

SECRET.

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You will  
also wish to see  
Adrian's note  
below.

AD

In midst of all this,  
I forgot to say the Govt!  
(M 11.30h - a hasty - f  
(inquiry his new job)

Call the J.W. get some things

then to J.P. or J.H.

urgently: 2(a) is better  
the main point  
- but all are with

DW has  
done this  
12/11

CHANCELLOR

MONETARY MEASURES

The Governor will be in Gloucestershire at the weekend.  
His telephone number is:

Miserden 355

The code from London is 028582.

2. I suggest there are three things you might want to  
say to him in the wake of this afternoon's discussion with  
the Prime Minister:

(a) Now that Ministers are about to grasp the  
nettle and take difficult decisions on monetary  
and fiscal policy it really is up to the Bank  
to take all possible steps to ensure a successful  
and sustained funding operation over the coming  
weeks. You probably will not want to go too far  
in suggesting how this should be done, though the  
Financial Secretary's note below suggests one  
possible approach. The mechanics of the operation  
must be for the experts in the Bank to advise. But  
there can be no doubt about the objective, or the  
resolution needed to achieve it. Whether the  
objective should be quantified is a matter you  
might want to discuss.

(b) How best does the Governor think the Bank can get through to the banking system the doubts which exist about their general attitudes and resolution at present. Partly this is about bank lending, but not wholly (as I understand it).

(c) We need to press ahead very fast now with consideration of an alternative system of monetary control. Finishing touches to the papers need to be made quickly. How quickly can the Bank do their bit?

3. I have been thinking ahead a little about timing. Provisionally, we have pencilled in a meeting on Monday afternoon at which I suggest you try to reach decisions on the SSD scheme and the roll-forward of monetary targets. This will need to be followed by a minute to the Prime Minister recording your conclusions and seeking her assent to them. Now that E Committee has been cancelled there is a useful slot on Tuesday morning which I suggest we keep in reserve. You will need a meeting to consider a draft statement for Thursday and a first reading on monetary base control. These could be taken separately. At the latest, the meeting on the draft statement will need to take place by Wednesday morning, so that it can be revised and sent to the Prime Minister Wednesday night. This would then leave your Thursday morning with her to clear any final points. Even this timetable requires a completed draft to be in your box on Tuesday night.

4. There is one complication in all this: the Governor has to be in Basle throughout Monday and Tuesday morning. Subject to anything which passes between you on the telephone I have told his office that we must proceed as far as possible

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without him. He can be represented at the meetings by  
the Deputy Governor. I do not think you need persuade<sup>him</sup> to  
change his plans.

AW

(A.M.W. BATTISHILL)

9th November, 1979