



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

23 November 1983

Robin Leigh-Pemberton Esq
Governor
Bank of England
LONDON EC2

Books
cc Mr Loehnis
Mr George
Mr Dow ✓
klf Mr Forde ✓
24/11 Mr Coleby ✓
Mr Fleming ✓
Mr Goodhart ✓
DGR

Alan B...

out 853

Thank you for your letter of 18 November. Like you I see no strong grounds for an immediate change in short term interest rates. There are, however, some signs that monetary conditions may be tightening and I should not necessarily want to resist market pressures for lower interest rates, were they to re-emerge once the Autumn Statement has been fully absorbed. Accordingly, while I agree with you that it is difficult to anticipate the circumstances in which it would be sensible to use 2:30 lending to dampen down such pressures, I do not envisage the need for such lending at the present time.

I understand your concern about the funding outlook, given the importance we both attach to maintaining the momentum of gross sales. But I remain convinced that we should stick with our preferred range of instruments for as long as we possibly can.

Nigel Lawson

NIGEL LAWSON