

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

Subjects to be discussed are:

- i. The final PSBR figure. A note on this will come over in the afternoon following the meeting in the morning with the Chancellor's Budget group.
- ii. M2. The original agreement reached with the Bank was that there should be two ranges with sterling M3, supported by PSL2 in one, and MO, supported by M2 in the other. It now seems possible that M2 will grow too fast to be accommodated in the same range as MO. The new proposal is that the ranges should apply only to sterling M3 and MO with PSL2 and M2 being referred to in the commentary as other indicators of monetary conditions.
- iii. The Chancellor will want to report on action taken on the Budget leak.
- iv. VAT on newspapers. I expect the Chancellor will want to argue for this proposal - there is around £340 million at stake. The proposal would include newspaper advertisements which means that the free newspapers will be hit even harder than local and regional papers. This reduces but does not eliminate the force of the point made in Bernard's note.
- v. There may be one or two points raised by colleagues on the long-term public expenditure Green Paper to be resolved although I have identified none as yet.

A draft of the speech is likely to be sent over on Thursday.

AT

5 March 1984

BUDGET - SECRET