

NOTE FOR RECORD

Copies to: The Governor  
Mr. Fforde  
Mr. Dow  
Mr. Page  
Mr. Loehnis  
Mr. Coleby  
Mr. Walker  
Mr. Quinn

*Or 21/3*

*APS*

*X1 colour*

*I would like to see*

*Dr Bridgman's paper attached*

*attached JB 1/4*

*31. 3.80 L M P 0020*

Conversation between the Governor and Sir Douglas Wass  
Friday, 28th March

Wass said that the Chancellor (he could not speak for the Prime Minister) was perfectly prepared for interest rates to go up again if they had to. Wass even asked whether or not we thought there was a serious risk to MLR this coming Thursday. The Governor said he did not think there was much danger this week. Wass went on to say that if interest rates had to rise he thought it inevitable that a consumer credit package would be introduced. He urged us therefore to be prepared with views on this and between the two packages already proposed in draft.

In the same vein he said that the issue of bank profits had not necessarily gone away. Again if interest rates rose further political pressure to raise a levy on the banks might be irresistible. The Governor said that he would like it clearly understood that there was no way in which the Bank would take the position of levyer, whatever was ultimately decided. Wass took note of this and agreed that the paper on the subject made it clear that all schemes had the most extreme disadvantages.

Wass asked why the market reaction to the Budget had been so tepid, while it had had on the whole a very good Press. The Governor suggested two reasons in particular. First even if the markets believed fully in the Budget they had time on their side and could for the meantime employ funds very profitably in the money markets. Secondly, if only Ministers had not led journalists to expect a £8-8½ billion PSBR in advance, expectations would probably have been for a billion or so more and the impact could have been dramatic. Wass fully agreed with this last point and said that he was struck with the extent to which Treasury Ministers were prepared to talk to the Press - often, as in this case, without any ulterior plan, indeed, in a way harmful of their own interests.

31st March 1980.

*Cwm*

THE GOVERNOR *has seen.*  
PERSONALLY

*He lunched and talked*

POINTS FOR SIR DOUGLAS WASS

*to the Governor  
agreed*

- Markets after the Budget
- Consultation Document: the consultative process
- Exchange rate policy: EMS
- European Council
- Iran
- Banks' profits
- ?The Banking Act
- The 2nd April NEDC Meeting
- Honours: HAB, TAGB, Gascoigne, Owen, Hottinguer  
and Calabresi (papers attached)

*JB  
28/3*

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The Bank's cash limit  
Secondments

*J*  
J.S.Beverly (4121),  
Governors' Office.  
27th March 1980.

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