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PRIME MINISTER

Talks with the Chancellor

Budgetary Prospects

The main issue for discussion is the budgetary prospects which you were discussing with the Chancellor on Wednesday when time ran out. The Chancellor had suggested to you that his preliminary thinking favoured a PSBR of £8 billion. While this might be justifiable within the tax increase foreshadowed in the autumn statement, it did not appear to give scope for tax cuts. The Chancellor had also indicated that he might seek some switch in the balance of direct and indirect taxation.

Tax Strategy

I agree
FERB

You have already seen the note which is to be discussed with Lord Cockfield. I personally thought this rather thin and had expected something more like a programme of work setting out a timescale for tackling the various blocks of tax. You could press the Chancellor a bit more on this and could explore with him how he sees the partnership with the Chancellor of the Duchy working out.

Privatisation

The Chancellor's paper will be coming to E(A) next week. Attached is a note by the Policy Unit, arguing that on a number of points the programme could be bolder. The main difficulty will be getting sufficiently adventurous proposals out of the Department of Energy.

Competition Policy

See separate note. You might like to discuss with the Chancellor.

/ Treasury Ministers

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Treasury Ministers and Lloyds

The Chancellor has come back with slightly modified proposals.
Robin's note suggests a line.

AT

ANDREW TURNBULL

20 January 1984