

25 November 1983

PRIME MINISTERTHE POUND NOTE AND THE POUND COIN

The Treasury plans in the next few days to announce its intention to phase out the pound note in favour of the pound coin. We feel this is likely to be highly unpopular and particularly calamitous in present political circumstances.

1. The pound coin remains highly unpopular. Most people are very reluctant to carry them, and most shops loth to give them in change. I can recall being given pound coins in change only a couple of times in the last 6 months, and on both occasions being given them with apologies. The Treasury claim that 20 per cent of all pounds are held in coins rather than notes. I suspect a great number of those are being shifted from one bank till to another.
2. All rows about new coins are much more heated and last much longer than the authorities expect. In this case, the public has already had a chance to choose, and has overwhelmingly chosen the pound note. The row would drag on for months, and I can imagine the newspaper campaigns that would be mounted, especially by usually sympathetic newspapers such as the Mail and the Express.
3. The Government is now being widely accused of having lost its touch, and much of the blame for this - I think largely imaginary - feeling is laid at Nigel's door. If he were to add to his reputation for being "arrogant" and "clumsy" the nickname of "The Chancellor who Killed the Pound Note", his position would be made very difficult.
4. Of course, there is a saving to be made by replacing notes with coins. But the saving is made at the expense of the convenience of people who do not want their pockets loaded down with change, and the saving is in any case not very large in comparison with what a government and a Chancellor in a strong political position can achieve in a normal PESC round.
5. Any decision to take account of past inflation by changing a note for a coin inevitably reminds the public of the huge fall in the value of money. Since we are now in a low-inflation

era, do we really want to revive memories of the years of high inflation in a way which accentuates our own responsibility for them?

We do not need now to take a decision whether or not eventually to replace notes with coins. We could therefore say, if asked, that we had decided to give the coin a longer time to prove its usefulness.

We therefore recommend very strongly that the Treasury make no announcement at this time about any date for phasing out the pound note.

FERDINAND MOUNT

*fm*