

NOTE FOR RECORD

Copies to The Deputy Governor
 Mr Loehnis
 Mr George
 Mr Walker
 Mr Galpin
 Mr Cooke
 Mr Flemming

Extracts to:-
 Mr Somerset para 8 & 9
 Mr Balfour para 5
 Mr Dawkins para 2
 Mr Quinn para 1

MEETING WITH SIR PETER MIDDLETON,
 AT HM TREASURY ON 11 OCTOBER 1984

1 Johnson Matthey - extract on T/S & Mr. Quinn

PM asked whether we would be prepared to share our report on supervision procedures with the Treasury and I said that once we had got it into shape we would be likely to be pleased to do so. He told me that Tony Wilson (?a Treasury auditor) had given him a note on auditing banks' accounts which he would send to us. I felt obliged to tell him that, with the lack of progress on indemnities, the Bank ran the risk of being exposed in this operation and he said that he recognised this possibility. We both agreed that a request for a Treasury guarantee would be very much a last resort and when I mentioned that the effect on the Bank's balance sheet might represent "extremis" as envisaged in the formula for assessing our dividend, he was quite ready to agree with this as a much smoother method^{of}/relief from the Treasury than public money.

2 Tebbit and City regulation - extract on T/S & Mr. Dawkins

He said that the Treasury were more than ready to support the Bank's position on the appointment of the Chairman and felt he could well find an opportunity of emphasising this position to Sir A K R in a way that would be helpful.

3 Mansion House speech - extract in Doss (5305/3)

The Chancellor's first draft is ready but is far too long. The Chancellor was also contemplating including a section on the relationship between the exchange rate and interest rates but, on grounds both of duration and good sense, steps were being taken to dissuade him. The Concordat, about 15 and 10 minutes respectively, still seems to hold!

4 Last Trade tape

The Chancellor seems to be in a minority of one on this but nevertheless still fairly obdurate. DTI were likely to join in the campaign on our side but PM thought that the Deputy Governor's line of approach was the best as it would enable the Chancellor in acquiescing to fall in with the general line of policy, rather than be seen to have given way on a specific point.

(PM raised this subject himself. I knew that it had been carried about as far as possible at the last meeting.)

5 EMS extract on T/S. & Mr. Balfour

PM said that he was still very doubtful himself and that he represented in that position the advance guard of those who were in favour in the Treasury. I think, however, that he saw in this move the possibility of a major initiative on economic policy at a time when inertia might be suspected. I said that anything which enabled us to break through the "sound barrier" of 5% inflation rate and consequent pay rises based on that figure would be well worth pursuing; I was not sure whether EMS would necessarily deliver this, although it could well have a contribution on the interest rate if it enabled us to de-couple in the way that West Germany had been able to manage. We both agreed that it should be used as part of a general package in which other technical elements of the working of the ERM and the position of the ECU should be involved.

extract on T/S.
6 PM spoke at length about the difficulty of the timing of the autumn statement and the British Telecom issue. A lot turned on whether public expenditure measures could be agreed in time for Cabinet on 8 November followed by the autumn statement on 12 November and the British Telecom issue on 15 November.

7 It was likely that Peter Walker would approach the Cabinet with a proposal for a change in the North Sea oil price to bring it in line with other market levels. This could be within the next week or two.

extract in CLCB DOSS. (5141/5) Mr. Somerset
8 All Treasury Ministers were lining up to present a united front to the Prime Minister to authorise an announcement about the one pound coin and note. A strong motive was the accumulation of one pound coins at the Mint which, if continued, would take the Treasury above its cash limits.

extract with PPS D. 19/10 (541/2)
9 PM recommended the following points for my next lunch with the Chancellor:- *22/10.*

- (a) Tape
- (b) ERM
- (c) JMB

extract for Mr. Somerset.
(d) Portals - although the Chancellor is not going to suggest any particular action. The point about our shareholding has, however, been effectively deposited in his mind (I cannot help wondering whether it might not be raised if we were to plead that the time had come next year that we should not have to pay a dividend).

Extract with PPS in safe

12 October 1984

Dictated by the Governor and circulated unseen