

Original  
= CR



cc: HM9

Econ Pol

10 DOWNING STREET

THE PRIME MINISTER

20 June 1980

Dear Mr Rusky,

Thank you for your letter of 3 June about the difficulties the present high level of interest rates are causing for your company.

I know that high interest rates are an unwelcome burden for your own and many other companies. But we must bring down the rate of inflation; and this means gradually reducing money supply growth. Interest rates were increased last year to bring money supply under control. But we do not intend that interest rates should take the full burden of monetary control in the future; that is one reason why we have put so much emphasis on reducing public spending and borrowing.

I sympathise with the worries that you have for the immediate future, but to reduce interest rates prematurely would risk a continuing high rate of inflation which would be far more damaging in the long term to business as well as others in the community. There is no doubt that as our policies bring down the rate of inflation, interest rates will fall, and that is the best way to help business and enterprise. I can assure you that the current high level of nominal short-term rates will be kept only as long as it is necessary to ensure the trend of monetary growth can be maintained in line with the target.

/Finally,

759

Finally, I would like to say how interested and encouraged I was to read of your company's ambitious plans for the future. I want to wish you and your workforce the best of good fortune in achieving your goals.

Yours sincerely  
Raymond D. Decker

---

G.J. Hussey, Esq.