

Delors (Hans) Social Security

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

Two items for discussion.

First, the Public Expenditure Cabinet. Further background on this is provided in the Chancellor's minute below.

You will need to agree the order of events with the Chancellor. Do you wish the Chancellor's paper to be discussed? Or is it to be there simply as background? If the former, the Chancellor will presumably introduce his paper and in this context he will in particular need to explain that the slower growth in the economy than expected at the time of the Budget has led to the continued rise in unemployment, including the disappointing unemployment figures to be published that day. Do you want to arrange for someone to come in immediately after the Chancellor (eg Sir Geoffrey Howe?)

The Chief Secretary's proposals on public expenditure will be taken next. You will want to set the tone for the discussion with a brief introduction about the importance of maintaining firm control. The Chief Secretary will no doubt then speak. Do you want to arrange for a couple of people to come in immediately after the Chief Secretary (eg Mr. Tebbit, Mr. Edwards, Mr. Ridley)?

In your summing up you will want to mention the setting up of the Star Chamber in October if you are to keep open the option of avoiding a further Public Expenditure Cabinet in October after the Chief Secretary's bilaterals.

You will have speaking notes for your opening and closing remarks.

You might also confirm with the Chancellor the words to be used after Cabinet:

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"At its meeting today, the Cabinet discussed the 1986 Public Expenditure Survey. As usual, the Chief Secretary will now hold bilateral discussions with colleagues working within the existing and published planning totals for 1987/88 and 1988/89 of £144 billion and £149 billion. A new planning total of £153 billion has been set for 1989/1990."

For the key words this follows exactly the phrase in the Chief Secretary's paper (paragraph 6 - copy in your folder).

Second, markets. The dollar has been very weak today and has fallen by more than 3 pfennigs since yesterday. The French have not yet reduced their interest rates, apparently because they are waiting for us to do so. You might discuss with the Chancellor how he sees the prospects.

DRW

DAVID NORGROVE
15 July 1986

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