

SECRET



Econ Pol. DS.
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10 DOWNING STREET

From the Private Secretary

11 June 1979

The Prime Minister has considered the Chancellor of the Exchequer's minute of 11 June in which he restates the case for increasing MLR by 2 percentage points tomorrow. She has noted that the Chancellor appears to be placing rather more emphasis in his argument now on the need to sell gilts as opposed to holding back lending to the private sector. In her view, his proposal to increase MLR by 2% rather than by 1½% is mistaken. However, she is willing to abide by the Chancellor's and the Governor's judgement on this matter.

I am sending a copy of this letter to John Beverly in the Governor's office.

T. P. LANKESTER

Tony Battishill, Esq.,
HM Treasury.

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L. King