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PRIME MINISTER

## BILATERAL WITH THE CHANCELLOR

Subjects for discussion include:

- (i) Guinness: the Chancellor will have been briefed to explain to you where things stand on the Guinness inquiry;
- (ii) the markets: the dollar had a respite today but there is a very strong probability that the slide will continue;
- (iii) Economic Cabinet: we are coming up to the time for another Cabinet to discuss the economy; 12 or 19 February are possibilities, but both seem to me a little late and too near Budget decisions;
- (iv) the Chancellor may be briefed to raise the Treasury's concern about public spending; they fear that recent decisions on severe weather payments, student grants (an extra £5 million agreed apparently in H Committee) and Radon Gas (£1 million of assistance for surveys also agreed in H) may give colleagues the feeling that more money is available if they want it; this would be a dangerous feeling to have around with decisions on space, Airbus, and Rover Group still to be taken.

*The minutes do not bear this out. It seems that the Committee came to no final decision on either point.*

*DNS*

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*mt*

DAVID NORGROVE

20 January 1987

SLHAEW