

SIR WALTER SALOMON

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Dear Prime Minister,

You will recall my coming to see you after the news broke that Continental Illinois Bank was in serious difficulties. At the time I drew your attention to the serious consequences which would result if the United States government had not stepped in, and furthermore, to the thin ice on which we are at present skating in the world as far as the international banking system is concerned.

I then outlined to you a very rough plan setting out how I imagined the matter could be dealt with. You were kind enough to listen patiently to me and asked whether I could put it into writing. I think I said at that stage that it would not be very easy but I would try. I have now done so and am enclosing herewith a draft of my plan which at this particular moment is only thought to be a discussion paper and still needs to be refined and a great deal of technical detailed work will have to be carried through.

However, as I understand you are going on holiday, and so am I, I thought you might like to take this draft along with you and read it whilst, hopefully, you are enjoying a little bit of peace and quiet.

I would, however, ask you not to discuss the plan with anyone else at this stage because it is not complete and I do not want any kind of leak at this moment. However, I can tell you that the day before yesterday I sent a copy to Alan who rang me last night and seemed to be quite enthusiastic about it and in support of my ideas. The only other person I have given it to is the Governor of the Bank of England.

I do hope you will have a very good holiday which you so much deserve.

With great affection.

James Callaghan
Walter Salomon

The Rt. Hon. Mrs. Margaret Thatcher, MP