

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

- (i) The markets: I am not sure whether it would be helpful now for you to press the Chancellor on intervention. Your pressure has already had some effect and if it were believed that you wish to see sterling falling, there would be concerns in the Treasury and the Bank that you are now less worried about getting inflation down. The real need at the moment is to stop sterling rising, as it ^{for a while} ~~was~~ been showing signs of doing. The dollar is also worth remark - its behaviour has been highly erratic.
- (ii) Bank takeovers: the Chancellor plans to meet the Governor on Thursday.
- (iii) Regulation in the City: you might mention to the Chancellor your lunch at the Bank and the letter from Sir John Nott - it would be useful for the Chancellor to take an interest in this.

DNW

David Norgrove

14 September 1987