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Paul Gray Esq
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Dear Paul,

The Chancellor has been giving some thought to what should be said to the press about tomorrow's Cabinet discussion on the economy. He suggests that the No.10 press office should follow the line:

"The Cabinet today held the usual pre-Budget economic discussion. They reaffirmed the economic strategy. They recognised the satisfactory prospects for the economy, and agreed that economic policy should remain prudent and cautious.

^{is} ~~They agreed that, as usual, the Budget would be the occasion to review taxation and borrowing, and that public expenditure would be considered in the public expenditure round."~~
^{is} ~~is~~

The first paragraph follows the line adopted last year. The second paragraph is new, and is something the Chancellor believes is necessary to kill the continuing speculation that, in spite of what the Prime Minister and Chief Secretary have said, he will announce additional NHS spending in the Budget. The Chancellor will make this point in his introductory remarks at Cabinet, and would hope the Prime Minister would include it in her summing up.

If the Prime Minister agrees with this, perhaps you could pass the form of words to Bernard Ingham.

Yours
Alec

A C S ALLAN
Principal Private Secretary