

PRIME MINISTER

MEETING WITH SIR ALAN WALTERS

You are seeing Alan Walters tomorrow after Cabinet.

I imagine you will want to talk to him about the latest economic position. When I saw Alan two or three weeks ago he said he was quite content with the stance of policy. He thought it was too early to judge the effect of interest rates at 12 per cent, but thought the early signs were this would be enough. You will want to ask him now whether, in the light of the latest trade figures and other evidence, he thinks 13 per cent is about right.

As general background you may like to glance at the enclosed note Alan sent me the other day about sterilised intervention. This repeats Alan's familiar argument that sterilised intervention is ineffective, except perhaps in the very short run.

You will want to judge whether to mention to Alan the play that Gordon Brown made in yesterday's debate about some of his earlier comments. There may be no harm in reminding him of the potential sensitivity of anything he says in public or to the press.

*Plc.*

PAUL GRAY

30 November 1988

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