

PERSONAL

PRIME MINISTER

CABINET DISCUSSION OF BUDGET PROSPECTS

You discussed the handling of this item with the Chancellor this afternoon.

You may like to open the discussion by stressing that public expenditure decisions for 1989/90 are over and

→ already implemented in the Autumn Statement and Public Expenditure White Paper. The purpose of this discussion is to focus on the tax and debt repayment decisions for the Budget.

You can then invite the Chancellor to introduce his paper.

Order of Subsequent Interventions

As agreed this afternoon, you will invite Mr. Younger to speak next. I have alerted his office to this.

You will want to invite at least one further supporter to speak - ? Mr. Ridley or Mr. MacGregor.

Thereafter you will want to inter-leave the contributions as discussed with the Chancellor. I suggest you ensure that after each person in the left-hand list below you have at least one from the right-hand list, with either Mr. King or Mr. Parkinson speaking after Mr. Walker.

✓ The Rt. Hon. Peter Walker

✓ The Rt. Hon. Douglas Hurd

✓ The Rt. Hon. Kenneth Baker

not present. PRCG. [The Rt. Hon. Paul Channon]

✓ The Rt. Hon. Kenneth Clarke

✓ The Rt. Hon. John Moore

✓ The Rt. Hon. Tom King

✓ The Rt. Hon. Cecil Parkinson

✓ The Rt. Hon. Norman Fowler

✓ The Rt. Hon. The Lord Young of Graffham

✓ The Rt. Hon. Malcolm Rifkind

✓ The Rt. Hon. John Wakeham

✓ The Rt. Hon. John Major

✓ The Rt. Hon. The Lord Belstead

[The Rt. Hon. Antony Newton]

✓ The Rt. Hon. Lord Mackay of Clashfern

not present PRCG.

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You may then like to end the contributions with Sir Geoffrey Howe and finally to invite the Chancellor to make a brief response.

You also need to agree on the form of words that Bernard will use to brief the press. The formula you discussed with the Chancellor was:

- "The Cabinet today held their usual pre-Budget economic discussion. They reaffirmed the Government's economic strategy and the central objective of bringing down inflation, and agreed that economic policy should remain prudent and cautious."

*Paul.*

PAUL GRAY

15 February 1989