



Treasury Chambers, Great George Street, SW1P 3AG  
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PRIME MINISTER

*[Handwritten signature]*

This minute is in response to that part of your minute to me of 12th March which refers to the sterling exchange rate ((ii) on page 2).

2. I agree that from Monday we should aim to keep the sterling/dollar exchange rate in line with the rates for the currencies in the common float. This may well require intervention in the market to support sterling. It is not possible to say now how much: not enough is known about the likely course of the common float, or of sterling. We may hope for a reasonably quiet period, and no great difficulty. But this hope may not be fulfilled. At this stage I think that the only realistic approach is to take stock from day to day, and to modify our intervention tactics accordingly with the aim of keeping in line.

13. We must



3. We must give the markets no hint whatever about our intentions. There can be no certainty that we shall be able to fulfil them for any considerable length of time and our task will be the harder the more visible our intention is. The Swiss were very badly bitten recently when they announced their intention to have a "guided" float: they were almost swamped with dollars. Our problem is likely to be in the opposite direction from the Swiss.

AB

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March 1973