

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

He may raise:

- (i) How to resolve the electricity prices issue. He has written to Peter Walker asking him to substantiate the Electricity Council's claim that the EFL can be achieved with little or no price rise. One way forward would be to get Peter Walker to reply in the next few days and that this should be taken at Cabinet next week. It ought to come back to Cabinet because the information on which MISC 99 based its recommendation appears to have changed;
- (ii) How to pick up the pieces after Athens, in particular how to get the Delors proposal back on to the table after Mitterrand's apparent denial of it;
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- (iii) He might raise the question of appointments to the Court, though this is unlikely as he will be talking to the Governor about it on Friday. The Chancellor is aware that you want someone who will keep the Bank in line on monetary policy. If the Chancellor does not raise this, I recommend that you do not either.

You might raise the two points in John Redwood's note, see attached.

- (i) How to start identifying those areas of public expenditure which will provide the savings in next year's survey.
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/ (ii)

- (ii) Whether the stance of fiscal and monetary policy is currently tight, loose or about right. The regular IMF mission is here now examining precisely this question.

AT

7 December 1983