

ECONOMIC SUMMIT

+34

PS
 PS/MR HURD
 PS/MR RIFKIND
 PS/LD BELSTEAD
 PS/MR MARTEN
 PS/PUS
 MR EVANS
 MR HANNAY
 MR THOMAS
 MR HAYES

PS/NO 10 DOWNING STREET
 PS/CHANCELLOR OF)
 THE EXCHEQUER) TREASURY
 SIR K E COUZENS)
 MR TURNBULL)
 SIR R ARMSTRONG
 CABINET OFFICE

HD/ERD (2)
 HD/ECD (4)
 HD/ES & SD (2)
 HD/NAD
 HD/WED
 HD/FED
 HD/NEWS D

MR J CAINES) DOT
 MR E BESTON)
 MR MCMAHON BANK OF ENGLAND
 MR BUIST ODA
 MR PRIDDLE DEPT OF ENERGY
 MISS DICKSON DEPT OF ENERGY

GR 325

CONFIDENTIAL

FROM MOSCOW 121035Z NOVEMBER

TO IMMEDIATE F C O

TELEGRAM NUMBER 726 OF 15 NOVEMBER

INFO IMMEDIATE WASHINGTON

PRIORITY PARIS, BONN, OTTAWA , ROME , TOKYO, UKREP BRUSSELS,
UKDEL OECD.

FOLLOWING FROM PRIVATE SECRETARY.

SECRETARY OF STATE'S MEETING WITH MR SHULTZ, 14 NOVEMBER: WORLD
 ECONOMY AND ECONOMIC SUMMITS.

1. FOLLOWING ON THE DISCUSSION OF YUGOSLAVIA (RECORDED SEPARATELY), SHULTZ SAID THAT THE WHOLE PROBLEM OF THE WORLD ECONOMY NEEDED TO BE ADDRESSED BETTER. HE DID NOT FEEL COMFORTABLE WITH THINGS AS THEY WERE . IT WAS NOT SO MUCH A PROBLEM OF DEVISING A WAY TO PREVENT THE WORLD BEING BANKRUPTED BY DEBTS : WE OUGHT TO BE SMART ENOUGH TO BE ABLE TO AVOID THIS. BUT WE WERE NOW PRESCRIBING A POLICY OF AUSTERITY AND EXPORTS TO ONE COUNTRY AFTER ANOTHER . IF THIS CONTINUED , HOW WAS GROWTH EVER TO BE ACHIEVED ? KEYNES' ' PARADOX OF THRIFT ' APPLIED HERE . AUSTERITY WAS A CORRECT PRESCRIPTION FOR ONE COUNTRY SO LONG AS OTHERS WERE IN GOOD SHAPE ? BUT WHAT ABOUT IF A NUMBER OF COUNTRIES WERE BADLY PLACED ? SHULTZ DID NOT EVEN FEEL SURE THAT HE WAS EXPRESSING HIS THOUGHTS CORRECTLY. BUT HE WAS CONVINCED THAT EXPANSION WAS VERY IMPORTANT . AS TO THE ECONOMIC

ADVANCE COPY
 ADVANCE COPY
 IMMEDIATE

CONVINCED THAT EXPANSION WAS VERY IMPORTANT . AS TO THE ECONOMIC SUMMITS , IT MIGHT BE RIGHT TO REJECT OVER-PREPARATION , BUT PERHAPS THE AGENDA FOR THE NEXT SUMMIT SHOULD COMPRISE TWO ITEMS : ECONOMIC EXPANSION, AND PEACE .

2. THE SECRETARY OF STATE AGREED. IT WAS A PITY , FOR POLITICAL REASONS , THAT IT HAD NOT BEEN POSSIBLE TO BRING FORWARD THE DATE OF THE 1983 SUMMIT . WHEN THEY MET NEXT MAY , HE HOPED THAT THE WORLD'S LEADERS WOULD AGREE ON A CLEAR DIRECTION AND HOW THE WORK WAS TO BE TACKLED. THIS SHOULD BE THEIR REMIT TO THEIR OFFICIALS.

3. SHULTZ SAID HE WAS CONTINUING TO THINK ABOUT THESE PROBLEMS AND MIGHT HAVE MORE TO SAY LATER .

SUTHERLAND

NNNN