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10 DOWNING STREET

THE PRIME MINISTER

26 March 1980

*subject copy filed on:-*

*USA - Economic Situation May 79*

**PRIME MINISTER'S**

**PERSONAL MESSAGE**

**SERIAL No. .... T 66/80**

Thank you for your message of 14 March about your economic policy decisions. I am grateful to have had advance notice of these important measures.

I share your conviction that we must give overriding priority to getting inflation down. I know how difficult the decisions can be in this field. I therefore appreciate very much your determination in taking these painful, but necessary measures. Your resolute actions will give encouragement and support to other governments who are grappling with similar problems, and contribute greatly to the restoration of a more stable world economy. Geoffrey Howe made a point of including a favourable reference to your measures in his budget speech earlier today.

I particularly welcome the action you have taken to reduce gasoline consumption. This will be a signal contribution to our common efforts to reduce oil consumption and dependence on oil imports. I agree that reductions in domestic demand for oil must be part of a wider pattern. We shall readily join with you in developing appropriate concerted or national action, when this is discussed internationally. I believe that, for this year at least and possibly beyond, market forces are likely to maintain a reasonable balance between supply and demand for oil and our preference is to allow them to do so. Nevertheless, we must keep a careful watch on the situation, in case further action is needed. I expect that the next Ministerial meeting of the International Energy Agency will consider these matters, but I hope they will look at longer term measures rather than concentrate primarily on the short term.

/I hope



I hope we can keep in close touch on both economic and energy policies. Geoffrey Howe is writing to Bill Miller separately about the contents of his budget.

(SGD) MARGARET THATCHER

The President of the United States of America.

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