

From: NIGEL LAWSON MP



HOUSE OF COMMONS
LONDON SW1A 0AA

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I have just received Adam's note to Margaret Thatcher of 16th February on the PSBR in 1979/80, enclosing George's survey on that subject. I have not yet read George's paper, and will let you have any comments when I have done so. In the meantime, however, I would like now to take issue with Adam's cover note.

In it, he stresses two points. As to the first, I think it is clear that the markets feel that the PSBR ought to go down, rather than up, in money terms; and they are further looking very anxiously for a long term commitment (of the stabilisation programme kind).

As to the second, whatever Gordon Pepper may think, the market takes the PSBR very seriously. Let us by all means seek to cut public expenditure in a way that will bring down the Public Sector Financial Deficit; but having done that, for heavens sake let us not shrink from "fudging" the PSBR down still further by perfectly reputable means, however much this may offend the delicate sensibilities of purists like Adam.

The Rt. Hon. Sir Geoffrey Howe, QC, MP.

cc: The Rt. Hon. Mrs. Margaret Thatcher, M.P.
Lord Cockfield
Mr. Adam Ridley
Mr. George Cardona