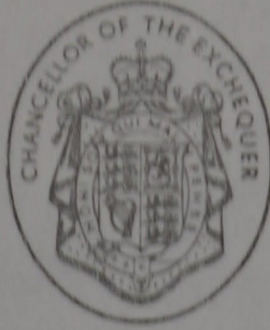


S41/P/117

TDP in MP
doSS.

SECRET



Mtg took place.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

(Rec: 7 July 2.45pm)

6 July 1983

R Leigh-Pemberton Esq
Governor
Bank of England
Threadneedle Street
LONDON EC2R 2AH

R. L. P.
Copies to Deputy Governor 12/7/7.
Mr Lochnis
Mr George
Mr Dow
Mr Florde
Mr Coleby
Mr Fleam
Mr Goodhart
GPS

Thank you for your letter of 5 July. The difficulties presented by the current high levels of borrowing and rapid monetary growth are, as you say, very much in my mind. I recognise of course that there could be a loss of market confidence before fiscal measures can be announced, and that in that case we would need to meet quickly to discuss interest rates. But the reception of the provisional monetary figures yesterday makes that seem unlikely, and I think you know that I am hoping to be in a position to make an announcement very soon. I certainly agree with the aim of keeping interest rates where they are.

* I think that a meeting between us has been arranged for next Wednesday: we should then be able to consider policy in the light of an up-to-date monthly analysis of the monetary prospect.

You will not, I am sure, misunderstand me if I say that I hope we don't have to meet before then!

NIGEL LAWSON