

4.1.80

NOTE FOR RECORD

The Governor.

OR 8/1.

copied to Mrs. Forde.

Mr. McMahon

Mr. Dow

Mr. Blunden

Conversation with Mr. Littler

Monetary Base

The Chief Cashier

Littler mentioned the meeting he would be having with JSF and others on Tuesday. He said that he believed that the Treasury and we were not in general far apart on this but that Whitehall had some particular concerns on presentation (it later appeared that these concerns were primarily those of the Financial Secretary). Littler said that he would be sending out tonight a note of his own setting out the preliminary suggestions by officials on this aspect. The main problem was to meet alternative possible criticisms of the Government relating either to their general stance on the monetary base question or alternatively to their competence to manage such a system. He thought that the papers for publication should include first a synoptic cover note (it was being drafted by Bridgeman) setting out the Government's beliefs on monetary policy. To this would be annexed first the paper on monetary base itself and second the paper on the reserve ratio. The piece on the choice of monetary aggregates would be dropped and the question of liquidity norms might well be treated as a separate matter to be handled directly between ourselves and the banks.

At Tuesday's meeting he would hope to agree an allocation of the remaining work to be done with the aim of having the paper ready for publication in, say, ten days thereafter. The next task would be to organise the gathering of sensible comments from all concerned.

City Wage Claims

Littler referred to his correspondence with George Blunden and said he would be grateful to be kept in touch with further developments. In particular, he would like to know whether the Governor was proposing to speak to the banks and/or others and whether we would be represented at Fell's Seminar.

4th January 1980.

Len.