

SECRET

PRIME MINISTER

PUBLIC EXPENDITURE

The Chancellor may try at your bilateral to lobby you about differences he has with the Chief Secretary, and possibly also with the Star Chamber.

I am told privately that the Chief Secretary believes it would be best for two programmes to go to Cabinet for settlement. These are likely to be defence and housing. Apparently many spending Ministers have said in Star Chamber meetings that they would cut defence in order to find resources for their bids. I am also told that Cabinet colleagues would prefer to be presented with a choice rather than having to take the hatchet to a single Minister's programme.

The Chancellor feels that it would be better to go to Cabinet with just one programme to settle.

You will of course want to allow the Chancellor to have his say. But Lord Whitelaw and the Chief Secretary are much more closely in touch with the tactics. The balance seems to me to lie with them.

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DAVID NORGROVE

28 October 1985

LEBANON

SECRET