



10 DOWNING STREET

THE PRIME MINISTER

22 September 1980

Dear Jill,

Thank you for your telegram of 3 September in which you urged that interest rates be lowered soon.

Of course, we must get interest rates down as soon as possible - because, as you say, at present levels they are causing industry, and especially small firms, grave difficulty. But we cannot move them down until we are sure that we have the money supply properly under control. The latest banking figures are a considerable worry, and to reduce interest rates just now would make it that much harder to bring the figures back within the target we have set; and that in turn would jeopardise our fight to bring down the rate of inflation. What we must do is to redouble our efforts to restrain public spending and borrowing: that is the only way that interest rates will come down without putting still further pressure on industry. It is with this in mind that Michael Heseltine this week announced a cut in the rate support grant because of over-spending by the local authorities; and we are determined to maintain our hold on public expenditure generally.

Yours ever,
Margaret

Mrs. Jill Knight, M.B.E., M.P.