

cc Mr. Walters  
Mr. Ingham  
Mr. Vereker  
Mr. Wolfson

NOTE FOR THE RECORD

Professor Griffiths of the City University called on the Prime Minister for half-an-hour yesterday morning. Alan Walters and Ian Gow were also present.

The media

The Prime Minister said that almost every newspaper, with the notable exception of the Daily Mail, was now attacking the Government's economic policies. The latest article by David Blake in the Times was particularly damaging. It would be highly desirable if Professor Griffiths and other like-minded economists could write letters and articles of rebuttal to the Times, the Guardian and the FT. Griffiths explained that he had a special arrangement with the Daily Telegraph, which made it difficult for him to write in other newspapers. He would certainly see what he could do in the Telegraph, and he would try to get other people, such as Ralph Harris, Patrick Minford and Alan Budd to write in other newspapers. Alan Walters said he would also follow this up.

The Prime Minister went on to say that she would like to make a major economic speech during August, which would be a detailed defence of the Government's economic policies. This would be an "intellectual" speech on the lines of Nigel Lawson's Zurich lecture: it might be given to the Institute of Economic Affairs. Alan Walters would have to be heavily involved in the drafting.

The Prime Minister also said that she would like to consider bringing together a group of sympathetic economists and economic journalists in early August to see if they could help to mobilise public opinion behind the Government.

Griffiths said that the Government should make more of the fact that it had had to deal with severe external shocks and the legacy of the last Government's policies. It should also make more of the difficulties which have been experienced in operating the policy. For example, despite all the criticisms that the Government was deflecting the economy, sterling M3 had overrun last year, and this was now having an effect on inflation.

Monetary control

Griffiths said that the Bank of England were now putting in place new arrangements to control the money supply, but it was not clear whether they were actually going to use them for this purpose. The critical decision still had to be made - whether or not to go over to monetary base control. The Prime Minister commented that the problem now seemed to be in the Treasury: they seemed to be delaying the move to MBC. After her talks with Zjilstra, she was convinced that MBC could be introduced with some degree of discretionary rules. Griffiths commented that if the Bank were given too much discretion, they would simply run the system in the same way as they ran it at present.

Civil unrest

Griffiths said that, in his view, the recent troubles were a reflection of the fact that, as private crime had risen, so collective crime had followed. For various reasons, there had been a weakening of standards and parental authority over the years - with the result that moral restraints had been greatly weakened. He did not believe that unemployment was the major factor: in the USA rioting in the cities had actually started when unemployment was falling. It was, nonetheless, important that the Government should be seen to be doing something on the positive side, even if this was largely cosmetic. Also, we should follow the example of the USA and try to bring in the private institutions.

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