

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR: 30 OCTOBER

I have arranged your first bilateral with John Major in his new capacity on Monday afternoon.

I suggest you use this first session to take stock on the markets and the handling of Tuesday's debate.

As background, you may like to glance over the weekend at the Treasury's October economic forecast which has come in this evening (below). I have not yet had a chance to study it in detail. But you will see from the opening summary and the chapter 1 overview that it makes very sober reading. If the assessment is to be believed, we are in for an extremely difficult 1990, with improvement in economic performance coming through only slowly in 1991. Given the other pressures, the Chancellor will probably not have had a chance to study the forecast carefully himself before you meet. But you may want to give him some of your broad initial reactions.

As regards Tuesday's debate, you may like to mention to the Chancellor that you are planning to sit on the bench beside him. I assume he would welcome this, although there are perhaps some arguments for you not being there.

*Paul G.*

PAUL GRAY

27 October 1989

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