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LOSADU
a Prof Griffin Tho

10 DOWNING STREET

From the Private Secretary

18 June 1986

MONETARY POLICY

BF11
At the bilateral between the Prime Minister and the Chancellor this afternoon, the Chancellor mentioned that the Bank of England were working on a paper which will discuss the recent behaviour of the monetary aggregates, and particularly £M3. The Chancellor undertook to report this work to the Prime Minister.

The Prime Minister also raised again with the Chancellor the possibility of undertaking a conversion of debt in order to reduce the cost of debt service now that interest rates have fallen. The Chancellor suggested that a saving would arise only if the conversion were into indexed gilts, but said that work was in progress on this idea also.

DAVID NORGROVE

Mrs. Rachel Lomax,
H.M. Treasury.

A handwritten signature or set of initials, possibly 'RLO', written in dark ink.

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