



HOUSE OF COMMONS
LONDON SW1A 0AA

23rd November, 1976

De Mazank

I had a brief talk on Saturday before dinner at the American Embassy with Elliot Richardson, now US Secretary of Commerce, during which we were joined by the German Ambassador.

It was clear from this that both those Governments and, they said, the French were sympathetic to the Government's objective of securing international help to "deal with" the Sterling balances.

Richardson, ostensibly over here to visit Poland, had had long talks with Healey and Lever. The latter had obviously impressed him with his view that economic management was absurdly dominated by traditional techniques and that it should be perfectly possible, by direct control of the banking sector and so on, to cover large government borrowing without the usual accompaniment of high interest rates. More seriously, Richardson had obviously been impressed by the case that they both made against large reductions in public sector spending at a time when the economy was already working below capacity since it was difficult to justify the further rise in unemployment that would follow spending cuts, which could lead to serious social conflict. Richardson contrasted this with the "theological" commitment of Simon to the more orthodox approach of emphasis on control of the money supply and so, in our context, of public spending.

I took the opportunity of saying that, as a lawyer like Richardson, I had no enthusiasm for economic theology but that we nevertheless preferred the Simon view and were fearful that the attitude of international creditors could lead to continued financing of the Government in a policy that would still leave our fundamental problems wholly unsolved.

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Richardson, who is in any case on the Liberal wing of the Republican Party and presumably inclined to sympathise with the Healey/Lever approach, appeared to take my point serious not least, I suspect, because it was in line with most of what he would have been hearing in Washington.

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The Rt. Hon. Margaret Thatcher M.P.

John
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cc The Rt. Hon. Sir Keith Joseph Bt., M.P.
The Rt. Hon. John Davies MBE MP
John Biffen MP
John Nott MP
David Howell MP
Adam Ridley

MT

Having read this note, Sir Geoffrey wondered if you would like him to try and see Simon while he is over. You will remember that you are seeing him on Sunday evening at the Armstrongs' for dinner.

CS

24 Nov.

apparently MT
same as CS. 25th