

CONFIDENTIAL

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Sir D Wass
 Mr Ryrle
 Mr Burns
 ✓ Mr Middleton
 Mr Unwin
 Mr Britton
 Mrs Lomax
 Mr Turnbull

MEETING WITH THE GOVERNOR ON THURSDAY 22 JANUARY

The main purpose of this meeting is to be discuss the general policy stance in the coming Budget. It is too early for detailed decisions or even discussions about the monetary target, the role of different monetary aggregates, or the changes in monetary control arrangements.

2. Mr Middleton has agreed with Mr Fforde that Mr Burns' note of 14 January on the Policy Implications of the Winter Forecast will form a good basis for a broad discussion of the policy stance. The Governor will have seen a copy of this.
3. You might open the meeting by summarising the conclusions you reached at your meeting on 16 January, notably on the need for fiscal tightening in the Budget to demonstrate that the PSBR would be reduced and to help re-establish ^{the} credibility of the medium term financial strategy. You might also say that your inclination if possible would be to keep open the possibility of clawing back some of the over-run in monetary growth, though it was far from clear that this would be feasible in 1981/82.
4. You might then ask for the Governor's present broad views on policy and end by looking forward to a further discussion early next month after we know the growth of £M3 in banking January and have the results of the analytical work on monetary subjects, which is in hand within the Treasury and will be discussed with Bank officials.
5. You might also take the opportunity at some point in the meeting to indicate the importance Ministers attach to announcing the maximum

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amount of progress in implementing the changes in monetary arrangements foreshadowed in your Statement of 24 November, though you will not wish to engage in any discussion of these at this meeting.

S. Wilkes
pp. N MONCK
21 January 1981