

CONFIDENTIAL

file
cc Mr Wolfson
Mr Hoskyns

BK

Econ Pol.

BF 12/3/80

21 February 1980

When the Prime Minister and the Chancellor met this morning, they discussed his minute of 20 February on Medium Term Financial Strategy.

The Prime Minister said that the Treasury had produced an extremely good paper, and she agreed that the Chancellor should set out a Medium Term Financial Strategy in quantified form in the Budget on the lines proposed.

*Arranged
July 1983*
The Chancellor said that it would be desirable to have Cabinet endorsement for the strategy. The Prime Minister agreed, and suggested that the Chancellor should bring it to Cabinet the week after next. She thought that Ministers might find it helpful if the Chancellor were supported at Cabinet by a presentation by Sir Kenneth Berrill and Mr. Terry Burns. The Chancellor said that he would consider this, and the timing of the Cabinet discussion further.

The Chancellor pointed out that one of the implications of the projected slow growth of GDP over the next few years was rising unemployment. This was going to raise difficult political and presentational problems for the Government, and Ministers ought to be considering how the problem should best be handled. He would be considering this with some of his colleagues, and would report back to the Prime Minister in due course.

I am sending a copy of this letter and a copy of the Chancellor's minute of 20 February to David Wright (Cabinet Office).

I. P. LANKESTER

SP

John Wiggins, Esq.,
HM Treasury

CONFIDENTIAL