

SECRET

5.7.83

CWm *DGC file*

THE GOVERNOR, PERSONALLY

Copies to Deputy Governor's Committee,
personally

*I agree with this. I suggest
we show willing where we can
(esp. in being more prompt)
see how things develop.*

PAPERS FOR HMT

As you know, we have been discussing at the DGC the suggestion *R.L.P.*
the Chancellor recently made to you that we should send over
more internal Bank papers to the Treasury. As with most things,
I suppose, there is more in this than meets the eye.

It is a perennial complaint of Treasury officials that they do not
see enough internal Bank papers. On occasions they may have
(and have had) legitimate grounds for complaint. There is a lot
of information of very varying kinds which we gather and report
and which it is useful or essential or important for the
Treasury also to have to advise Ministers or to make policy
successfully. Sometimes, in the nature of things, we slip or
forget or are slow to pass it over. We should all certainly
try to ensure that these slip ups are as infrequent as possible.

There also may be occasions when it takes some time to form
a "Bank view" (ie in practice the Governors' view) on a subject
on which the Treasury is concerned and knows that we are working.
There are cases where it would be helpful to all concerned for us
to let them see working papers to show how our thinking is evolving,
with an explicit caveat that they did not reflect the agreed
Bank view. Again, we should look at current practice and be
prepared, if appropriate, to be a bit more forthcoming.
But even here a better amendment to our procedures would be to
reach our final agreed view more quickly. On this, I hope
we can make some progress.

Although there are therefore some situations in which we could reasonably send more than we do, their number and importance should not be exaggerated and there are a number of good reasons for resisting Treasury pressure.

First there are questions of confidentiality. It is a fact - though one which the Treasury likes to ignore or deny - that we are told many things by people and institutions who would not be so frank with us if they thought their report was going straight to Whitehall. These include deliberations with other central banks in Basle and much of what we learn from industry, as well, of course, as a great deal of what we learn from the banking and financial community. Sometimes questions raised in this way raise issues of such importance that we have to give some account of them to the Treasury; but we must remain the judges of when that occurs.

The second difficult point arises over the fairly persistent desire by Treasury officials to "homogenise" Treasury/Bank views so as to provide a single line of advice to the Chancellor and effectively pre-empt an independent Governor's view. This tendency, I am sure, should be consciously and firmly resisted by us. It risks compromising the independence of judgment which is the *raison d'etre* for having a central bank rather than another department of the Treasury.

Treasury officials sometimes quote the example of inter-departmental committees where each department expresses its view which is fed into the ultimate report of the committee to ministers. But the Governor is not a minister able to argue with other ministers in the Cabinet. He has both the advantages and disadvantages of being out to one side of government and his normal only way in is by persuasion of the Chancellor. (In any case, one does not have to read many reports of inter-departmental committees to see the relevance of the argument on the homogenisation referred to above.

Most of us at one time or another hand over working papers on a purely personal basis to our opposite numbers, often without broadcasting this fact very widely within the Bank. This can often help defuse Treasury paranoia and generally oil wheels, but one must be very careful that one knows what one is doing. Treasury officials are an activist lot by nature and often find it hard not to start suggesting that something should be done about subjects and in areas that lie beyond their competence.

Finally it is always worth remembering when the point comes up that there are an awful lot of Treasury papers, especially briefs for ministers, on subjects which concern us which we do not see.

Cwm

5 July 1983