

NOTE FOR RECORD

Copies to The Governor o/r  
Mr Loehnis  
Mr George  
Mr Walker  
Mr Dow  
Mr Fforde  
Mr Flemming  
Mr Goodhart

OR 17/10

Wass and I had some discussion this morning about the forecasts. I said that on the basis of preliminary reactions I thought it likely that our assessment would be if anything that it was too optimistic on activity; in particular we were likely to put world trade lower than the central WEP forecasts and, dependent on this, might envisage a lower net foreign balance. There could be other areas too where we shaded down. Wass was inclined to agree. He pointed to the particular inadequacy of forecasting models these days where we are so far outside past experience. He had just been on an industrial visit to Birmingham and was struck by the general pessimism of a number of industrialists who said that they had pared the fat and were now cutting into the bone.

He confirmed that the forecast assumed a net (ex-post) fiscal adjustment of £2 bn. When I suggested that that meant perhaps £3 bn ex ante, he looked as if the difference hadn't occurred to him but then assented. He went on to point out, however, that the forecast also assumes (unrealistically) the NIS reverting to its previous level. If one removes that assumption it might just about take care of the difference between ex ante and ex-post.

He said that his Birmingham industrialists had not shown much interest in tax reductions but were all very keen for some new public works. I said that Whittam-Smith had told me that the main impression he had taken away from the Tory Party Conference was that the view of the delegates there was overwhelmingly the same.

I hazarded the suggestion that it might indeed be sensible to feel less constrained by PSBR arithmetic on public expenditure. He said the Chancellor and the Chief Secretary would be very resistant.

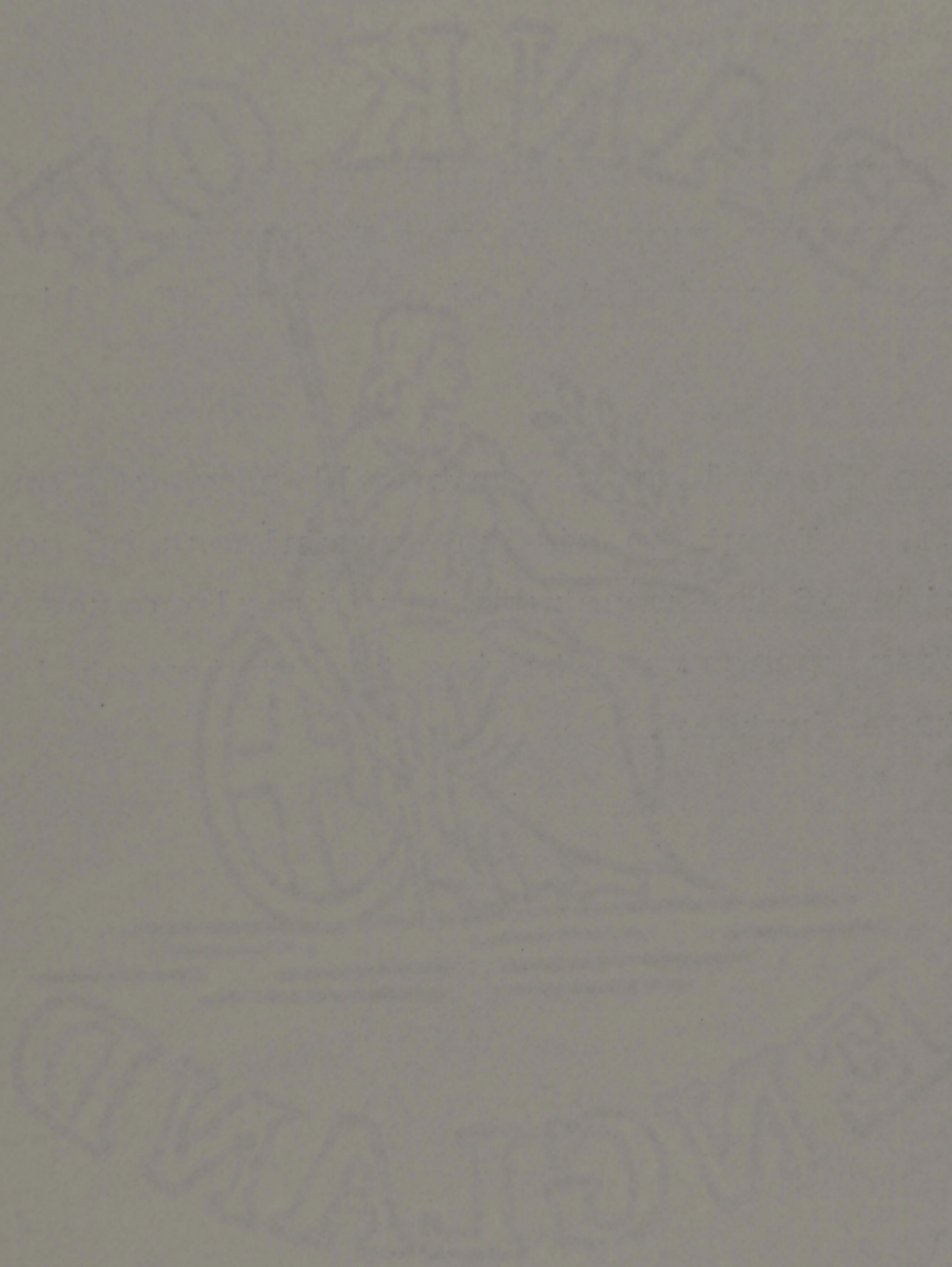
In answer to his question I said that I believed the Governor would be putting in a paper to the Chancellor, as the Chancellor had requested, on our view of the prospects and what might be appropriate for policy.

In a general way, and despite his reference to the Chancellor and Chief Secretary quoted above, I thought Wass was himself more open to the possibility of easement of policy than for a long time.

Wass said the Chancellor was not well-advanced on his Mansion House speech. I put to him the usefulness of some further interpretation of the monetary targets along the lines of the recent Volcker speech and taking the statement in the last Budget a stage further.

Cwm

13 October 1982



0322  
2822

Handwritten note: "Hand can't find no trace of top of file if found trace or to top of memo"

Handwritten note: "Trans up 9."

SECRET

13.10.82

cc GPF  
EATG  
JCRD

NOTE FOR RECORD

Deputy Governor

Copies to

Mr Governor o/r  
Mr Loehnis  
Mr George  
Mr Walker  
Mr Dow  
Mr Florde  
Mr Flemming  
Mr Goodhart

'X', interestingly, was  
mostly the source of  
comment from my Scottish industrialists  
(about 20 of them) in Glasgow and Dundee

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Handwritten notes: "Earlier in the week", "AM", "15x"

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X | He said that his Birmingham industrialists had not shown much interest in tax reductions but were all very keen for some new public works. I said that Whittam-Smith had told me that the main impression he had taken away from the Tory Party Conference was that the view of the delegates there was overwhelmingly the same.

5/11  
(carried)

NOTE FOR RECORD

Copies to Mr Blunden  
Mr George  
Mr Walker  
Mr Cooke  
Mr Dawkins  
GPS

15/10

6.10.82 +  
13.10.82.

At my last two meetings with Douglas Wass, he has touched on the question of "co-ordination of responsibility" for City matters. The immediate stimulus for this was the discussion between the Governor and the Chancellor on the Howden affair and the Department of Trade's response to it.

According to Wass, the Chancellor feels unsure about lacunae or underlapse in responsibility for different parts of the City by different authorities. Specifically mentioned were Pension Funds and the Commodity Markets as well as Insurance itself. Wass contrived to give the impression, without actually saying so, that the Chancellor himself had suggested a standing Co-ordinating Committee with the Treasury in the Chair and involving Trade and other Departments as well as ourselves.

Wass said he had thought he had killed any such idea, which he himself did not favour, but he went on to claim that he was uneasy about lack of co-ordination. In particular he expressed some unhappiness with direct contacts between the Bank and other Departments, urging that contact should always if not go through, at least involve, the Treasury. At one point he even suggested the appropriateness of having a Treasury person sitting in on all contacts between the Bank and, say, Department of Trade.

I expostulated at this and he did not pursue it but urged the importance of copying Notes of Record. I said that I was very confident in this area that DAW and his people did in fact keep the Treasury very closely informed; and that I believed

the same was true of all other direct contacts between us and other parts of Whitehall.

It is nevertheless clearly a subject which is exercising both the Chancellor and Wass. Moreover, as a matter of substance there are, I imagine, some areas where supervisory and regulatory responsibility is not properly defined nor perhaps sufficiently vigorously exercised. It would be helpful if we could set out our own view on what the position is and what modifications, if any, we would like to see. (All this of course trenches very heavily on Gower.)

In the meantime, I have already put to Wass the Benson/Walker idea of a major exercise to try to improve the detection and punishment of fraud. I said that in due course we would be letting the Treasury have a paper on this.

Cwm

14 October 1982