

Hamilton

23rd December 1981

Thank you so much for your letter of
22nd December.

It was good of you to have taken the
trouble to write and I valued our talk
too.

The Hon Archie Hamilton MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Tuesday

Dear Prime Minister

How very kind of
you to have me to
a drink last night, it
was very good of you
to give us your time.

I am delighted that
you are so determined that
there should be no radical
change in our policies for
the economy.

Significant increases in government spending and borrowing would have minimal and short-lived effects on the numbers of unemployed. At the same time the battle against inflation and efforts to reduce interest rates would be lost, and the next election with them.

The issue was raised of the flight of capital prior to the General Election, which is clearly a danger. However, I do feel that most of the institutional money has gone already and pension funds will

not necessarily be wanting
to increase their percentage
of foreign holdings.

If that is the case,
the money that might move
would be hot money and
private capital. However, if
the holders of these monies
came to believe that the
imposition of exchange controls
was inevitable say, six months
before an election, then most
of them would move earlier.
It might then be that the
flight of capital abroad, prior
to the General Election now

metanationalised and exchange controls would
remain lifted.

I take your point that
peoples judgement of a Conservative
victory would also play a
significant role, but I do
think that such tactical
moves could reduce the
danger.

Thank you again for having
me last night and our
most refreshing exchange of
views.

Yours sincerely

Arthur Hamilton