

PRIME MINISTER

WILLIAMSBURG: SPEAKING NOTE ON THE
US THEMATIC PAPER

Alan Walters and I have worked
together on the attached speaking note.
Perhaps we could discuss on the aircraft
how to sharpen it up?

110 200000

26 May 1983

SPEAKING NOTE FOR THE DISCUSSION OF THE

THEMATIC PAPER

THE U.S. PAPER PROVIDES A USEFUL STARTING-POINT FOR
OUR DISCUSSION.

(A) IT IS ABSOLUTELY RIGHT TO REMIND US
OF THE ^{Progress} ~~IMPROVEMENTS~~ WE HAVE ^{made} SEEN SINCE
THE LAST SUMMIT: FOR EXAMPLE

- ~~THE MAJOR SUCCESSES WHICH HAVE BEEN~~

~~ACHIEVED IN REDUCING INFLATION.~~ ^{has}
^{been reduced and much faster}
~~IT HAS FALLEN FASTER THAN MOST~~

PEOPLE DARED HOPE A YEAR AGO; ~~AND~~

↓ ~~IT~~ IS NOW, ^{For the} ^(as a whole) ~~ON AVERAGE IN~~ SUMMIT COUNTRIES
AT ITS LOWEST ^{level} POINT FOR A DECADE.

/ - THAT

present
 - THAT THE ~~RECOVERY WHICH IS GETTING~~
~~UNDER WAY IN OUR COUNTRIES,~~ *already* ~~SPREADING~~ *and*
 TO OTHERS COUNTRIES, *will give rise to* WILL HELP ENSURE

(promote the further growth)
 THE REVIVAL OF WORLD TRADE AND THE ~~same~~
(to benefit both industrial and)
 EASING OF DEBT BURDEN OF MANY DEVELOPING
 COUNTRIES.

(B) IT IS RIGHT, TOO, TO REMIND US OF THE
 PROBLEMS WHICH WE CONTINUE TO FACE:

IN PARTICULAR

That the present
 - ~~THE INTOLERABLY HIGH LEVELS OF~~
~~UNEMPLOYMENT~~ *are intolerable, but* ~~WHICH I BELIEVE IS~~
~~NOW THE DEEPEST PROBLEM FACING~~ *for which there is no quick*

cure
 THE WEST. *(all quick cures are quack cures)*

/ - THAT THE

- THAT THE RECOVERY IS ^{everywhere} LIKELY TO BE
PATCHY FOR ~~ALL OF US~~: NOT EVERY
FIRM, NOT EVERY ^{worker} REGION WILL FEEL
^{Surging of growth} THE ~~BENEFITS OF THE CHANGE~~.

THE VERY FACT OF TECHNOLOGICAL CHANGE ^{Progress}
WILL MEAN THAT THERE ~~WILL BE NO~~ ^{those who can grasp the}
^{new opportunities will benefit more} RECOVERY AT ALL FOR SOME FIRMS;
^{than those who do not} AND RAPID EXPANSION FOR OTHERS.

- THAT THE RECOVERY IS THREATENED BY ^{consequence of this fears}
^{and} THE POSSIBILITY OF A RESURGENCE OF
INFLATION, FUELLED BY HIGH BUDGET
DEFICITS AND HIGH ^{er} INTEREST RATES.

/THESE, OF COURSE,

THESE, OF COURSE, ARE NOT THE ONLY ^{notable} ECONOMIC ^{events} ACHIEVEMENTS ~~of such nature~~
OF THE PAST TWELVE MONTHS:-

(A) WE HAVE SEEN LARGE IMPROVEMENTS IN
PRODUCTIVITY AND EFFICIENCY - THE
OTHER SIDE OF THE COIN OF THE LABOUR
SHAKE-OUT.

IT IS ONLY FROM A ^{profitable and} ~~SLIMMED DOWN~~ AND
FULLY COMPETITIVE INDUSTRIAL ^{base} ~~BASE~~
THAT WE ^{shall} WILL SEE AN ENDURING AND
SUSTAINED RECOVERY, AND MORE REAL
JOBS.

/(B)

intentional

(B) ~~WE HAVE COME THROUGH SOME DIFFICULT~~
~~CRISIS, THERE IS STILL A GRAVE DEBT~~
~~MONTHS IN RELATION TO THE INDEBTEDNESS~~
~~PROBLEM~~
~~OF A NUMBER OF COUNTRIES.~~

governments ~~STARTED~~
MOST MAJOR DEBTORS ~~HAVE NOW PUT IN~~
~~THE RIGHT SORT OF~~ *the appropriate*
adopted ~~PLACE ADJUSTMENT PROGRAMMES, WITH THE~~
~~POLICIES TO RESTORE THEIR USUALLY HIGH~~
~~HELP OF THE IMF, BUT TIME ALONE WILL~~
~~CREDITWORTHINESS. BUT~~
~~SHOW WHETHER ENOUGH HAS BEEN DONE TO~~
There is still much to be done.
~~RULE OUT FURTHER DIFFICULTIES IN~~

~~INDIVIDUAL CASES.~~

~~THE MAIN LESSON WE MUST ALL LEARN -~~

~~OR, RATHER, THAT THE COMMERCIAL BANKS~~

~~SHOULD~~ *re-* ~~LEARN - IS THAT THE PILING~~

~~OF DEBT ON DEBT WE HAVE SEEN MUST~~

~~NEVER BE ALLOWED TO HAPPEN AGAIN IN THIS~~
~~WAY.~~

*it is in
the lender's
interest to ensure
their loans are
used productively
and are self liquidating*

/THE PAPER

THE PAPER ALSO USEFULLY POINTS TO SOME THEMES ON WHICH

~~I'M SURE WE WILL NEED TO DEVELOP A DEEPER~~

COMMON UNDERSTANDING ~~IF OUR DISCUSSION IS~~

~~TO MAKE A POSITIVE CONTRIBUTION TO THE RECOVERY:-~~

(A) WE MUST EACH OF US FOLLOW POLICIES IN
THE MANAGEMENT OF OUR RESPECTIVE
ECONOMIES WHICH WILL PROVIDE THE RIGHT
FRAMEWORK WITHIN WHICH OUR INDUSTRIES
CAN THRIVE AND EXPAND.

(B) THAT MEANS ^{and} SOUND FINANCIAL POLICIES,
WITH FIRM CONTROL OF MONETARY GROWTH ↑
AND FISCAL POLICIES WHICH MATCH.

/PERSISTENT

PERSISTENT ^{High} BUDGET DEFICITS AT HIGH
AND UNSUSTAINABLE LEVELS, MUST BE

CUT DOWN TO SIZE, SO AS TO ALLOW

~~THE~~ PRIVATE BUSINESS ACCESS TO THE
INTEREST RATES TO COME DOWN FURTHER.

~~NATION'S SAVINGS INVESTMENT FUNDS~~
and to allow a fall in interest rates.
WE ALL HAVE A RESPONSIBILITY HERE:

BUT FOR THE U.S., WHICH HAS SO MUCH

INFLUENCE OVER THE FORTUNES OF ALL

OF THE REST OF US, THIS IS A SPECIAL

RESPONSIBILITY.

- (c) WE SHOULD ALL LIKE TO SEE STEADIER AND
LESS VOLATILE EXCHANGE RATES.

/THE WAY TO

THE WAY TO ACHIEVE THIS IS NOT BY
GRANDIOSE SCHEMES OF LARGE-SCALE
AND ^{COORDINATED} CONCERTED INTERVENTION (WHICH
WILL PROVIDE NO SHORT CUT TO EXCHANGE
RATE STABILITY), BUT BY THE PURSUIT
OF SOUND AND MUTUALLY CONSISTANT
POLICIES IN THE KEY CURRENCY COUNTRIES -
A MEDIUM TERM FINANCIAL STRATEGY ON
AN INTERNATIONAL SCALE.

- (D) THESE ARE THE POLICIES - SOUND MONEY,
EXPENDITURE AND REVENUE UNDER CONTROL,
AND STEADY EXCHANGE RATES - WHICH WILL
SUSTAIN OUR RECOVERY AND WHICH ALONE
WILL BRING ABOUT THE REDUCTION IN
UNEMPLOYMENT WHICH WE ALL SO DESPERATELY
WISH TO SEE, /I HAVE

I HAVE ONLY ONE MORE POINT TO MAKE, AND IT IS A PLEA.

IF WE CAN ADVANCE OUR COMMON UNDERSTANDING
ON THESE MATTERS AS I HAVE SUGGESTED, MAY
WE ALL RESOLVE TO TURN THESE ASPIRATIONS
INTO FACT, BY TAKING ACTION - CONCRETE ACTION -
IN EACH OF OUR COUNTRIES?