NOTE OF A MEETING HELD AT 10 DOWNING STREET AT 1400 HOURS ON
FRIDAY 9 NOVEMBER 1979

Present: The Prime Minister
            The Chancellor of the Exchequer
            The Secretary of State for Trade
            The Chief Secretary
            The Financial Secretary
            The Governor of the Bank of England
            The Chief Cashier
            Mr. Fforde
            Mr. Goodhart
            Sir Douglas Wass
            Sir Kenneth Berrill
            Mr. Bridgeman
            Mr. Middleton
            Mr. David Wolfson
            Mr. Adam Ridley
            Mr. Tim Lankester

The meeting had before it the Chancellor's minute of 9 November.

The Chancellor said that an increase in MLR up to 16%, or possibly
over, next Thursday was inescapable. Against the background of the
very bad money supply figures for October and rising market interest
rates, failure to raise MLR would precipitate a crisis of confidence.
It was essential to get gilt sales under way again on a substantial
scale, and a sizeable increase in MLR was an essential pre-requisite
for this. In addition, higher interest rates would moderate the
expansion of lending to the private sector, though they could not be
expected to have a big impact immediately. Ideally, interest rates
ought to be accompanied by action to bring down the PSBR. The PSBR
was running at a higher rate than had been forecast, and it was
making the achievement of the Government's monetary targets that much
more difficult. However, there could be no question of a fiscal
package. The Government had only just announced its public expenditure
decisions for 1980/81, and use of the regulator had to be ruled out
on counter-inflationary grounds. But there were still certain possibilities
for increasing revenue before the end of the financial year. One
such option was to oblige the oil companies to make advance payments
of PRT. Although this would require legislation, it could bring in
£700 million; and it was worth considering. Speeding up the payment
of VAT should also be looked at.

The Chancellor went on to say that he would need to make a
statement next Thursday. Besides announcing the MLR increase, he

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