



PRINCIPAL PRIVATE SECRETARY

CC PS/Chief Secretary  
 PS/Minister of State (C)  
 PS/Minister of State (L)  
 Sir D Wass  
 Sir K Couzens  
 Mr Ryrie  
 Mr Burns  
 Mr Middleton  
 Mr Monck  
 Mr Britton  
 Mrs Lomax  
 Mr Turnbull  
 Mr Ridley

## THE MONEY SUPPLY TARGET

The Financial Secretary has read Mr Middleton's minute of 29 January, and the attached papers by officials.

He considers Mrs Lomax's piece on the choice of target aggregate to be an excellent piece of analysis. But he would avoid like the plague the notion that the Government should move to an annual target for M1.

Meanwhile, on a more reflective plane, he thinks we should perhaps learn to have more respect for our forefathers, who plumped for separate and simultaneous monetary targets (the note issue, the then equivalent of the monetary base M0) and fiscal targets (the balanced budget). He does not think the attempt to conflate these two into a single hybrid target, £M3, has proved an unqualified improvement.

SAL

S A J LOCKE  
 2 February 1981

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