

PRIME MINISTER

MONETARY POLICY

The Chancellor will send you a note about monetary policy early next week and I suggest you might hold a first meeting before you go to Manchester.

The Chancellor is very keen that the meeting should be attended only by himself and the Governor, as you know. It still, apparently, rankles with him that Terry Burns discussed interest rates with Alan Walters while he (the Chancellor) was in Washington. He no doubt dislikes the feeling that you have other channels of advice which may put arguments against what he wants. He also knows that Terry Burns and Peter Middleton do not agree with his views on fiscal policy. Do you wish to agree to a meeting with just the Governor and the Chancellor or also to invite Eddie George, Peter Middleton and Terry Burns.

Your choice on this will I think have a continuing influence on your relations with the Chancellor.

Small meeting or larger meeting?

DN

DAVID NORGROVE
5 December 1986

*If we are discussing
policy in general we must
have a wider meeting in
the Cabinet room -*

SECRET

BM2BAC

*as used always to be the
when detailed decisions - the
narrow meeting not
care.*