

PRIME MINISTER

Meeting with the Chancellor
1730 hours on Wednesday 3 December

This is your weekly meeting with the Chancellor/^{which}- at least for a trial period - we have now arranged for Wednesday evenings rather than first thing on Thursday mornings.

The Chancellor will want to raise the following:

i) Employers' national insurance contributions. You told the Chancellor last week that, if amendments were put down to the Social Security Bill, seeking a reduction in employer contributions, you would like the matter considered in E Committee. In view of what happened last week, such amendments may very well appear. The Chancellor wants to take your mind on how he should respond. I am sure he will want to persuade you that, both in revenue terms and from the point of view of his own personal position, it would be highly undesirable to consider seriously the possibility of accepting an amendment to the Bill.

ii) Unemployment and the young. Following the meeting you had with the Chancellor on the unemployment forecasts three weeks ago we commissioned some work on how unemployed young people might be given something useful to do. The Treasury have now done a preliminary report (it will be sent over later tonight or tomorrow morning), and the Chancellor is proposing that the CPRS should now be asked to work out ~~the~~ detailed proposals. He is very keen to keep this away from the inter-departmental Manpower Group, which is heavily committed to the Manpower Commission.

I believe Clive mentioned to you the Treasury's first indication of the November banking figures. This is that money supply may have increased by $1\frac{1}{2}\%$ - mainly due to the high level of public sector borrowing and a positive external account. Lending to the private sector apparently shows some falling off.

/ Even though

Even though private sector lending is coming down, these figures - when they come out next week - are going to make the MLR reduction harder to defend. As it was, Terry Burns was questioned closely on the MLR cut by the Select Committee yesterday, and he was forced to say that it was unlikely that even the upper level of this year's target would be met by the end of 1980/81: he defended the cut by saying that it was consistent with the broad thrust of the monetary strategy and implied that the Chancellor would have to do a great deal more in the Budget to redress the fiscal balance.

12