

*The Governor*

Bank of England  
London EC2R 8JH

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4 August 1989

Mr Erik Hoffmeyer  
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*Dear Erik,*

Thank you for your letter of 28 July. I agree with you that we need to find practical ways in which the Committee of Governors can be consulted in advance of national decisions on the course of monetary policy. I also agree that we should give consideration to suitable ways in which the Committee's views can be communicated to governments and, when appropriate, to the public at large.

One possibility would be, as you suggest, to do this on the basis of a set of targets for monetary aggregates. However, recent experience in a number of our countries has not been very kind to monetary targetting. I can see certain difficulties in using an approach based largely on the monitoring of monetary targets, especially if we confine ourselves to the same aggregate for each country.

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I would suggest, therefore, that we ask our Alternates to consider both the proposal you make and other possible approaches to policy surveillance with a view to developing concrete proposals that Governors could consider at a relatively early date. It might be desirable for the Alternates to examine at the same time the present regular reporting functions of the Groups of Experts chaired by M. Raymond and Mr Dalgaard and what changes might be implied by the proposed establishment of sub-Committees for monetary policy and foreign exchange policy and the creation of a permanent research staff.

We could perhaps have a first discussion of all this at our September Basle meeting and decide on that occasion the timetable we wish to set for our Alternates' report.

Yours sincerely,  
Robin