



PRINCIPAL PRIVATE SECRETARY

- cc PS/Financial Secretary
- PS/Minister of State (L)
- PS/Minister of State (C)
- Sir Douglas Wass
- Sir Kenneth Couzens
- Mr Ryrie
- Mr Middleton ✓
- Mr Burns
- Mr Monck
- Mr Britton
- Mrs Lomax
- Mr Turnbull
- Mr Ridley
- Mr Fforde B/E

THE MONEY SUPPLY TARGET

The Chief Secretary has seen Mr Middleton's minute of 29 January covering papers by Mr Britton and Mrs Lomax and has commented as follows.

"The lesson I would draw from these studies so far is that it could be a mistake to switch from M3 at this particular moment for obvious political reasons - but also taking into account that in the short term M1 is likely to rise faster and the rate of increase of M3 to fall. But the long term arguments against the use of M3 are plainly formidable and I am very tentatively attracted by the German solution (see para. 68 of Mrs Lomax' paper) of an average money supply index."

MISS J M SWIFT
Assistant Private Secretary
30 January 1981

16751