

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

You are seeing the Chancellor tomorrow for a bilateral.

This will to some extent be a rehearsal for dinner on Sunday night, since the main items for the bilateral are likely to be macro-economic.

The bilateral is after a meeting about TSRB and there may be some follow-up to that.

Otherwise I suggest you might focus on the markets. A note by the Policy Unit on oil is below.

I also enclose a note by Alan Walters, commissioned as an input to Sunday's dinner. Alan continues to believe that monetary conditions are tight, and I doubt that today's figures would change his view. (There is incidentally a technical doubt about today's money numbers: the figures for bank assets failed to match the figures for bank liabilities by an unusually large amount.)

*Martin Sawyer*

PP. DAVID NORGROVE

10 December 1985