

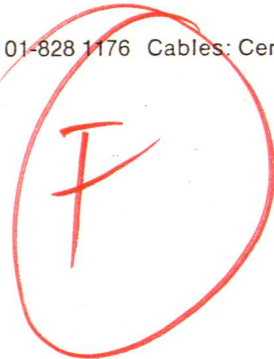
# Centre for Policy Studies

CPS

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14 November 1980

Richard Puttick Esq  
Chairman  
Taylor Woodrow  
10 Park Street  
London W1



Dear Richard

- 1 Everyone agrees that the strong pound has caused difficulties for British industry.
- 2 However, there is no agreement over causes or cures.

This is not exceptional. Economics is not a ready-reckoner. Each problem needs understanding and solving afresh, just as commanding an army or running a big business does. The belief in economic formulae - as distinct from market awareness, and awareness of the dangers of intervention - has done harm.

- 3 Some ascribe the high pound to NSO and to high interest rates.

There is no certainty that either explanation is valid. Some people whose views I respect contest both explanations. Some say that the OPEC investment decisions take account of safety and the need for a spread, rather than interest rates.

To leave the oil in the ground is not practicable.

To cut bank rate, and then find that it simply gives us inflation without lowering the pound, hence that our competitive position becomes worse, not better, would be fatal.

- 4 We need a through going study. We lack creative economists. We also lack experience of the theory and practice of operating with overvalued but unpegged currency.

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To secure fuller understanding of the methods available to improve the standard of living, the quality of life and the freedom of choice of the British people, with particular attention to social market policies.

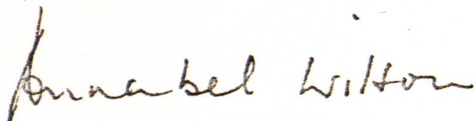


Richard Puttick Esq

- 5 In a talk with you, we discussed my idea for finding a first-rate economist to undertake such a study as a basis for policy-making. Professor Alan Walters, formally of the LSE, now in the USA, who is returning in 1981 to be the Prime Minister's personal economic advisor, and is first rate, gave me two good names to choose from in Europe, where they have lived successfully with this problem. The one I was able to reach, Professor Jurg Niehans of Berne University - who incidently has been invited to take the chair Alan Walters is vacating at John Hopkins university - is ready to undertake a thorough study. It could be completed by the end of February 1981 and would be of great help, not least to Alan Walters, who will be very busy, and fighting on all fronts. It will entail his dropping other work and several visits here etc. But it would give us the conceptual framework we lack at present. If he agreed, he would, of course, be available to come for seminars, defend his views, advise on application, etc.

He is a Swiss, where they pay their academics well and expect good results. I am awaiting his decision on whether he would undertake it and at what fee. But, his fee and expenses would be unlikely to be less than £5,000 (Sterling). I think it worthwhile, in the UK we pay peanuts ..... But then it is not my money, hence, over to you.

Yours sincerely



Alfred Sherman  
Dictated by Mr Sherman but signed in his absence

PS Since I wrote this letter, Mr Niehans has spoken to my secretary and is willing to come over next Saturday. My colleagues at Number 10 and Alan Walters regard the matter as urgent.