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Note

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Passed PM's comment to Alex Able.

PRCG 11/7

PRIME MINISTER

ECONOMIC PAPERS FOR CABINET ON 14 JULY

I attach at Flags A and B the draft Treasury papers for next week's Cabinet on public expenditure and the general economic prospects.

You will want to consider whether to offer the Chancellor and the Chief Secretary any comments. I have marked a few suggestions, mainly designed to emphasise more strongly the need for a very tight public spending round.

The table at the back of the economic prospects paper contains some of the summary figures from the Treasury's general economic forecast. I also attach at Flag C the full forecast report, which you may like to glance at over the weekend. You will I think find it a rather disturbing read, particularly in relation to the suggested prospects for inflation and the balance of payments.

You will have an opportunity to discuss the forecast in detail with the Chancellor, Peter Middleton and Terry Burns on 18 July, when we have arranged the next economic discussion with the Treasury. For that meeting Terry Burns will be preparing a discussion paper. I am lunching with Terry Burns next week, and will let you have for next weekend's box some thoughts on the emerging economic prospects and how to handle the 18 July meeting.

Content with the draft papers at Flags A and B subject to my comments in the margin?

PRCG

PAUL GRAY

8 July 1988

KAYAIC

In my view the Chancellor's - is not nearly serious enough. If they knew either the inflation forecast or the G.P. forecast they would be substantially worried to do what he wants. However the standard disclaimer can add - / soon to the deficit

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