

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 8 FEBRUARY

I have agreed with the Chancellor's office two main items for the agenda:

(i) Budget update

I attach at flag A a note from the Chancellor on one of the aspects of his proposals that was troubling you. He is said to be still considering the position on the other aspects you questioned. We also still do not yet have a score card, showing the main Budget arithmetic. It is becoming clear the Chancellor will not hand it over at this stage until you personally press him to do so. I imagine he will be carrying a copy with him, and so you might press him for a copy, while fully recognising and acknowledging that the detailed figuring is bound to change over the coming weeks.

I have also had in this evening a copy of the Treasury January forecast (flag B) which provides the background to the Budget judgement. I have not yet had a chance to go through this in detail, and will let you have comments on it later in the week; but you may wish to have a quick glance at it before the bilateral. The gist of it is in the first summary page and following three pages of the key figures.

(ii) G7 meeting

The Chancellor will give you a report back on what transpired.

The Chancellor will not be coming to your meeting with Tom King and John Major tomorrow morning about Shorts. But, depending on the outcome of that meeting, the Chancellor (or you) may want to mention the issue during the bilateral.

Paul
(PAUL GRAY)

7 February 1989