

SECRET

20.7.83

NOTE FOR RECORD

Copies to The Governor
Mr Loehnis
Mr George
Mr Walker
Mr Fforde
Mr Dow

R.L.P.
21/7

I had a tete à tete meeting with Middleton last night at which the following points came up.

OECD APPOINTMENTS

Secretary-General

*Rehact
with pps*

Ken Couzens has been approached about succeeding Van Lennep. He has not fully committed himself but is generally interested and Middleton believes they will be able to get Ministers to back him. We both agreed that in that case Couzens would stand a good chance of success.

It now looks rather likely that David Henderson will get the Ostry job. There was a snag arising out of a row Henderson had with McNamara while at the World Bank. But I have been able to refer Van Lennep to the existing Vice-Presidents of the World Bank who, we have now heard, had been able to give a satisfactory bill of health of Henderson to Van Lennep. We hoped that if Henderson was successful, we might also be able to secure the appointment of Halliwell on a contract to the OECD - perhaps nominally in the Marris job. This might secure the best of all worlds.

BP

*Rehact
with pps*

Middleton had spoken that morning to Walters and Adam. They had been content for an announcement of plans for offer for sale to be made soon. There was a complication in that they themselves wished to sell 10% of their holding of Forties very shortly but they appeared to believe that the two plans could co-exist.

POLICY PAPERS

Middleton referred to the various papers being produced by Burns, Cassell and others on objectives and techniques, which he agreed were really addressing themselves to the same subjects as were contained in the letter we sent over on Lawson's arrival. He would hope to be sending us some of these papers within the next few days. There was also to be one on EMS on which he would welcome some early discussion. He was glad to hear that work had been restarted on the subject here. We both agreed that this might be an idea whose time for the UK had nearly come. More worryingly, he suggested that the Chancellor was showing some signs of raising the question of monetary base again. Walters continued to be interested in it. Burns, he thought, was coming down in favour of a combination of M1 and the exchange rate.

TREASURY VISITORS TO LUNCH

*Extract
with pps.
in GPS4*

Middleton said he was happy with my proposals for one lunch a week followed normally by a talk with the Governor, myself or a director. He would like to widen the list of Treasury people who came. I welcomed this. He was a little worried about using the occasion to do any real business - explicitly mentioning the unhappinesses of the Crown Agents' Affair. To meet this I proposed that we should always do a brief record which we will send over to the Treasury. He welcomed that.

PERIODICAL TREASURY/BANK MEETINGS

*Extract
in GPS4*

We firmed up on our earlier view that it would be helpful to have regular meetings - say monthly - and alternately in each institution between senior people, but below Chancellor and Governor, on both sides. Typically, he would field Bailey, Littler, Burns and Cassell. I said our team would vary but would normally be drawn from Mr Loehnis, Mr George, Mr Cooke, Mr Fforde, Mr Dow and Mr Flemming. We agreed to hold the first in the Bank before

the end of the month on the general subject of international debt, possible effects on the banking system, public expenditure, etc.

BANKING QUESTIONS

I put him reasonably fully in the picture over recent developments at Guinness Peat and Guinness Mahon. I also referred but in very general terms, and emphasising their extreme confidentiality, to the latest developments at Grindlays.

Cwm

20 July 1983



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