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Paul Gray Esq  
Private Secretary  
10 Downing Street  
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20 April 1988

Dear Paul,

The Chancellor has seen Allan Riddell's letter of 15 April, attaching a note on the background to the estimate that the top 10 per cent of households contribute fifteen times as much towards the cost of local services as the bottom 10 per cent.

In the Chancellor's view, the basic point that the rich pay more is clearly right, and needs to be made. But, as the officials' note makes clear, the ratio of 15:1 that has been quoted is a very broad brush calculation. For one thing, there are a number of ways of doing this sum. For another, the "latest estimates" on which the calculation has been based date from as long ago as 1985.

That said, officials are agreed that a ratio of about 15:1 is probably not far out, as a broad estimate. But the Chancellor thinks it essential that, in using the statistic, Ministers stick to a broad order of magnitude, and do not pretend to spurious accuracy. The Chancellor also thinks it essential that no-one should say anything more about the effect of the Budget on this statistic than, at the most, that it is unlikely to make a substantial difference to the broad ratio.

I am copying this letter to Roger Bright (Department of the Environment), Allan Riddell (Mr Howard's Office), Simon Judge (Paymaster General's Office) and Jack Hibbert (CSO).

Yours,

Moirz.

**MOIRA WALLACE**  
Private Secretary