

PERSONAL

PRIME MINISTER

MEETING WITH SIR ALAN WALTERS

You will as usual want to discuss with him the prospects for the economy. Does he share the Treasury's perception that growth is picking up very rapidly indeed? His reaction to the possibility of a further increase in interest rates would be interesting, now that M0 is growing more rapidly (over 5% per annum).

You will remember that he broached with me on the telephone a while ago the possibility of him becoming a part-time adviser to you again for a few days each month. Nigel mentioned this to you. You were concerned about the effect on relations with the Chancellor.

There would be an obvious advantage to Alan taking a formal position again. His wisdom is very valuable.

The disadvantages are the effect on relations with the Chancellor, the risk that Alan would not be closely enough in touch with day to day developments and that decisions might be put off until he could join in the discussion, and the cost (quite high in No 10 terms, but of course tiny in relation to the benefits of better decision-making).

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DNS

DAVID NORGROVE
26 November 1986

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