[redacted]

From: [redacted]
Sent: 17 March 2008 15:34
To: [redacted]
Subject: Reception with George Osborne, MP

Dear [redacted]

Thank you for the kind invitation for Mr Aidan Barclay to attend the above function, unfortunately due to prior commitments, Mr Barclay will not be able to attend.

[redacted]

Telephone: [redacted]
Facsimile: [redacted]

Email: [redacted]

TELEPHONE

FACSIMILE

3 March 2010 **BY HAND**

Private & Confidential

The Rt Hon George Osborne MP
House of Commons
London
SW1A 0AA

Dear George.

I hope you are keeping well.

As background reading for the job that you are about to undertake, I thought you might enjoy a copy of the enclosed, recently published book entitled: **'This Time is Different** - Eight Centuries of Financial Folly' by Carmen M. Reinhart and Kenneth S. Rogoff.

I am afraid it is not going to help as to which levers to pull first or last or as to how hard they need to be pulled. However it does put some historical perspective on what we are going through and to some extent the nature of the cycles that came before and after the bubble.

Kind regards

Aidan S. Barclay

Enc.

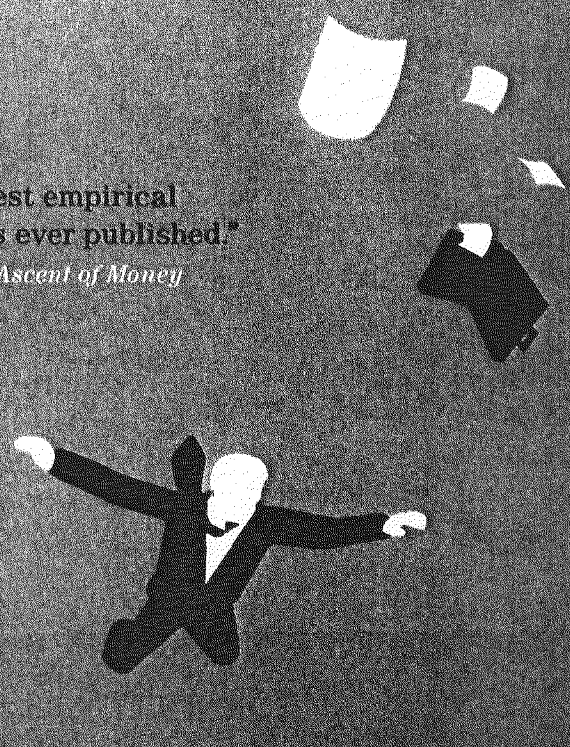
The Rt Hon George Osborne MP

THIS TIME IS DIFFERENT

Eight Centuries of Financial Folly

CARMEN M. REINHART
&
KENNETH S. ROGOFF

"This is quite simply the best empirical investigation of financial crises ever published."
—**Niall Ferguson**, author of *The Ascent of Money*



GEORGE OSBORNE MP

HOUSE OF COMMONS
LONDON SW1A 0AA

DB/FB

3 March 201

Dear Aidan,

Thank you for the book. I actually know Ken Rogoff very well – he's probably the economist I most rate at the moment. His advice on the deficit is clear: Get moving on deal with it.

More generally, we appreciate

Constituency Office:
Telephone: 01565 873037
Facsimile: 01565 873039

House of Commons:
Telephone: 020 7219 8214
Facsimile: 020 7219 6372

Website: www.georgeosborne.co.uk

the support of the Telegraph. Perhaps we could have a drink in the next couple of weeks to catch up? My office will get in touch.

Best wishes,

01/11/10

[redacted]

P

She to ask G.O. (via Treasury office who handles his diary now) if has time to do b/fast ever these days:

AB

GEORGE OSBORNE'S OFFICE TELEPHONED FOLLOWING HIS NOTE TO YOU OF 3 MARCH WITH A VIEW TO ARRANGE A MEETING.

I MENTIONED THAT [redacted] S OUT OF THE OFFICE UNTIL MONDAY BUT WE WOULD GET BACK TO THEM.

SEC: [redacted]
TEL NO: [redacted]
EMAIL: [redacted]

Thurs 9 Dec
B, fast @ Ritz

[redacted]
11.03.10

23/3 15:50

Telecon [redacted]
offered
B/fast Thurs 25 March

or B/fast Tues - Fri
13, 14, 15, 16 April.

[redacted] to discuss w/ G.O.
& revert.

TELEPHONE

FACSIMILE

11 March 2010

PRIVATE & CONFIDENTIAL

George Osborne MP
House of Commons
London SW1A 0AA

Dear George.

Thank you for taking the trouble to write to me. I look forward to catching up when we can arrange it.

In the meantime, I enclose a piece from yesterday's Financial Times concerning French small business start-ups.

Kind regards.

Yours sincerely

Aidan S. Barclay

Enc

FT 10.03.10

·ench entrepreneurs

"The problem with the French," President George W. Bush once said, alas probably apocryphally, "is that they have no word for entrepreneur." Due to heavy taxes and bureaucracy, France was indeed a tiresome place to start a business compared with the US. But something odd has happened. More than 500,000 French businesses were created last year, 75 per cent more than in 2008. That one-year jump was bigger than the increase over the rest of the decade put together. This year, the figures have continued to accelerate.

What is going on? It is an inauspicious time to become an entrepreneur anywhere; start-up rates have stalled in the recession and credit is tight. But a French government scheme, launched in January 2009, removed much of the cost and hassle of setting up a single-person business. Registration on a website suffices. Income tax and social taxes – healthcare, pension and so on – are rolled into a single levy on the new venture's revenue.

Still, it is too soon to get excited. The new outfits are tiny; indeed, six in every 10 "auto-entrepreneurs" do it part-time alongside another job. A quarter of new French businesses fail in the first two years, a rate that may surge if this fragile crop withers as quickly as it sprouted. Still, one happy side effect has been to offer France's jobless something productive to do. High and lasting unemployment used to be a very European problem. But the US has lately developed the same affliction: there the ranks of the long-term jobless have increased almost five-fold to 6.1m in the recession. Skills and motivation atrophy the longer people languish and US policymakers fear they could become permanently disconnected from the workforce. The French have come across an American-style remedy. Mr Bush's successor might take note.

[redacted]

11 DOWNING STREET
WHITEHALL SW1A 2AB

18 May 20

Dear Murdoch,

Thank you for your very kind letter. The country faces some huge challenges, but I am confident we can overcome them. Your support has been fantastic. Let's have a drink and catch up.

Best wishes,

F

[redacted]

TELEPHONE
[redacted]
FACSIMILE
[redacted]

9 December 2010 **BY HAND**

STRICTLY PRIVATE & CONFIDENTIAL

The Right Hon. George Osborne
Chancellor of the Exchequer
11 Downing Street
London
SW1A 2AA

Dear George

A brief note to thank you so much for the hospitality you extended to my brother Howard and me over breakfast earlier today. We both very much enjoyed seeing you and indeed the general chat. It was also nice to meet [redacted]

We would very much like to reciprocate by inviting you to breakfast, if that is convenient, some time in the New Year. I will get my assistant, [redacted] to be in touch with your office towards the end of January.

In the meantime, I will take this opportunity to wish you and your family a Merry Christmas and a Happy, Healthy and Prosperous 2011.

Best wishes from us both.

Kind regards

[redacted]

Aidan S. Barclay

George Osborne
B/fast 2 No1
AB/HB

Thursday 9 December 2010

1. General lack of confidence.
2. Statement of the direction of income tax reduction over time. Down from the current 50%.
3. Suggest tax breaks (5 and 10 years) (N.I. and other areas) for small or start-up businesses, possibly by geography.
4. Speech about the importance of the City of London and its financial industries, which are world-leading; their significant contribution to the government's overall tax receipts.
5. The Montreal/Toronto history.
6. Our experience of securitisation and so-called 'Casino' banking.

Thursday 9 December 2010

1. General lack of confidence. Corporate trend of:

   a) building-up/hoarding of cash resources;
   b) paying down debt;
   c) deferring capital commitments;
   d) continuing to reduce costs wherever possible or more efficiencies;
   e) not committing to new investments or acquisitions;
   f) not increasing headcount.

2. Statement of the direction of income tax reduction over time. Down from the current 50%.

3. Suggest tax breaks (5 and 10 years) (N.I. and other areas) for small or start-up businesses, possibly by geography.

4. Speech about the importance of the City of London and its financial industries, which are world-leading; their significant contribution to the government's overall tax receipts.

5. The Montreal/Toronto history.

6. Our experience of securitisation and so-called 'Casino' banking.

Wednesday 6 June 2011

1. Continuing lack of confidence, both of individuals and companies. How to engender more confidence? Talk up UK and the City.

2. How to deregulate? Is European legislation increasingly tying our hands?

3. Bank of England.

4. Chinese visitors: tourism and visas. The difficulty for Chinese obtaining a tourist visa to the UK. Much easier to obtain Schengen Visa.

5. Work place regulations. Labour's Equality act, paternity leave, etc.

6. Foreign residents in the UK.

F

11 DOWNING STREET
WHITEHALL SW1A 2AB

8 June 2011

Dear Aidan,

Thank you for breakfast this morning. It's always a treat to have it at the Ritz. I will reflect on your, and Howard's idea, for getting the entrepreneurial juices of the economy flowing. Thank you for your on-going, and reliable support through the pages

[redacted]

From: [redacted]
Sent: 13 June 2011 17:13
To: [redacted]
Subject: Handwritten letter from GO

8 June 2011

Dear Aiden

Thank you for breakfast this morning. It's always a treat to have it at the Ritz. I will reflect on your, and Howard's idea, for getting the entrepreneurial juices of the economy flowing. Thank you for your on-going, and reliable support through the pages of the Telegraph. It is never taken for granted, and always appreciated.

Best wishes,
George

The Telegraph Asked for this to be brought to the attention of GO via (telecon)

Whatever George Osborne believes, Britain will spend years in the doldrums

Plunging bond yields do not signify a recovering economy, but quite the opposite.

Stock markets only react well to genuine good news Photo: AFP

By Jeremy Warner (http://www.telegraph.co.uk/finance/comment/jeremy-warner/)

8:10PM BST 03 Aug 2011

2,270 followers

The Government's cost of borrowing, as measured by the yield on 10-year gilts, hit a new post-war low this week, even as the rates of interest charged to Italy and Spain rose to their highest levels since the launch of the euro.

George Osborne, the Chancellor, was not around to witness this apparently triumphant moment in Britain's supposed return to fiscal respectability. He's holidaying in the US. But his team here were quick to claim the credit: it's because of the resolute way in which the Government has gripped the deficit, a spokesman crowed. Investors were expressing confidence in the country as a "safe haven" for their money.

This is right, up to a point. Pre-emptive action on the deficit has removed the default risk we have seen ruinously applied to bond yields in the eurozone periphery. Yet there is also an altogether less comforting conclusion to draw from these almost unbelievably low interest rates.

It is that, for the third time since the financial crisis began – nearly four years ago to the day – investors are beginning to price in a depression, or at the very least a Japanese-style hiatus in growth lasting years into the future, if not decades. The reverse image of improving bond yields is a plunging stock market. Bond yields are falling not as a mark of confidence in the economy, but because markets believe that the economy is likely to remain so weak that it will be years before the Bank of England is able to raise interest rates again.

This, regrettably, is not just a British phenomenon. To a greater or lesser extent, these same fears of a "double-dip" afflict all advanced economies. Temporary resolution of the American debt crisis has failed to stop the rot. Normally, things settle in August as bankers and policy-makers retire to their sun loungers. This time around, financial markets are refusing to observe the conventions of the long summer break.

The West's horrible fiscal choice (http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/8680240/The-Wests-horrible-fiscal-choice.html)

Stock markets fall further as US services data disappoints (http://www.telegraph.co.uk/finance/financialcrisis/8679652/Stock-markets-fall-further-as-US-services-data-disappoints.html)

The 10 biggest falls on Wall Street (http://www.telegraph.co.uk/finance/markets/8680172/The-10-biggest-falls-on-Wall-Street.html)

Societe Generale targets likely to be missed after Greek losses (http://www.telegraph.co.uk/finance/financialcrisis/8679955/Societe-Generale-targets-likely-to-be-missed-after-Greek-losses.html)

Market turmoil a 'deep concern' (http://www.telegraph.co.uk/finance/financialcrisis/8679148/Market-turmoil-a-deep-concern-says-EU.html)

It is ever more apparent that a global economic slowdown, the scale of which was almost wholly unanticipated by the experts, is well in train. A strong, cyclical recovery was meant to be in place by now, but outside the developing economies of Asia and Latin America, it's not happening. "Animal spirits" are not reviving as they are supposed to. More radical solutions, such as those routinely applied in the command economy of China, may be called for.

With the immediate risk of US default removed, there was some expectation that activity would pick up a bit, as pent-up demand held back by the uncertainty of the debt talks was unleashed on the economy.

Yet no sooner is one fire extinguished than another breaks out. The debt crisis has come hurtling back to the eurozone, where only a week ago policy-makers were loudly proclaiming the problem largely solved.

Predictably, Europe has blamed the wrecking ball of London and New York hedge funds, but even if it was possible to pin the latest bout of selling pressure on this relatively small group of financiers (which it isn't), they only reflect underlying realities.

Repeated rounds of externally imposed austerity in Italy and Spain have further undermined prospects for growth, which in turn has worsened the outlook for correcting the crisis in the public finances. Slowing global growth makes it tougher still to overcome the eurozone's debt woes. The wonder is that Italian bond yields are still as low as they are. Italy's public debt dynamics are looking ever more perilous.

The eurozone has entered an upside down, Through the Looking-Glass type of world in which Italy and Spain are being forced to borrow at 6 per cent to lend to the existing bailout recipients of Greece, Ireland and Portugal at 3.5 per cent. It's mad.

To rescue countries such as Italy and Spain, the size of the European bailout fund would have to be raised to 3-4 trillion euros, which would be a degree of shared fiscal responsibility quite unacceptable to the national parliaments of the single currency's more solvent members. There's no help coming from that quarter.

All this makes for a challenging backdrop to the Government's attempts to deal with its own fiscal difficulties. Sometimes, it's hard to figure out which is worse for us – mass default in Europe or the present European policy prescription of ever deeper austerity. Both look equally bad.

It would be nice to think, as the Government plainly does, that gilt yields at historic lows are a sign that, however bad things are, they are better here than most other places. If only this were true. In fact, abnormally low bond yields are one of the key indicators of a prolonged period of impaired demand. When households won't spend and businesses won't invest, the consequent accumulation of surplus savings tends to flow into the only place it can – government debt. An economy without demand will quite quickly become deflationary. Yields fall accordingly.

The reason that it's different for the peripheral economies of the eurozone, which are already in a deflationary environment, is because public debt in these countries is on an unsustainable trajectory, making eventual default all but inevitable. There's a high risk that debt holders won't get their money back.

The Coalition's deficit reduction strategy has all but eliminated that risk for Britain. But things could still go wrong. Such was the degree of overspending during the boom that it may permanently have damaged our economy's ability to recover and grow. The longer that low growth persists, the more difficult it becomes to eradicate the structural deficit and the bigger the public debt mountain becomes. It's not what the Treasury wants to hear, but the feeble growth rate of 0.2 per cent reported for the second quarter may be about the best Britain can look forward to for the next several years. We are in that "deleveraging" phase of correction that follows all serious banking crises. The Government cannot rely on a "normal", cyclical recovery.

Is there anything Mr Osborne can do to lift us out of this funk? Labour's calls for further deficit spending can be quickly dismissed as delusional. The risks are much greater than any benefits. Any suggestion that Britain was about to go slow on fiscal consolidation would cause the pound to plummet, forcing both short- and long-term interest rates to rise. The effect on household spending would be calamitous, far outweighing the marginal boost that consumption would receive from Labour's suggested cut in VAT. Low bond yields do not provide the green light for more fiscal stimulus.

What almost everyone does agree on, however, is that, to thrive anew, the UK economy must structurally rebalance, away from undue reliance on consumption and towards exports and investment.

To date, public policy has, by keeping monetary conditions ultra-accommodative, focused almost entirely on preventing further damage to consumption. If the Government is serious about rebalancing, it must be bolder in its measures to boost investment. Tax incentives can be helpful, but they are not enough.

With normal market economics apparently incapable of providing answers, it may be necessary to move quickly towards applying some of the policy tools used in command economies such as China – cheap loans, land and energy for publicly determined business and infrastructure investment. Namby pambying around with market incentives simply isn't working.

If there is to be another bout of quantitative easing, as now seems likely, some way of ensuring that it is applied to cheap business lending rather than disappearing into the pockets of bankers must be found. Extreme circumstances call for extreme solutions.

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

9 January 2012

Aidan Barclay
[redacted]

Dear Aidan,

I hope you had a good Christmas and New Year.

Thank you very much for sending me the list of regulations which your businesses are running up against. It is extremely helpful to get such specific comments. I have asked my officials to look at all issues you raised.

I was pleased to see the positive reaction to some of the deregulatory changes already in train, such as the changes to Employment Tribunals. I will continue to push within the Government to go further and I hope that we will be able to make some positive announcements in the forthcoming months.

Best wishes,

[redacted]

GEORGE OSBORNE

[redacted]

TELEPHONE

[redacted]

FACSIMILE

[redacted]

11 January 2012 **BY HAND**

STRICTLY PRIVATE & CONFIDENTIAL

The Right Hon. George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear George.

I met the other day with John Tsang, Financial Secretary of The Government of the Hong Kong Special Administrative Region. He mentioned that you might attend the Asian Financial Forum in Hong Kong next week.

In the course of the conversation, he told me that, for reasons of potential rising unemployment in Hong Kong in 2012 (resulting from a potential slowdown in exports) his government is considering providing some financial support, via the banks, to boost lending to local small to medium sized businesses. The Hong Kong government had done this in 2008, when they had successfully encouraged the lending of $100 billion by guaranteeing 80% of what the commercial banks lent. Apparently it was a great success and so far the default rate is miniscule.

I did not go into the details of how exactly this worked but thought that it might be relevant for you, given our last conversation before Christmas and your proposals to do something similar in the UK. The initiative in Hong Kong clearly worked well and it might be worth asking one of your staff to check out with John Tsang's office the precise details, in case you think all or any part of it is worth replicating in the UK.

Kind regards

[redacted]

Aidan S. Barclay

DB / FB

23 JAN 2012

CHANCELLOR OF THE EXCHEQUER

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

19 January 2012

Aidan S Barclay
[redacted]

Dear Aidan,

Many thanks, as ever, for your letter regarding the issue of bank lending to SMEs, citing the Hong Kong example in particular. I read it with interest, before departing on a commercial trade tour to the Far East, where I was beating the drum for UK Plc.

I am continuing to look into various measures to support credit flow to SMEs – it is vital we nurture these businesses in order to restore strong growth to the UK.

I look forward to keeping in touch.

Best wishes,

[redacted]

GEORGE [redacted]