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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

You are seeing the Chancellor tomorrow morning at 0930 for half an hour.

I am told the Chancellor has nothing in particular to talk about, and this will be a good opportunity for some fence mending, if any is needed. (I know the Chancellor expected no other outcome from the meeting this morning.)

I suggest four subjects:

(i) JMB and Mr. Sedgemore - so far a satisfactory position, in Parliamentary terms, but there will be more scandal to come.

(ii) The Autumn Statement. There is a note in your box from Bernard about this, and the reception in the markets has been quite positive. So far so good. The need now is for the Treasury to maintain the line, through the coming months and right up to the Budget, that the Chancellor will be taking his decisions in the Budget on a prudent and cautious basis. There is bound increasingly to be talk in the run up to the Budget about tax cuts and some of the speculation will be wild. The Treasury will have to work hard to create the right climate to prevent this unsettling the markets.

(iii) Tin. I understand that Mr. Brittan has held a further meeting this afternoon at which the Chief Secretary was present. The ITC is to meet tomorrow and the UK objective will be to continue to work towards acceptance by the member countries of their obligations. (The banks have proposed an expensive scheme under which all ITC liabilities would be guaranteed by the member governments. This is not acceptable.) If any progress is made tomorrow it may be possible to persuade the LME not to reopen on Monday.

CONFIDENTIAL

But there remains quite a possibility that the tin agreement will collapse and with it the tin price.

(iv) Lloyds and the City. What does the Chancellor think of Mr. Hay Davison's resignation?

Marti Sawyer

PP. DAVID NORGROVE
13 November 1985