

Prime Minister

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You will need to be careful who is in the room when you speak to Mr Biffen

N.L.W.

7.2

PRIME MINISTER

BUDGET

You agreed with the Chancellor that you would discuss Thursday's economic Cabinet with Mr. Biffen and Mr. Younger. Your meeting on Monday with Lord Whitelaw, Mr. Tebbit and Mr. Biffen would provide an opportunity for doing half of that.

I do not know how far you would want to go in revealing the Chancellor's thinking, but the two points on which presumably he would want Cabinet to reach agreement are:

- (i) the need for a prudent Budget (he mentioned this at your bilateral);
- (ii) if in present circumstances that means no scope for tax reductions beyond indexation, then no tax reductions are the right decision for economic health.

*DN*

*mt*

David Norgrove

7 February 1986

(DG2AUS)