

CCB/UP.  
7A-B

PA

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 6 DECEMBER

The main item on the agenda is the Chancellor's proposal for an independent central Bank. I have told his office in broad terms your reaction to the proposal, but he still wants to pursue the idea. The papers are in Folder 1.

I gather the Chancellor also wants a word with you about the flexi-ownership proposals, which you are discussing on Thursday. I think he is likely to say that nothing should be done on this front for the time being, for fear of reducing right to buy receipts. There is, as I mentioned in the papers you saw over the weekend, a lot of tension between Ministers on this, with the Treasury and Mr. Ridley wanting to kill the idea, and Messrs. Walker and Rifkind keen to proceed with experiments. I suggest you simply note what the Chancellor has to say, but defer any decision until the meeting on Thursday (which the Chief Secretary will be attending). The flexi-ownership papers are in Folder 2.

Other possible items for discussion are:

- The markets. As you will see from the evening market report - immediately below this note - sterling has remained strong today with some further modest intervention.
- Outcome of European Council.

I have also discussed with the Chancellor the handling of discussions in the run-up to next year's Budget. As in the past the Chancellor is keen to offer you dinner at No. 11 one Sunday evening in January, and to outline his proposals to you then. I should however be able to get a

Note  
Following  
discussion  
with the  
Chancellor  
P.M.  
decided to  
cancel  
the meeting  
until  
January.  
RCCG  
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fairly clear idea from the Treasury - unofficially - of what he will be telling you a few days in advance. Are you content for us to try to fix up a Sunday evening date?

Yes not

Rec.

P. GRAY

5 DECEMBER 1988

MRMAAK