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CF/Central Files

THE PRESIDENT HAS SEEN. J.

May 20, 1975

The Honorable Karl Klasen  
President  
Deutsche Bundesbank  
6 Frankfurt am Main  
Wilhelm-Epstein-Strasse 14  
Federal Republic of Germany

GRY

Dear Karl:

Henry Wallich and I have consulted following the conversation you and Henry had in Basle. The following suggestions occur to us as fruitful areas for discussion at the Nato summit meeting in Brussels between Chancellor Schmidt and President Ford.

No doubt the main economic topic of interest should be the business cycle situation in our two countries, and in the world economy generally. It would be useful if the Chancellor could review the anti-cyclical policy actions already taken in Germany and comment on the current economic outlook in the light of these measures. Similarly, it would seem appropriate to us for the President to review the strong policy measures taken here in the United States and the prospects for their being effective. As part of this discussion, it would be helpful to take note of the extensive consultation and cooperation between our two banks in recent months (which has even presented some opportunities for the harmonization of our respective policies) and to reiterate the desirability of this close cooperation continuing in the future.

Several other topics of common interest have a bearing on the economic outlook and should probably figure in the discussion. For example, it would be useful for the President and the Chancellor to have a frank exchange of views about the energy problem and the policy measures in the energy area, both domestic and international, that the United States and Germany have adopted or

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might need to adopt in the future. As you well know, central banks have been taking some important steps to improve the stability of their domestic financial systems and the world financial structure, and a review of these actions might be helpful. Finally, both our countries have had intensive reviews of policy with respect to inward direct investments, particularly by OPEC countries. The Chancellor might be interested in our deliberations here in the United States, and he might in turn wish to review the current status of policy in Germany.

I hope you will find these suggestions helpful. Henry joins me in sending you warm regards, and I look forward to seeing you again soon -- in Paris and Amsterdam.

**Sincerely yours,**

**Arthur F. Burns**

**RCB/AFB:jmr**