

PRIME MINISTER

MEETING WITH THE CHANCELLOR

I understand the Chancellor will want to raise the following points:

(i) Indexation of Benefits

The Chancellor was disappointed that you ruled out de-indexation of pensions so categorically in your Weekend World interview - as he was hoping to find public expenditure savings here. But there are other benefits that can be de-indexed, and I believe he wants to get a steering on these.

(ii) Taxation of Short-term Benefits

Papers were prepared for E on this, but the Ministers most closely concerned (the Chancellor, Mr. Prior and Mr. Jenkin) were unable to agree a common approach. There should be an agreed paper for E next week by the weekend. You will not want to commit yourself to any particular approach before seeing this paper.

(iii) Handling of the EEC Budget

The Chancellor was with the Lord Privy Seal in The Hague yesterday, and wants to give you his latest thinking on handling.

(iv) Appointments

The Chancellor will argue once again Mr. Ryrie's case.

/ If there is time,



If there is time, you might ask the Chancellor where the Treasury and Bank have got to on the consultation paper on Monetary Base Control; and also whether, in the light of the good money supply figures for December, he sees an early prospect of lowering MLR. (My own view is that we will need another good month's figures, and an ending of the steel strike, before a reduction would be safe).

12

9 January 1980