

PRIME MINISTER

RA

TOMORROW'S QUESTION TIME AND THE BUDGET

Mr. Kinnock may be tempted to use your Question Time tomorrow to seek to exploit reports of a division between you and the Chancellor on exchange rate policy. If he does, there are perhaps four approaches you could take.

- (i) Urge the Opposition to hold their patience and wait to hear what the Chancellor will say in a few minutes. This is the approach the Chancellor would prefer you to take - see the attached letter from Alex Allan. But the problem for you is that it would be taken as an endorsement of the words the Chancellor will be using and, in turn, interpreted as a climb down by you. (Although the Chancellor affects to believe he has gone so far to meet you - compared with his earlier pronouncements - that he will be judged to have backed down.)
- (ii) Use similar phrases to those you used in the Question Time exchanges last week. The problem with this is that there would then undoubtedly be continuing stories of a row, and this would detract from Wednesday's Budget coverage.
- (iii) Use some alternative forms of words which commentators might subsequently interpret as your endorsing the words in the Budget speech. But as with (i) this could again look like a climb down by you.
- (iv) Respond by vigorously attacking Labour's record and approach.

If you are unhappy with option (i) I strongly recommend you to go for (iv). Any words you used under (ii) and (iii) would be

bound to detract from the main Budget messages. Whereas option (iv) would avoid you being seen either to back down or to be in continued dispute with the Chancellor. I attach three forms of words you could use if Mr. Kinnock chose (as last week) to ask you three questions on this topic. My advice would be to stick closely to your prepared text.

RecG.

(PAUL GRAY)

14 March 1988

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