

CONFIDENTIAL

6.7.79

NOTE FOR THE RECORD

Copies to Mr.Fforde
Mr.McMahon
Mr.Dow
The Chief Cashier
Mr.Walker
Mr.Dicks-Mireaux
Mr.George
GPS
Mr.Foot
Mr.Hotson (Group 7/2)

see body of paper

MONETARY BASE

Papers on Monetary Base

5/6.7.79
11.7.79
5.6.79 There will be some four, or possibly five, papers on Monetary Base on the table at the seminar on 18th July. Besides the BEQB and Pepper's Greenwell paper, which have already been published, there are papers to come from HMT, Professor B.Griffiths and also G.Wood's (City University) paper to be published in the July issue of The Banker - which is due to appear in the course of next week.

10.7.79 Middleton has just finished a first draft of HMT's paper, which he is sending to me this evening. He has been under great pressure from the Chief Secretary (Nigel Lawson) to complete this. He tells me that he is going to recommend that certain aspects of monetary base control deserve 'further study' — 'given the way the wind is blowing' (his words), this was, he said, the least that he felt he could do. He also has a copy of Professor Griffith's paper (probably sent direct to the Chancellor), which Middleton said was also a hurried piece - full of typing errors: he is going to send me a copy of that too to-night. Although Wood's paper is not mentioned in the letter on the Monetary Seminar, it has been quite widely circulated in advance, and HMT are doing a note for the Chancellor on it as well.

5.6.79
Although a preliminary note on Pepper's already published paper on Monetary Base has now been prepared within EID, it would, perhaps, seem more sensible to circulate all the documentation to the Governor on this subject in a coherent and collected form by the end of next week, Friday, 13th July. I did say to the Governor this morning that I would pass this preliminary set of comments on Pepper's paper on to him by this evening, but on second thoughts it might be more sensible not to trouble the Governor with a series of notes on the subject, but instead send a collected set of papers by the end of next week.

ETA 9/7

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Meetings on Monetary Base

Besides the Monetary Seminar itself on 18th July, a number of meetings on this subject now seem to be in train. On the international front, Lamfalussy, of the BIS, has suggested that the "Working Party on Domestic Monetary Policy", which JSFF attends, should discuss monetary control techniques in various countries at their meeting in October. This would be likely to touch at least, if not fully, upon the subject of monetary base control. More directly, McClam phoned me this morning to suggest that the Economists' Meeting at the BIS subsequently in November should concentrate entirely on the subject of monetary base control. I replied that I was sure that we would welcome this.

Before the autumn, there would seem to be a good case to discuss the subject of monetary base control further in an academic milieu, though it may be argued that one trouble with this subject has been that it has been discussed at too academic a level and that there might be a need, at any rate at some stage, for involving those responsible for day-to-day operations in the banks and discount houses with this general subject. Be that as it may, there would still seem to be a case for an academic discussion on this issue, which might perhaps preferably be held in the Bank in the format of the Panel of Academic Consultants, though with the choice of attendants specifically tailored to the subject matter. I would be grateful if JCRD would let me know whether he would think it possible to hold such a meeting in advance of the summer holiday period or whether he would think it best to defer this until September. In the meantime I shall try to make up a list of those who might, in my view, usefully attend.

CAEG
6th July 1979.

C.A.E. Goodhart