London, quite unusually, basked and gasped in continuous sun for most of July this year (1983), which happened also for us to be a very social time. We all counted the days till we would re-establish ourselves in the idle life of Le Chainas.¹ This area of France had been having the same humid heat, which lasted our first few days; and now, after a storm, has been replaced by the bracing cool wind and smiling sun of a Mistral.

I had begun to read André Gide’s *If It Die (Si le grain ne meurt)* before we left home, and this is what I have been reading to Clare. I could only wish that what I am about to write will be as well written. He manages to find the perfect tone in which to address his readers. Though beautifully natural, it is skilfully composed. Episodes follow each other in just the right order to make them constantly interesting.

A year of marking time, in the economy and personally

Now, looking back on the year since last summer, it seems to have been a year not marked by great events, but a period of waiting – a year of marking time, for me, for the Bank, and for the country. It was plain that there had to be a new Governor, but we waited months to know who it would be. When we knew who, there were six months, terminated by extensive celebrations to mark the passing of the old regime of Gordon Richardson, before the new one of Robin Leigh-Pemberton commenced. It was very probable, all along, that there would be a General Election, but we waited months to know when. Though marginally uncertain, the result, too, was very probable. Margaret Thatcher ‘carried on’ effortlessly; ‘carried on’, indeed, in exactly her typical way. The great events were outside this country; undoubtedly, the unfolding month-by-month of the world debt crisis. In the developing improvisation...
of means to deal with this situation Gordon Richardson, along with Paul Volcker, played as great a role as anyone excepting only Jacques de Larosière: a role so natural to him, and he so irreplaceable, that he hoped against hope he would stay as Governor. All this has concerned central bankers and commercial bankers alike, between international meetings necessitating incessant telephoning. This was not my side of the Bank’s work: I did not go to the meetings, and heard only the broad results of conversations. Nevertheless, being in the Bank, I was better placed to see what was what than most people outside it; and my impressions seem worth recording.

My own role in the Bank, by now, fits me as smoothly as an old glove. But although I have stayed on a further year, it seems clear this will now be the last; and increasingly as the year went on, through having to plan what I will do afterwards, I have come to feel outside it: indeed, the research I hope to do involves a distancing; a bird’s eye view of what has been done in this and previous years.

After I leave the Bank I hope to produce another book, somewhat like the last. I need an income, however, as well as research facilities. Negotiations for research support were also protracted. But Andrew Britton was helpful, and through him Robin Matthews; I talked a lot with Alan Budd and the London Business School as well as the National Institute. But the whole thing is still in the balance.

I had much less success with a separate study, on the position of the trade unions, which it seemed to me vital also to get done, for, in my view, without a major change in that, we have no answer to the problem of inflation. A lot of people have been enthusiastic, but a lot have not – and, as yet, no research body or research foundation. This, too, thus still hangs undecided.

I start the review of the past year with a recital of what has happened to the UK economy. I retain an obstinate preconception that this is the underlying reality. As last year, there has been government optimism that recovery was setting in, but only feeble signs that it was doing so. It is not surprising that one year should be like another. There have nevertheless been developments that are interesting and unexpected – interesting because unexpected – though they may well take a span of more than a year to unroll in full.

The deepening world recession caused a considerable drop in world commodity prices (of 10 per cent or more in real terms); and some fall in the real price of oil (less marked absolutely, but a marked change from the previous upward trend). It is not surprising that recession should have had these effects on prices, but they are so erratic that