

BILATERAL WITH THE CHANCELLOR

The subjects you could raise with the Chancellor are:

(i) Tax and Expenditure in the Longer Term

You have both undergone heavyweight interrogation on television on this issue. In addition, the Chancellor has discussed at the Treasury's annual gathering at Chevening the shape of the paper on long term public expenditure and tax which he will put to the Economic Cabinet in February. I understand that, unlike the previous Treasury paper which sought to build up a picture of the longer term by aggregating separate Departmental programmes, this one will look at tax and public expenditure in a more aggregative way. It will probably set an objective, e.g. returning non-North Sea taxes to their 1979 level, and then examine what is implied for public expenditure on different growth assumptions. You could discuss with him how much the strategy of holding public expenditure constant in a growing economy will achieve by the end of the Parliament.

(ii) Budgetary Prospects

The Chevening gathering will also have taken a first look at the budgetary prospects, even though the new forecast is not yet available. You could invite the Chancellor to give you a preliminary report, though he may feel that he needs longer to consider this.

(iii) Privatisation Review

The Chancellor has ~~sent~~ the enclosed report which he will be circulating shortly to E(A). (For the purposes of this meeting you probably need only



to read the minute and the paper and not the annexes). The Chancellor will be able to give you a report on how well this exercise is going.

(iv) Competition Policy

Earlier in the day you will be having a *meeting* with Mr. Tebbit at which the idea of establishing a systematic approach to competition issues will be discussed. You could put to the Chancellor the specific suggestion of an E(CP), modelled on the privatisation exercise.

AT

17 January 1984