes to predicting the likely effect of the December cuts on the actual outturn for 1974-75, the size of the reduction involved and the limited time available to departments for instituting the necessary modifications to their plans are liable to be of crucial importance. It should be noted in Table 2 that the estimate presented in the 1973 White Paper of final outturn in relation to the sum of individual programmes included an allowance for a total shortfall of £400m. This represents the Treasury's forecast, based on past experience, of how much the various departments will underspend in normal circumstances. But given the situation as it now is, the reluctance of each department not to break commitments already entered into and the easing of the pressure of demand - at least in the construction industry - it seems plausible to suppose that this shortfall might well fail to materialise. In other words, it is argued that the effective reduction in expenditure in 1974-75 resulting from the December cuts is likely to be much closer to £780m. below the level that otherwise would have occurred, than the sum of £1180m. which appears in the Chancellor's announcement.

Public Expenditure, 1970-71 to 1977-78

15. This section is concerned with the expenditure plans as they now stand in relation to what was proposed in the November 1971 and December 1972 White Papers (Cmd. 4829 and 5178). Table 3 presents indices of expenditure, both in total and by economic category, as derived from the constant price series given in the last three White Papers, taking 1970-71, the first year covered by Cmd. 4829, as equal to 100. It should be noted that the base year figures as regards Cmd. 4829 refer to provisional outturn only, but it does not appear that there were any

substantial subsequent modifications to these. The derivation of the figures given in the table is shown in the appendix to this chapter.

Table 3

Indices of Public Expenditure, in total and by Economic Category, 1970-71=100

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Expenditure on goods and services:								
Cmnd.4829 (Nov.1971)	100.0	101.9	104.6	107.5	109.5	112.4		
Cmnd.5178 (Dec.1972)	100.0	101.5	105.5	111.3	113.3	115.8	118.1	
Cmnd.5519 (Dec.1973)								
as published	100.0	100.9	103.9	106.7	109.7	112.8	115.0	117.8
after Dec. cuts*	100.0	100.9	103.9	104.8	105.1	107.0	109.2	112.0
Total transfers:								
Cmnd.4829 (Nov.1971)	100.0	97.9	101.3	103.5	106.0	108.5		
Cmnd.5178 (Dec.1972)	100.0	104.8	114.2	117.7	119.1	120.3	119.9	
Cmnd.5519 (Dec.1973)	100.0	104.5	110.7	123.5	126.1	127.2	130.0	134.3
Total Expenditure:								
Cmnd.4829 (Nov.1971)	100.0	100.3	103.2	105.9	108.1	110.9		
Cmnd.5178 (Dec.1972)	100.0	102.8	108.8	113.8	115.5	117.5	118.8	
Cmnd.5519 (Dec.1973)								
as published	100.0	102.2	106.4	113.0	115.8	118.2	120.6	124.0
after Dec. cuts*	100.0	102.2	106.4	111.8	113.0	114.6	117.0	120.4

Notes: Transfers exclude the uprating of social security benefits, the refinancing of home shipbuilding lending and export credits, investments grants, regional employment premiums and regional development grants and include the contingency reserve. They also include, where appropriate, the adjustment to the relevant survey prices, or outturn prices in the case of Cmnd.4829, of past payments of social security benefits. The shortfall allowance is deducted from goods and services.

* The figures relate to expected outturn in the light of the national income figures for the first half of 1973-74 and the December cuts. For fuller details see Table A.1 in the appendix to this chapter.

16. Looking first at the indices derived from the December 1973 White Paper, it is immediately apparent that transfer payments are planned to increase over the period up to 1977-78 at a considerably faster rate than expenditure on goods and services. This applies a fortiori if the December cuts are taken into account. The possible effect of these cuts is indicated in Table 3, for the years from 1974-75. The basic assumption, as set out in the previous section, is that the expected shortfall

in 1974-75 written into the Treasury's estimate of final outturn as contained in the December 1973 White Paper, will in fact not materialise, which implies that the effective reduction on direct purchases of resources will be £780m. rather than £1180m. It is further assumed that in subsequent years, expenditure will be lower than planned by at least this amount because of the mechanics of the operation and probably by more so.⁽¹⁾ A shortfall of £200m. rather than £400m. has therefore been deducted from the estimates for 1975-76, 1976-77 and 1977-78, implying the same rate of increase between these years as proposed in the December 1973 White Paper, but a slightly lower rate between 1974-75 and 1975-76. The 1973-74 figure, after December cuts, takes account of the shortfall suggested by the national income figures for the first half of the financial year.

17. The effect of the December cuts, as suggested here, is to reduce the average rate of growth of total expenditure proposed in the December 1973 White Paper for the period 1972-73 to 1977-78 from three per cent to 2½ per cent a year, and on goods and services from 2½ per cent to 1½ per cent. By contrast transfer payments are expected to increase over these five years at an annual rate of about four per cent on average. The index for total purchases of goods and services, however, conceals significant differences between the forecasts for capital as opposed to current expenditure. While the latter was expected in the December 1973 White Paper to increase by an average rate of three per cent a year between 1972-73 and 1977-78, the growth of investment was planned to be only slightly more than one per cent a year. This is evident in the appendix to this chapter which gives the breakdown between these two items. It also indicates that while the December cuts have only a small impact on public consumption, they lead to the volume of capital expenditure in 1977-78 being more than five per cent less than in 1972-73, if the assumption adopted here is realised.

18. Comparing the indices for Cmnd.5519 (December 1973) with those derived from the two previous White Papers, a notable feature is that the forecasts of expenditure on goods and services presented in the former bear a marked resemblance to the proposals contained in Cmnd. 4829, published in November 1971, despite the substantial revisions which occurred between times. This applies particularly to the estimates for 1974-75 and 1975-76. Increases in planned expenditure between November 1971 and December 1972 have therefore been almost precisely counter-balanced by equivalent reductions between December 1972 and December 1973. The division between current and capital expenditure, however, was substantially altered over this period, the forecast for the former presented in the December 1973 White Paper for the years 1973-74 to 1976-77 being actually in excess of the 1972 White Paper

(1) For example, many projects due to commence in 1974-75 would have produced their main effects on expenditure in subsequent years.

proposals. On the other hand, the plans as regards investment were cut back markedly and this item is entirely responsible for the decline in the overall index of direct purchases of resources between these two White Papers.

19. In contrast to expenditure on goods and services, projected estimates of transfer payments have escalated dramatically over the past two years, primarily as a result of increases to debt interest and the various transfer elements included in the housing programme.

Successive Changes since July 1970 to Planned Expenditure in 1974-75

20. During the period from the present Government taking up office to the time of writing, the public expenditure plans for the financial year 1974-75 have been substantially altered on no less than six separate occasions. Table 4 sets out the successive changes in terms of 1973 survey prices and shows the breakdown between revisions made for policy reasons and those made for estimating reasons, and the division between those changes relating to expenditure on goods and services and those relating to transfers and subsidies. As can be seen, the outcome of cumulative revisions amounting in total to over £5000m. is to reduce the July 1970 forecast, for a year which has still not yet begun, by £643m. The picture shown by the table must inevitably provoke questions as to whether the disruption and expense involved in so many changes of direction on this scale were really necessary.

Table 4

Successive Changes to the Estimate of Public Expenditure in
1974-75, fm. at 1973 Survey Prices

	Total	Policy	Estimating	Economic classification of changes	
				Goods and services	Other
'Previous programmes' (July 1970) to Cmd. 4578 (Jan. 1971)	-1073	-1043	-30	-597	-476
Cmd. 4578 to Cmd. 4829 (Nov. 1971)	+535	+606	-71	-12	+547
Cmd. 4829 to Cmd. 5178 (Dec. 1972)	+1076	+837	+239	+434	+642
Cmd. 5178 to May 1973	-603	-603	0	-556	-47
May 1973 to Cmd. 5519 (Dec. 1973)	+602	+292	+310	-109	+711
Cmd. 5519 to Dec. 17, 1973	-1180	-1180	0	-1180	0
Total	-643	-1091	+448	-2020	+1377

Appendix: to Chapter 4

1. This appendix describes how the figures used in the statistical analysis of the economic prospects and contained in the Appendix to this volume were derived from those used in compiling Table 3 of this chapter. The latter were taken from Table 3.2 of the December 1973 White Paper, current expenditure on goods and services consisting of 'wages and salaries' plus 'other' and capital expenditure of 'gross domestic fixed capital formation' plus 'increase in value of stocks' minus 'shortfall'. These were first adjusted to allow for the estimated effect of the December cuts by the procedure described in the text. £329m - the amount of the cuts to consumption as given in Hansard Vol. 866, No. 35, Cols. 977-978 - was deducted from current expenditure in each of the years 1974-75 to 1977-78, and £851m - as given in the same source - was deducted from the capital expenditure figures for the same years. The shortfall allowance of £400m was then added back onto the 1974-75 investment total on the grounds that it would probably fail to materialise, given the circumstances as described in this chapter - and half the shortfall allowance (£200m) added back to the figures for the years 1975-76 to 1977-78. Secondly, the current expenditure figure for 1973-74 was adjusted to allow for the apparent shortfall which, it was argued, will emerge if the national income figures for the first half of this financial year are repeated in the second half. An increase of 2.5 per cent (instead of 5.1 per cent) was therefore applied to the 1972-73 White Paper total for this item to obtain the expected 1973-74 total at 1973 survey prices.
2. To convert this set of figures to the basis required for the statistical analysis, the first step is to deduct stock appreciation from the capital expenditure figures for each year. Secondly, we need to separate public investment in housing from total capital formation and this is done on the basis of the estimates given in Table 2.7 of the December 1973 White Paper, the housing programme being exempt from the December cuts.
3. These adjusted series have then to be expressed in terms of calendar rather than financial years and linked to the national income figures which are based on 1970 prices. The latter are available up to the third quarter of 1973 in the case of current expenditure and up to the second quarter in the case of public investment. For the former, therefore, a reasonable estimate can be made of the 1973 total from the seasonally adjusted national income figures. Estimates of public consumption for the years 1974 to 1977 in terms of 1970 prices are then calculated by converting the financial year totals, derived by the method described above, to calendar years on a

pro rata basis and expressing these in index form with 1973 equal to 100. The index is then applied to the 1973 national income figure - there being a close correspondance between the annual changes shown by the 1973 White Paper and the national income accounts for the years 1970 to 1972.

4. As regards capital formation, we know that expenditure in the first quarter of 1973-74 was almost certainly below trend. We also know that expenditure in the ~~fourth~~ quarter of this financial year was expected to be reduced by about £100m below what it otherwise would have been as a consequence of the rephasing of public sector construction programmes announced in October 1973.⁽¹⁾ We therefore calculate the capital formation total for 1973 on the basis of assuming investment in the second and third quarters of 1973-74 to be equal and £100m above the level in the fourth quarter, and assuming investment over the financial year as a whole to be as estimated in the December 1973 White Paper. The same procedure is then used to construct projections of capital expenditure for the years 1974 to 1977 as was employed in the case of public consumption. (The financial year estimates for public investment in housing in the 1973 White Paper were converted to a calendar year basis as above and linked to the national income figure for 1972.)
5. Table A1 and A2 show, respectively, the derivation of the indices in Table 3 and our estimates of expenditure on goods and services for the years 1970-71 to 1977-78, from which the figures used in the statistical analysis are derived as described here.

(1) See The Counter Inflation Policy: Stage 3, A Statement by the Prime Minister, Annex, p.9, H.M.S.O., October 1973, Cmnd.5446.

Table A1

Public Expenditure, 1970-71 to 1977-78, according to Cmnds. 4829, 5178 and 5519

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977
<u>Cmnd. 4829</u>								
<u>£m at 1971-72 out turn prices</u>								
<u>excl. R.P.E.</u>								
1. Current expenditure on goods and services (C.E.G.S.)	9757	10077	10203	10502	10713	10973		
2. Capital expenditure (incl. stocks and deducting shortfall)	4614	4572	4822	4941	5027	5181		
3. Total goods and services	14371	14649	15025	15443	15740	16154		
4. Total transfers incl. contingency	10121	9834	9919	9986	10127	10257		
5. Less investment grants, R.E.P.	703	618	382	243	146	39		
6. Total 'genuine' transfers	9418	9216	9537	9743	9981	10218		
7. Total expenditure	23789	23865	24562	25186	25721	26372		
<u>Indices, 1970-71 = 100</u>								
8. C.E.G.S.	100.0	103.3	104.6	107.6	109.8	112.5		
9. Capital expenditure	100.0	99.1	104.5	107.1	109.0	112.3		
10. Total goods and services	100.0	101.9	104.6	107.5	109.5	112.4		
11. Total 'genuine' transfers	100.0	97.9	101.3	103.5	106.0	108.5		
12. Total expenditure	100.0	100.3	103.2	105.9	108.1	110.9		
<u>Cmnd. 5178</u>								
<u>£m at 1972 survey prices</u>								
1. C.E.G.S.	10046	10509	10789	11303	11446	11803	12078	
2. Capital expenditure	4834	4600	4912	5261	5413	5425	5494	
3. Total goods and services	14880	15109	15701	16564	16859	17228	17572	
4. Total transfers, incl. contingency	9933	10192	11350	11847	11830	11786	11627	
5. Less investment grants, R.E.P. etc.	697	512	804	977	827	671	551	
6. Total 'genuine' transfers	9236	9680	10546	10870	11003	11115	11076	
7. Total expenditure	24116	24789	26249	27434	27862	28343	28648	
<u>Indices, 1970-71 = 100</u>								
8. C.E.G.S.	100.0	104.6	107.4	112.5	113.9	117.5	120.2	
9. Capital expenditure	100.0	95.2	101.6	108.8	112.0	112.2	113.7	
10. Total goods and services	100.0	101.5	105.5	111.3	113.3	115.8	118.1	
11. Total 'genuine' transfers	100.0	104.8	114.2	117.7	119.1	120.3	119.9	
12. Total expenditure	100.0	102.8	108.8	113.8	115.5	117.5	118.8	

Table A₁ (cont.)

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
<u>Cmnd. 5519</u>								
<u>£m at 1973 survey prices</u>								
1. C.E.G.S.								
(i) as published	11244	11679	12049	12657	12948	13343	13674	14050
(ii) after Dec. cuts	11244	11679	12049	12350*	12619	13014	13345	13721
2. Capital expenditure								
(i) as published	5679	5393	5531	5393	5614	5741	5787	5883
(ii) after Dec. cuts	5679	5393	5531	5393	5163	5090	5136	5232
3. Total goods and services								
(i) as published	16923	17072	17580	18050	18562	19084	19461	19933
(ii) after Dec. cuts	16923	17072	17580	17743*	17782	18104	18481	18953
4. Total transfers, incl. contingency	10894	11207	11990	13433	13502	13473	17613	14003
5. Less investment grants, R.E.P., etc.	759	612	775	919	721	581	436	389
6. Total 'genuine' transfers	10135	10595	11215	12514	12781	12892	13177	13614
7. Total expenditure								
(i) as published	27058	27666	28795	30564	31343	31976	32638	33547
(ii) after Dec. cuts	27058	27666	28795	30257*	30563	30996	31658	32567
<u>Indices, 1970-71 = 100</u>								
8. C.E.G.S.								
(i) as published	100.0	103.9	107.2	112.6	115.2	118.7	121.6	125.0
(ii) after Dec. cuts	100.0	103.9	107.2	109.8*	112.2	115.7	118.7	122.0
9. Capital expenditure								
(i) as published	100.0	95.0	97.4	95.0	98.9	101.1	101.9	103.6
(ii) after Dec. cuts	100.0	95.0	97.4	95.0	90.9	89.6	90.4	92.1
10. Total goods and services								
(i) as published	100.0	100.9	103.9	106.7	109.7	112.8	115.0	117.8
(ii) after Dec. cuts	100.0	100.9	103.9	104.8*	105.1	107.0	109.2	112.0
11. Total 'genuine' transfers	100.0	104.5	110.7	123.5	126.1	127.2	130.0	134.3
12. Total expenditure								
(i) as published	100.0	102.2	106.4	113.0	115.8	118.2	120.6	124.0
(ii) after Dec. cuts	100.0	102.2	106.4	111.8*	113.0	114.6	117.0	120.4

Notes The figures are derived from Table 3.8 of Cmnd. 4829 and Table 3.2 of Cmnd. 5178 and Cmnd. 5519. C.E.G.S. is equal to the sum of wages and salaries and other current expenditure, capital expenditure includes stock revaluation but has shortfall deducted from it. Transfers include the contingency reserve and where appropriate the adjustment necessary to convert past payments of social security benefits to constant price terms. Total 'genuine' transfers excludes investment grants, regional employment premiums and regional development grants as well as the refinancing of home shipbuilding lending and export credits.

* Based on the national figures for the first half of 1973-74.

Table A2Public Expenditure on Goods and Services, 1970-71 to 1977-8,As Estimated for Statistical Analysis, fm at 1973 Survey Prices

	1970- 71	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78
1. Current expenditure on goods and services	11244	11679	12049	12350	12619	13014	13345	13721
2. Capital expenditure (excl. stocks and deducting shortfall)	5587	5318	5294	5264	5061	5040	5068	5168
<u>Of which:</u>								
3. Housing	1243	944	860	916	833	696	674	671
4. Other	4344	4374	4434	4348	4228	4344	4394	4497
5. Total goods and services	16831	16997	17343	17614	17680	18054	18413	18889

Notes: The figures are taken from the December 1973 White Paper, Table 3.2 and Table 2.7, in the case of Housing, and are adjusted as described in the text to allow for the estimated effects of the cuts announced on December 17, 1973. In addition the 1973-74 figure for current expenditure has been revised downwards in the light of the national income figures for the first half of this financial year. The figures in the table have then been converted to a calendar year basis and linked onto the national income estimates according to the method described in this appendix. The resulting projections are shown in the Appendix to this volume.