

PRIME MINISTER

## BILATERAL WITH THE CHANCELLOR:

31 MARCH

I suggest the main item for discussion should be the likely recommendations of the Pay Review Bodies - see separate note.

The other item might be a stocktaking of market developments and the outcome of the TCSC hearings.)

PHeb  
 with the pound having now risen to over  $\pounds 1.88$  and nearly DM 3.125 the Chancellor has authorised the Bank to do some limited intervention - say ~~£~~  $\pounds 100$  m. - if the

PG

30 March, 1988.

strengthening continues. This could be overnight in N.Y. or (Eddie's preference) first thing in the morning in London. I have said I do not think you would object to some testing of the market on about this scale, but that you would get concerned at anything significantly greater.

SECRET

P.C.G.