

Econ Pol. 14
R H



B/C: Mr Walters
Mr Wolfson

10 DOWNING STREET

From the Private Secretary

9 March, 1981

The Bank of England announce that, with the approval of the
Committee of the Governors, they have decided to reduce
the bank rate from 12% to 11%.

As you know, the Prime Minister held a meeting with the
Chancellor, the Governor and Sir Douglas Wass on Friday evening
to discuss whether, and by how much, MLR should be reduced on
Budget Day. They agreed that the Chancellor should announce in
his Budget Speech a reduction of 2%.

The Governor showed the Prime Minister the draft statement
enclosed with this letter; the Prime Minister indicated that
she was content with it.

I am sending a copy of this letter to Tim Allen (Bank of
England).

T. B. LANKESTER

A J Wiggins, Esq
HM Treasury

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The Bank of England announce that, with the approval of the Chancellor of the Exchequer, they have decided to reduce Minimum Lending Rate from 14% to 12%.

NOTE TO EDITORS

Information becoming available for February suggests that the lower trend of private sector borrowing from the banks is continuing. This, taken together with the fiscal action announced by the Chancellor in his Budget statement to-day, will help to slow the growth of M3 and of the other measures of broad money. Furthermore, the rise in real interest rates as inflation has slackened and developments in the economy more generally confirm that policy has remained restrictive.

Against this background it has been decided that a reduction in Minimum Lending Rate can now be made.

10 March 1981