

C.B. 17

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

Several items.

- (i) The markets. The markets were disappointed by today's bank lending figures. The trade figures on Wednesday may also prove difficult, though there is bound to be some discounting for the effects of the Civil Service dispute.
- (ii) Public expenditure. The Chancellor may like to discuss the handling of Thursday's public expenditure Cabinet. Do you want to organise the order of speaking at all?
- (iii) Parliamentary candidature of Special Advisers. The Chancellor wishes to return to you on this. The main arguments are as follows:
- if they were allowed to be parliamentary candidates, Special Advisers would also then have to be allowed to speak on matters of national controversy;
 - this might be seen as condoning campaigning on public funds;
 - there would be some risk that Ministers would appoint people as Special Advisers because they wanted to be parliamentary candidates and were not able or did not want to continue in other jobs;
 - Special Advisers' access to Government information might be seen as giving them unfair advantage;

- the change would make it more difficult to maintain the present rules on the political activities of senior civil servants.

(iv) **Building society cards.** It was apparently always believed that the legislation would allow building societies to issue credit cards without further action by Government. It now seems that an Order will need to be laid. This will be done in a low key way, though the presentation could be awkward.

The Chancellor's Private Secretary does not believe he will raise EMS, though this cannot be ruled out.

DW

(DAVID NORGROVE)

20 July 1987

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