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TO PRIORITY FCO  
TELEGRAM NUMBER 1805 OF 28 JUNE

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PRESIDENT REAGAN'S PRESS CONFERENCE OF 28 JUNE : US ECONOMY

IN AN OPENING STATEMENT AT HIS PRESS CONFERENCE ON 28 JUNE, PRESIDENT REAGAN RECALLED THE CRITICAL STATE OF THE ECONOMY WHEN HE CAME INTO OFFICE AND NOTED THE HEADWAY HE HAD MADE SINCE. THE ECONOMY WAS NOW STRONG AND ALL THE KEY SIGNS (PRODUCTIVITY, CAR SALES, HOUSING STARTS) WERE GOOD. THESE WERE SOLID SIGNS OF HOPE. THE US ECONOMY WAS BEGINNING TO SPARKLE. THE ADMINISTRATION HAD BEEN ABLE TO REVISE UPWARDS ITS GROWTH FORECAST FOR THE COMING YEAR FROM 4.7% TO 5.5%.

2. THE PRESIDENT REAFFIRMED HIS COMMITMENT TO THE 10% PER CENT TAX CUT TO BE FOLLOWED BY INDEXATION IN 1985. HE CALLED FOR A BIPARTISAN APPROACH TO THE BUDGET, SAYING THAT THE ANSWER TO HIGH INTEREST RATES WAS NOT TO RAISE TAXES BUT TO REDUCE SPENDING. HE VOWED TO PREVENT THE CAP ON BENEFITS FROM THE TAX CUT WHICH HAD BEEN PROPOSED BY THE DEMOCRATS (AND PASSED BY THE DEMOCRATICALLY CONTROLLED HOUSE) FROM BECOMING LAW. HE WAS NOT LOOKING FOR A CONFRONTATION WITH CONGRESS BUT WOULD VETO BUDGET BUSTING APPROPRIATIONS BILLS.

FCO PLEASE PASS TO BOTTRILL (TREASURY) AND WATSON (BANK OF ENGLAND).

WRIGHT

FINANCIAL

NAD