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PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

There is a thin agenda for your bilateral tomorrow.

You will want to discuss markets and intervention policy, in the light of the last few days.

The Chancellor may raise with you the question of science and technology, in view of the concerns of the Chief Secretary and Robin Butler about the new Committee, E(ST). They fear that this Committee will become an engine for higher spending. There are two particular points.

First, the terms of reference are:

"To review the policies and priorities on science and technology and to decide the consequent allocations between Departments of resources, both domestically and for international collaboration."

The Treasury fear that this will mean that, in effect, the Committee will operate outside the normal process of the Public Expenditure Survey.

Secondly, an "unallocated margin" has been proposed as a kind of contingency reserve for science and technology. The Treasury believe their "reserve" should suffice and they dislike the idea of particular programmes having their own little savings bank.

You can reassure the Chancellor that when you are in charge, there will be firm control of public spending. On the terms of reference, the point here is that the Committee will be

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working within totals set in the Public Expenditure Survey and deciding allocations. On the unallocated margin, you might say that you have not yet seen detailed proposals, but you are sure that a suitable arrangement can be worked out.

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D R NORGROVE

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