

PERSONAL AND CONFIDENTIAL

from PDI

Mr. T. Lambert

No. 10 Downing Street.

C.F.

P.C.

Jh.

I attach two papers:

- (a) The PSBR, Interest Rates and Money LHM. This is basically a less technical version of a paper which we gave at a City University conference in May. It argues that the relationship between the PSBR and $i(t)$ operates mainly on the demand for money, and is therefore not straightforward and certainly not one-for-one.
- (b) The PSBR. This is rather more general, and it includes the points in (a) (in paras. 13-15).

I am at the moment writing a paper on the other subject we discussed - the possible conflict in the medium term between objectives for monetary growth, public expenditure, taxation and interest rates. I shall try to ship you a copy when it is completed.

Please do not indicate that you have seen these.

John O'S.

23.10.79