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10 DOWNING STREET  
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From the Private Secretary

6 October 1986

Dear Alex,

## THE MARKETS

The Prime Minister this morning held a meeting to discuss the markets. Present were the Chancellor of the Exchequer, the Economic Secretary, Sir Peter Middleton, the Governor of the Bank of England, the Deputy Governor of the Bank of England and Mr. Eddie George. Professor Brian Griffiths was also present.

It was agreed that there should be no immediate increase in base rates. Market intervention this week should amount to no more than about another \$500 million, to be used in the same way as the intervention carried out last week, that is to say tactically and not seeking to hold a particular level for the exchange rate against large selling orders. Intervention in the foreign exchange market designed to postpone or avoid an increase in base rates could not be sustained into next week. Indeed if intervention reached the limit of about another \$500 million an increase in base rates would become unavoidable even before the end of this week.

I am copying this letter to John Footman at the Bank of England.

Yours,

David

DAVID NORRGROVE

A. C. S. Allan, Esq.,  
H.M. Treasury