



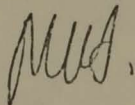
cc Chief Secretary
Financial Secretary
Sir Douglas Wass
Sir Lawrence Airey
Mr. Littler
Mr. Middleton
Mr. Unwin

MR. BRIDGEMAN

MORTGAGE RATES

The Prime Minister has now arranged a meeting for 3.30 p.m. on Wednesday 4 July, to discuss mortgage rates. At present there is scope for a meeting to last up to 1½ hours. The Chancellor, Mr. Heseltine, and the Governor of the Bank of England have been invited.

2. Clearly the Chancellor will need thorough briefing for this meeting. Mr. Lankester was inclined to think that such a meeting would not be useful, unless there had already been a thorough discussion of monetary policy and gilts etc. - in fact the subject matter of the Prime Minister's seminar on 18 July. I think we have persuaded him that there is not enough time for adequate preparation of such a wide-ranging meeting, given the timing constraints imposed by the impending meeting of the BSA. But quite clearly the meeting on 4 July is likely to stray into wider questions of policy, and the Chancellor ought therefore to be very thoroughly briefed on the prospects for interest rates (insofar as it is possible to predict them!) over the next few months. You were already working on a note of interest rates; I am sorry if this request obliges you to accelerate its preparation.



M.A. HALL

27 June 1979