

SECRET

Mr Scholar ^{Even Pol}

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MW

PRIME MINISTER

EXCHANGE CONTROLS

There are many persistent rumours in the City that exchange controls are about to be reimposed. It is difficult to trace the reason or source of such rumours, but it seems likely that they are to some extent associated with the conjectures about the possibility of our joining the EMS.

I believe that these rumours have been very damaging in many ways. They have undoubtedly affected our funding programme. There are also persistent reports of large sums being sent overseas, in anticipation of some measures similar to those imposed in France. There are also latent and much less defined fears of the re-introduction of credit controls. I have, however, not been able to trace any of the effects of that particular rumour.

I think it is very important to scotch these rumours as soon as possible. There is a very considerable problem of credibility. Whatever may be said will be interpreted with large pinches of salt. One particular measure may be effective, that is if the Government announced that they were definitely going to repeal the Exchange Control Act of 1947. This Act provides the legislative basis for exchange control and, for various reasons, has not been repealed.

I think we have to have this under EEC rules.

ALAN WALTERS

22 October 1981

cc Mr. Alexander
Mr. Scholar
Mr. Hoskyns
Mr. Wolfson
Mr. Duguid
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