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10 DOWNING STREET

From the Principal Private Secretary

15 October 1982

I said that I would record the impressions I gave you on a personal basis about the role played by Alan Walters on economic affairs.

He to her. Alan keeps a watch on economic developments, both within Government and outside it, and alerts the Prime Minister to things in which he thinks that she might be interested. Within Government, he does this by maintaining close contact with the Treasury (which they facilitate) both at official level and by attending meetings with the Chancellor on subjects in which he is interested. The Private Secretaries here also alert him to papers coming in to the Prime Minister so that he can scrutinise them for points likely to be of interest to her and alert her to them. On submissions from the Treasury and the Bank, he is often able to reassure the Prime Minister about their merits as a result of his earlier involvement described above.

She to him. The Prime Minister very often uses Alan as a sounding board for her ideas. Such ideas will arise from thoughts which occur to her spontaneously, things which other contacts say to her, or items she picks up from the media. By acting as a sounding board, Alan is able to advise her on what points are worth following up. The Prime Minister also values Alan's contribution to her speeches.

In both these capacities, Alan Walters acts as the Prime Minister's adviser, not as an independent operator. The economic policy is still conducted through the Treasury and the Bank of England. But, as I know from my experience both here and in the Treasury, he has contributed significantly to increasing the Prime Minister's confidence in what the Treasury and the Bank are doing.

As regards staff, Alan Walters has only a PA here. But, to help with a specific project - the study on unemployment in which Professor Minford has been involved - we borrow Adrian Smith from you for a