

SECRET

6

CF-pe.

Note

Passed on PM's couch
to John Gieve.

PRIME MINISTER

ECONOMIC STRATEGY PAPER FOR CABINET

Recd 19/2

Next Thursday's Cabinet will include the usual pre-budget discussion. I now attach a draft paper the Chancellor proposes to circulate to Cabinet colleagues on Monday. This follows broadly the shape of earlier years. The point that will attract most attention is the inclusion in paragraphs 2 and 16 of an explicit acknowledgement that the annual RPI figures are likely to move above 8 per cent again during the Spring. For the rest, the paper includes nothing very surprising.

I have marked a couple of minor comments on the first page of the draft. But, assuming you are content for the over 8 per cent forecast to be included, the rest of the drafting seems OK to me.

You will see the Chancellor is planning to add as an Annex to the paper the note you saw earlier in the week, giving a preliminary assessment of the impact of Germany Monetary Union.

i) Content for the Chancellor to circulate his paper on this basis?

Or

ii) Any further comments you want to pass on?

Yes

Recd.

PAUL GRAY

16 FEBRUARY 1990

①

I think he is too glib about the current account deficit
not

a:\economic\strategy.mrm

② One is left with an uncomfortable
feeling that everyone else knows how
to keep down inflation, and we don't.
Are their money figures more reliable than
ours? Our forecasts
have been totally wrong.
not

SECRET