

SECRET

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RA



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Note

Gave PM's
reaction to
Alex Allen
at 9.10 a.m.

PRIME MINISTER

RC66
18/7

INTEREST RATES

1. The Chancellor told you last week he was minded to make the next $1\frac{1}{2}\%$ increase on Wednesday/Thursday following the money supply figures.

2. In the light of Friday's dollar strength he is now minded to make a $1\frac{1}{2}\%$ increase today.

Rates are:

	<u>Effective</u>	<u>£</u>	<u>DM</u>
Friday close	74.6	<u>1.6630</u>	3.1181
Monday opening	74.9	<u>1.6642</u>	3.1345

3. Chancellor is seeing the Governor at 9.15 to firm up his views.

PTD

4. The Chancellor remains firmly committed to a $\frac{1}{2}$ point rather than a full point, but would I think ~~be~~ be content to have another $\frac{1}{2}$, say, early next week.

5. If the Chancellor decides he wants to ~~go ahead with~~ ^{do} a $\frac{1}{2}$ this morning are you content to let him go ahead? Or do you want him to come round for 5 minutes at 10-30?

Go ahead -

REC6 I should
18/7 prefer $\frac{1}{2}$

It would be more
clearwise. not