PRIME MINISTER

MEETING WITH THE CHANCELLOR ET AL

You are meeting the Chancellor again tomorrow to discuss the options for entering the ERM and reducing interest rates over next weekend, 12-14 October.

Those attending the meeting will be as follows:

The Chancellor

Sir Peter Middleton

(Sir Terry Burns) when was he added?

Nigel Wicks

Eddie George

Because the limited number of officials involved are having to think through carefully all the modalities, it will not be possible to get a Treasury paper until tomorrow morning. It should then be possible for you to consider it over lunch.

Though the precise form is not yet finalised, my understanding is that the paper will comprise the following:

- (i) An exploration of the options. There are two broad approaches joining the ERM and cutting interest rates at the same time; and joining the ERM and cutting interest rates a little while later. In practice, Treasury have discovered that these two broad options fairly quickly dissolve into a larger number of sub-options.
- (ii) The mechanisms and modalities of these options.

 This will identify the necessary steps; who would take them; when they would be announced; when they would be taken; and the risks of inadvertent leakage.

- E.R.
- (iii) A draft section for your Party Conference speech.

 (It is not clear whether this will be ready in time for tomorrow.)
- (iv) Presentation of ERM entry and reduction in interest rates. This would include references to UK policy on EMU. It would also deal with the response to anticipated criticisms.

Mr. Turnbull and I are of course available to discuss the Treasury paper with you before the 3pm meeting.

BHO

BARRY H. POTTER

3 October 1990

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