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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
	<p><i>all over 10-27-99 NL 898-475</i></p> <p>Agency: National Security Council <i>Exempt per NSC 10-11-78</i></p>		
#1 a Notes	<p>notes of an off-the -record meeting between President Johnson and Prime Minister Wilson, prepared by Chairman Ackley <i>Exempt per State 6-10-82</i></p> <p><i>Exempt NL 390-188</i> Exempt 6-14-81 NL 393-266</p>	12/7/64	A
#1 b Notes	(dup. #1 a above)	12/7/64	A
#1 c Notes	(dup. #1 a above)	12/7/64	A

FILE LOCATION

NSF Country File
United Kingdom, Off Record Meeting with PM Wilson, 12/7/64

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Executive Office of the President
Council of Economic Advisers

12/21

GARDNER ACKLEY

To: Mr. Jack Valenti.

Mac Bundy asked
me to do this summary
for the President's
files. I am ^{sending} you all
copies except one
I have kept for my
file. I assume you know
what to do with them.

Gardner Ackley

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DECLASSIFIED
E.O. 12958, Sec. 3.6
NLJ 98-475
By is, NARA Date 10-6-99

OFF-THE-RECORD MEETING OF THE PRESIDENT
WITH PRIME MINISTER WILSON,
4:45 - 6:00 P.M., DECEMBER 7, 1964

Those present, in addition to the principals, were Sir Eric Roll, Sir William Armstrong, Secretary Dillon, Chairman Martin, Chairman Ackley, McGeorge Bundy (most of the meeting), Secretary McNamara (part of the meeting).

It was agreed to begin with that this was a meeting which never occurred.

The President opened the discussion by referring to the close economic relationships between the two countries, and the need for a full and frank exchange of views on recent financial happenings and their impacts in both countries. He referred to the effects on the U.S. economy not only of the necessary rise in the discount rate, but also in terms of public attitudes toward future fiscal decisions.

The Prime Minister began by summarizing recent events in the United Kingdom, and the policies that had been adopted. He referred to the critical economic situation which had been inherited from a Conservative government that both failed to take necessary actions and concealed facts about the seriousness of the situation. The Prime Minister indicated his view that tighter money is no long-term solution to British economic problems, and that the import surcharges were basically wrong, although necessary in the short run. The basic solution has to lie in improving Britain's competitive position both with respect to exports and to manufactured imports. This will depend on many things, but principally on improving the efficiency of British industry and, in particular, on modernizing British capital equipment. He referred to the plans to cut back on prestige projects, as well as on some types of defense expenditures. He indicated his wish to discuss with U.S. officials the possibilities of greater interdependence in both research and production of weapons.

The Prime Minister indicated his appreciation of the importance of a rigorous incomes policy, and reported that a "treaty" on income developments, including representatives of management, labor and government, would be signed and announced around December 16.

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He emphasized several times his view that deflation of the British economy will provide no real solution to Britain's problems, pointing out that restrictive practices on the part of labor and management are encouraged and reinforced in an underemployed and slack economy.

He discussed at some length the unfortunate developments which led to a loss of confidence in the new British government. He indicated particularly the unfortunate effects of having to explain and defend British policies before a whole series of international meetings, each generating leaks which agitated those in other countries who were already antagonistic toward a Labor government.

The Prime Minister expressed his strong gratitude for the various public statements which have been made at critical times by Secretary Dillon and Under Secretary Roosa, and for the understanding attitude of Under Secretary Ball at the OECD meetings. He was full of praise and admiration for the American efforts to put together the \$3-billion currency package which finally put an end to speculation.

He ended by stressing the importance of continuing consultation between the two governments at all levels, and by committing himself and his government with complete firmness against any possibility of a devaluation in the pound.

The President then requested Secretary Dillon to comment on the British situation.

Secretary Dillon summarized the general view of his Government that the basic programs which the UK Government had adopted were essentially sound and correct. But he indicated that the difficulties which the UK Government had encountered could be in part traced to unfortunate statements which British officials had themselves made which played down the effectiveness on the domestic economy of the measures they were taking. He reviewed several such incidents in detail, and expressed the hope that in the future, statements about the British situation and policy measures would be limited, and would be designed to inspire the confidence of foreign businessmen and governments.

The Prime Minister then asked the view of the Americans about the best timing for the announcement of further details of their more basic

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programs to improve efficiency and competitiveness in British industry and efforts. He wondered whether the situation was so critical that the announcement should be made at the earliest possible date, or whether it could be delayed until the details of programs had been more fully developed.

The President asked Chairman Martin to comment on this question.

Chairman Martin indicated that in his view the situation remained highly critical, and urged the earliest possible announcement of fundamental measures which would strengthen confidence. He urged the British government to attempt to ascertain from the Group of Ten what specific measures would -- in their view -- be necessary in order to restore the confidence of foreign governments and foreign businesses in the integrity of the pound.

Both the Prime Minister and Sir Eric Roll objected that the several governments and business communities represented in the Group of Ten had divergent views about what policies would be necessary, and that it would be impossible to please all of them, if, indeed, they could please any of them.

The President encouraged Chairman Martin to indicate further his views of the British actions. Chairman Martin believed that the most serious element contributing to the British crisis had been the unfortunate statements made, or reported to have been made, by members of the British government. He discussed several of these statements in some detail.

In continuing to indicate his views of the seriousness of the present situation, Chairman Martin turned to the U.S. balance of payments, indicating the importance, in his opinion, of additional U.S. measures to strengthen our balance-of-payments position. In this connection he referred to additional cutbacks of U.S. expenditures abroad which, he said, had been agreed upon in September 1963 but never carried out. The President indicated considerable interest in this subject and asked Secretary Dillon for details.

The President then requested Secretary McNamara to enter the meeting and asked him about the alleged failure to carry out reductions of

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The President then requested that his American advisers get together to consider whether further measures could be taken to strengthen the U.S. balance of payments, and asked that they be prepared to meet with him on Friday (December 11) for a review of these measures. When Chairman Martin indicated that he would be out of the city on Friday, the date was changed to Thursday, December 10. (A paper was prepared by Secretary Dillon for such a meeting, and was sent to the President on the night of December 8, but a meeting with the President could not be arranged.)

The meeting ended with an exchange between the President and the Prime Minister in which each indicated his desire to maintain the closest possible continuing consultation on economic matters, and both expressed the view that this meeting had been very useful.

(These notes were prepared by Chairman Ackley, and have been checked for accuracy with Secretary Dillon and Mr. Bundy.)

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It was agreed to begin with that this was a meeting which never occurred.

The President opened the discussion by referring to the close economic relationships between the two countries, and the need for a full and frank exchange of views on recent financial happenings and their impacts in both countries. He referred to the effects on the U.S. economy not only of the necessary rise in the discount rate, but also in terms of public attitudes toward future fiscal decisions.

The Prime Minister began by summarizing recent events in the United Kingdom, and the policies that had been adopted. He referred to the critical economic situation which had been inherited from a Conservative government that both failed to take necessary actions and concealed facts about the seriousness of the situation. The Prime Minister indicated his view that tighter money is no long-term solution to British economic problems, and that the import surcharges were basically wrong, although necessary in the short run. The basic solution has to lie in improving Britain's competitive position both with respect to exports and to manufactured imports. This will depend on many things, but principally on improving the efficiency of British industry and, in particular, on modernizing British capital equipment. He referred to the plans to cut back on prestige projects, as well as on some types of defense expenditures. He indicated his wish to discuss with U.S. officials the possibilities of greater interdependence in both research and production of weapons.

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He ended by stressing the importance of continuing consultation between the two governments at all levels, and by committing himself and his government with complete firmness against any possibility of a devaluation in the pound.

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