

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 14 SEPTEMBER

You had the first part of your weekly bilateral with the Chancellor this afternoon, and mainly covered the outcome of Antibes. I attach at flag A the minute he handed over to you, though this adds very little to what he told you.

The meeting reconvenes tomorrow after your community charge meeting. The main items to cover are:

- (i) anything further on the current position on the public expenditure negotiations; _____
- (ii) you asked for an assessment of the recent Tim Congdon note (flag B). The Treasury have now provided the note at flag C, and you may like to briefly discuss this with the Chancellor. In essence the Treasury say that they hope Congdon is being too ^{Decs} optimistic about the scale of adjustment necessary to get inflation down and bring the trade position back into balance.
- (iii) the Chancellor will be leaving for the IMF meetings before you get back from Japan, and you will not both be in the country together again until 28 September, so you may want a brief word about your two visits; one issue that relates to both is whether the Japanese will press at the IMF meetings for an increase in their voting rights. _____

Rec.
PAUL GRAY
13 September 1989

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(iv) You will also want to tell the Chancellor that you want Norman Lanoh to act as Government spokesman on publicity - I have warned the Chancellor's office.

Rec 14/9