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WITHDRAWAL SHEET

Ronald Reagan Library

Collection: WHORM Subject File

Archivist: cas/cas

File Folder: IT044 (begin - 039999)

Date: February 14, 1997

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. memo (033464)	Murray Weidenbaum to the President re IMF/World Bank Meetings (1 pp.)	9/17/81	RS MWH 12/15/02

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

Bj

R0005255

THE WHITE HOUSE
WASHINGTON

February 3, 1981

IT044
IT023
IT017
IT002
IT001
FE012
PE002-01

WS

MEMORANDUM TO THE PRESIDENT

FROM: E. Pendleton James

SUBJECT: Appointment of Donald T. Regan

Jim Baker, Ed Meese and I recommend that you nominate Donald T. Regan of New Jersey to be United States Governor of the International Monetary Fund for a term of five years and United States Governor of the International Bank for Reconstruction and Development for a term of five years; a Governor of the Inter-American Development Bank for a term of five years; and United States Governor of the Asian Development Bank and United States Governor of the African Development Fund.

Mr. Regan is currently Secretary of the Treasury.

APPROVED

✓

DISAPPROVED

Announced. 2/4/81

To Senate. 2/5/81

NOTED
JW

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 4, 1981

The President announced today his intention to nominate Secretary of the Treasury Donald T. Regan to be United States Governor of the International Monetary Fund for a term of five years; United States Governor of the International Bank for Reconstruction and Development for a term of five years; Governor of the Inter-American Development Bank for a term of five years; United States Governor of the Asian Development Bank and United States Governor of the African Development Fund.

###

4
ID # 015637

IT 044

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 81 03 126

Name of Correspondent: Jeremiah Denton

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Endorsement - Mr. Arthur Tomson, Jr. - the International Monetary Fund Board on the Inter-American Development Bank. (Resumé enclosed)

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>La Fric</u>		ORIGINATOR	<u>81 03 127</u>	<u>CD MF</u>	<u>A</u>	<u>81 04 11 3</u> ^{DR}
<u>PP JAME</u>		Referral Note: <u>A</u>	<u>81 10 4 14</u>		<u>C</u>	<u>82 08 12</u>
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		Referral Note:	<u>1 1</u>			<u>1 1</u>
		Referral Note:	<u>1 1</u>			<u>1 1</u>

- ACTION CODES:**
 A - Appropriate Action
 C - Comments
 D - Draft Response
 F - Fact Sheet
 I - Info Copy/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply
- DISPOSITION CODES:**
 A - Answered
 B - Non-Special Referral
 C - Completed
 S - Suspended

FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: L Individual Codes: 1.220 _____

Prime Subject Code: IT 044 Secondary Subject Codes: IT 017 _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

SIGNATURE CODES:

- CPn - Presidential Correspondence
 - n - 0 - Unknown
 - n - 1 - Ronald Wilson Reagan
 - n - 2 - Ronald Reagan
 - n - 3 - Ron
 - n - 4 - Dutch
 - n - 5 - Ron Reagan
 - n - 6 - Ronald
 - n - 7 - Ronnie

- CLn - First Lady's Correspondence
 - n - 1 - Nancy Reagan
 - n - 2 - Nancy
 - n - 3 -

- CBn - Presidential & First Lady's Correspondence
 - n - 1 - Ronald Reagan - Nancy Reagan
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MEDIA CODES:

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- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

April 13, 1981

Dear Jerry:

Thank you very much for your recent letter to President Reagan regarding your strong support of Mr. Arthur Tonsmeire, Jr. for the position of board member on the International Monetary Fund Board or to the Inter-American Development Bank.

It was good to hear from you and to have the benefit of your very favorable recommendation. You may be assured that he will receive every possible consideration, especially in view of your personal interest.

I have forwarded your letter of recommendation to E. Pendleton James, Assistant to the President for Presidential Personnel, for appropriate action and consideration.

We appreciate very much your interest.

With cordial regard, I am

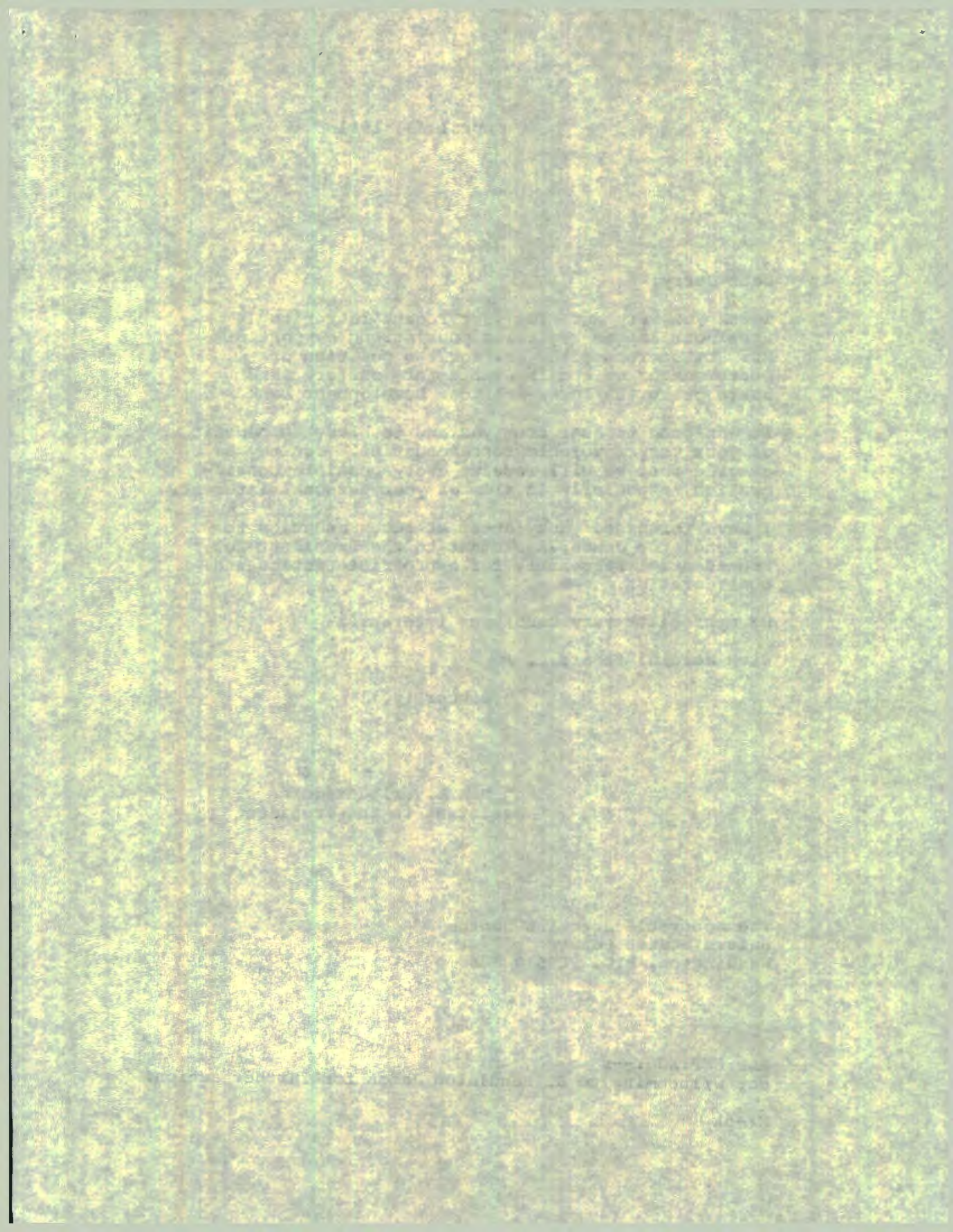
Sincerely,

Max L. Friedersdorf
Assistant to the President

The Honorable Jeremiah Denton
United States Senate
Washington, D.C. 20510

MLF:CMF:KJJ:--S
cc: w/incoming to E. Pendleton James for further action.

MF-5A



JEREMIAH A. DENTON, JR.
ALABAMA

United States Senate

WASHINGTON, D.C. 20510

24 March 1981

Honorable Ronald W. Reagan
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500

015637

Dear Mr. President:

Please let me recommend for your serious consideration Mr. Arthur Tonsmeire, Jr., a native and resident of Mobile, Alabama, for appointment to the International Monetary Fund Board or to the Inter-American Development Bank.

Complete background information has previously been submitted to your office, but for your ready reference I am attaching a copy of his resume. I am sure you will agree that Mr. Tonsmeire is eminently qualified to fill either of these positions.

Please give this highly qualified gentleman your highest possible consideration for one of these most important posts.

Most respectfully,

Jerry Jeremiah Denton
Jeremiah Denton
U. S. S.

February 20, 1981

Mr. Kenneth R. Giddens, President
WKRG TV
P.O. Box 2367
Mobile, Alabama 36652

Dear Kenneth:

Attached is a sort of resume or summary of my activities that you requested. Perhaps my expertise would be in the financial and housing areas, as illustrated by the following:

First Southern Federal Savings and Loan Association,
Chief Executive Officer, Chairman and President/
1940 to present

Federal Home Loan Bank of Atlanta, Vice Chairman/1975-1977,
Board of Directors/1974-1977

National Savings and Loan League, (savings and loan industry
national trade organization), President/1975-1976, President's
Economic Advisory Council/1979 to present

First Mississippi National Bank, Board of Directors
since 1948

Chief of Fiscal Division, U. S. Army, South Atlantic
Theater of Operations (World War II)

Mobile Daily Newspapers, Inc., Treasurer/1965-1971

Real estate developer and builder (developed eight separate
residential subdivisions, two apartment projects, single
family dwellings)

Owner and operator of Fulton Supply & Lumber Company (a
building supply company), Mobile, Alabama, 1948-1962

Advisory Council to AID on International Housing
Development/1966-1969

U. S. League of Savings Associations, Board of Directors/1953-1955

International Union of Building Societies (worldwide home financing and building organization), Executive Council/1980 to present

And, perhaps in the area of foreign affairs as illustrated by the following:

Member of the United States Delegation to the United Nations Conference on Housing, (Vancouver, Canada, 1976 - Secretary of HUD, Carla Hills, headed the delegation)

Consul for the Republic of Honduras in Mobile/1966 to present

International Union of Building Societies (the worldwide trade organization of the savings and loan industry), United Nations Committee/1979 to present; Executive Council/1980 to present

Inter-American Savings and Loan Union (the Latin America trade organization of the savings and loan industry), Board of Directors/1975 to present

Business interests and substantial investments in Central America for 20 years (1961 to present)

Alabama-Guatemala Partners of the Americas, Organizer and Chairman/1964-1976

Sponsored and arranged \$1,500,000 loan to savings and loan system in Guatemala/1971

Advisory Council to AID on International Housing Development/1966-1969

National Savings and Loan League, Chairman of International Committee/1959-1980

South Atlantic Theater of Operations, Chief of the Fiscal Division, U. S. Army, (World War II), 1943-1944

United States Savings and Loan League, Vice Chairman of International Committee/1968-1977

My particular interest and knowledge, as you know, is in Latin America, and more especially in Central America.

I have been and am active in other fields, such as agriculture, as illustrated by the following:

Cattle operation for 35 years, beginning in 1946, (cow and calf operation in south Alabama and steer operation in middle Alabama)

Alabama Cattlemen's Association, (largest state cattlemen's association in the U. S.), President/1958-1959

American National Cattlemen's Association, Executive Committee/1959-1960

Timber growing operation since 1941

4-H Club Foundation, Board of Trustees/1968-1975

Also, publishing as illustrated by the following:

South Business Magazine, (currently published in Tampa), Publisher/1979 to present

Mobile Daily Newspapers, Inc., Treasurer and Member of the Board of Directors/1965-1971

I would like very much to be of service to the current administration in whatever way possible. Recently, I had some correspondence relative to serving in the foreign relations field; copy of a letter from Pendleton James is attached.

At the present time, it would be a little difficult for me to take any sort of full time position, although I could probably do this within the near future.

Let's keep in touch.

Sincerely,

Arthur Tonsmeire, Jr.

/db
Attachment

ARTHUR TONSMEIRE, JR.

GENERAL INFORMATION

Born: August 26, 1913, Mobile, Alabama

School: Attended Springhill Grammar School, Murphy High School and Washington and Lee University, receiving B. S. Degree in Commerce. Social Fraternity - Delta Tau Delta - Treasurer of Phi Chapter

Family: Eight sons

Military: Served from 1942 to 1946 in World War II. Foreign service - Composite Force 8012 European - African Theater of Operations, 1945-46; Chief Fiscal Division, South Atlantic Theater of Operations; discharged in 1946 with the rank of Captain.

FOREIGN AFFAIRS BACKGROUND:

Member of the United States Delegation to the United Nations Conference on Housing, (Vancouver, Canada, 1976 - Secretary of HUD, Carla Hills, headed the delegation)

Consul for the Republic of Honduras in Mobile/1966 to present

International Union of Building Societies (the worldwide trade organization of the savings and loan industry), United Nations Committee/1979 to present; Executive Council/1980 to present

Inter-American Savings and Loan Union (the Latin America trade organization of the savings and loan industry),

BUSINESS AFFILIATIONS:

Present

First Southern Federal Savings and Loan Association of Mobile, Chairman and President, Chief Executive Officer since January, 1940

National Savings and Loan League, Past President/1975-76; Chairman of International Committee/1959-80

First Mississippi National Bank, Board of Directors since 1949

Inter-American Savings and Loan Union, Board of Directors/1975 to present

International Union of Building Societies, United Nations Committee/1979 to present; Executive Committee/1980 to present

United States League of Savings Associations, Legislative Committee, Past Member of Board of Directors

Southern Business Publishing Company, President and Chairman/1979 to present

South Business Magazine, Publisher/1979 to present

Alabama Cattlemen's Association, President/1958-59, Board of Directors at present

Mobile County Cattlemen's Association, Past President/1961-64, Board of Directors/1961-79

Alabama Chamber of Commerce, Board of Directors/1972 to present

Mobile Area Chamber of Commerce, Board of Directors/1979 to present

University of South Alabama, Board of Trustees/1979 to present

United Fund of Mobile County, Campaign Chairman
in 1956, Board of Trustees, Vice President, and
Campaign Vice Chairman

Mobile United, Past Chairman, Past President,
Chairman/Public Information Committee

Formerly

American National Cattlemen's Association,
Executive Committee

Allied Arts Council, Vice President/1971,
Campaign Chairman/1969

MISCELLANEOUS:

Senior Warden, St. Andrews Episcopal Church

Vestryman, All Saints Episcopal Church

1968 Edition of Community Leaders of America

Alabama Historical Commission's Distinguished
Service Award/1976

Historic Preservation Foundation, Board of Directors

Award of Commendation, Historic Society of Alabama

Resolution by Alabama State Legislature for
outstanding contribution to housing industry/1976

Mobilian of the Year, 1981

1980 PRESIDENTIAL CAMPAIGN ACTIVITIES:

Contribution

Made substantial financial contributions and
organized a group of savings and loan leaders to
sign letter drafted by me and mailed to 4,500 chief
executive officers of savings and loan associations
throughout the United States.

Supported other Republican candidates.

ITO44

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 8/10/10

Name of Correspondent: Kenneth Bush

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Records their strong support for the administration's efforts to strengthen the Western alliance. Urges the Administration to give strong support to the International Monetary Fund. Offer assistance.

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>PL Blac</u>	ORIGINATOR ^{CH}	<u>8/10/13</u>		<u>C 8/10/15</u> ^{LD}
<u>PL Bakshian</u>	<u>A</u>	<u>8/10/15</u>	<u>AB, JK</u>	<u>A 8/10/28</u> ²
		<u>1 1</u>		<u>1 1</u>
		<u>1 1</u>		<u>1 1</u>
		<u>1 1</u>		<u>1 1</u>

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Prime Subject Code: II 044 _____ Secondary Subject Codes: PR 003 _____

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- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

CLn - First Lady's Correspondence

- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 -

CBn - Presidential & First Lady's Correspondence

- n - 1 - Ronald Reagan - Nancy Reagan
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- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

THE WHITE HOUSE

WASHINGTON

April 28, 1981

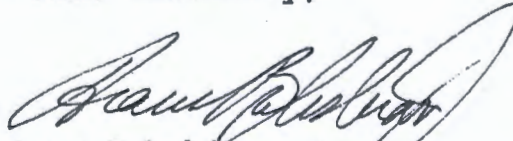
Dear Mr. Rush:

On behalf of President Reagan, thank you for your letter of April 7th. Your concern for strengthening the Western Alliance is one that is strongly shared by this Administration.

I might add that, as an occasional participant in Atlantic Council and related activities (among other things, I was a member of the American delegation at the 1973 Atlantic Assembly in Brussels), I have a long-standing respect for the programs and goals of your organization.

Again, thank you for sharing your thoughts on this important matter. Please do not hesitate to contact me if my office can be of any assistance in the future.

Yours sincerely,



Aram Bakshian, Jr.
Special Assistant to
the President

Mr. Kenneth Rush
The Atlantic Council
1616 H Street, N.W.
Washington, D.C. 20006

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KENNETH RUSH

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THEODORE C. ACHILLES
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TREASURER

WILLIAM H. G. FITZGERALD

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PETER F. KROGH
CAROL LAISE
JOHN M. LEDDY
LYMAN L. LEMNITZER
WALTER J. LEVY
WINSTON LORD
JAY LOVESTONE
SANFORD N. MCDONNELL
GEORGE C. MCGHEE
ROBERT M. MCKINNEY
LAWRENCE C. MCQUADE
HARALD B. MALMGREN
LEONARD H. MARKS
EDWIN M. MARTIN
SAMUEL W. MEEK
PAUL H. NITZE
FREDERICK E. NOLTING, JR.
ROBERT E. OSGOOD
GEORGE R. PACKARD
EDMUND D. PELLEGRINO
HENRY H. PORTER
JACQUES J. REINSTEIN
STANLEY R. RESOR
EMMETT J. RICE
CHARLES W. ROBINSON
ROBERT V. ROOSA
H. CHAPMAN ROSE
NATHANIEL SAMUELS
J. ROBERT SCHAETZEL
ADOLPH W. SCHMIDT
BRENT SCOWCROFT
JOSEPH J. SISCO
HELMUT SONNENFELDT
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CYRUS R. VANCE
MARINA V. N. WHITMAN
WATSON WISE
JOSEPH J. WOLF

THE ATLANTIC COUNCIL

OF THE UNITED STATES

1616 H STREET, N.W. • WASHINGTON, D.C. 20006

TELEPHONE (202) 347-9353

CABLE: ATCOUN

April 7, 1981

018349

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

The Atlantic Council wishes to record its strong support for your Administration's efforts to strengthen the Western Alliance, and to give to that Alliance fresh leadership for building the security of America and the rest of the free world.

In this connection we have followed with keen appreciation the proposals your Administration has made to Congress for support of the multilateral development banks.

The proposals for U.S. participation in the capital increase of the World Bank, and the replenishment of the International Development Association and the Inter-American and Asian Development Banks, and membership in the African Development Bank, are in our view very important. They constitute the essential minimum support to enable these institutions to continue providing development finance and to maintain the position of U.S. leadership which has existed since their inception.

In the same connection, I am confident you intend to give strong support to the International Monetary Fund which must be relied on to play a key role in financing payments deficits in the years ahead. We also hope that the review you have set in motion will encourage a continuing vigorous U.S. participation in those essential international institutions.

The Development Banks and the Fund are able to pool the resources made available by the stronger countries, and those pooled resources form the basis for obtaining much larger amounts from the capital markets. They also can

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WILLIAM P. ROGERS
DEAN RUSK
ROBERT A. ROY

CHARLES M. SPOFFORD

set performance conditions for the use of their resources which the United States, acting alone, would find it extremely difficult to do.

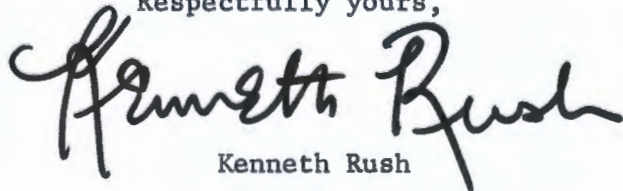
The United States and American business have direct interest in the financial solvency and the economic advance of the less-developed world. A fourth of our exports go to them, and more than 1 million U.S. jobs depend on that trade. Our business enterprises have placed almost half of their overseas investment in those countries, and, as you know, they supply large proportions of our vital raw materials. Loans by the development banks result in purchases of U.S. goods and services in excess of our contributions to them -- an estimated \$3 increase in our GNP results from every dollar of U.S. contribution.

The U.S. interest is not confined to financial and economic benefits. Our foreign policy and our national security are heavily dependent on political stability in the developing world, and that stability has to be based on financial and economic advance.

Those vital interests are, I fear, not very well understood in the United States. Your strong personal leadership will be sorely needed if the Administration is to win the congressional action you have requested.

If there is any way in which the Atlantic Council can be of assistance to the Administration in furthering those clear U.S. interests, we shall be pleased to cooperate fully.

Respectfully yours,

A handwritten signature in black ink, reading "Kenneth Rush". The signature is written in a cursive, flowing style with a large initial "K".

Kenneth Rush

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

27 May 1981

151 5/28/81
02751455
IT044
PE002-01

MEMORANDUM TO TOM JONES
FROM SARA SHAFER FOR E. PENDLETON JAMES
RE - NOMINATION FOR APPOINTMENT

The President has approved the nomination of

RICHARD D. ERB, of Virginia, to be

United States Executive Director, ^{get} International Monetary
Fund ^{for a term of two years,} ~~Department of Treasury~~, vice Sam Young
Cross, Jr. ^{resigned}

Please prepare the nomination paper.

Merci beaucoup!

(Associate: Mary Ann Urban - 7165)

Announced: 4/27/81

To Sec of Senate. 5/29/81

01941055

Signed: 5/28/81

NOTED
dwy

May 29, 1981

Received from the White House a sealed envelope said
to contain nominations by the President for the following-
named persons:

Edward L. Rowny, of Virginia
→ Richard D. Erb, of Virginia
Harry N. Walters, of New York
Robert G. Dederick, of Illinois
Bernard J. Wunder, Jr., of Virginia
Joseph P. Welsch, of Virginia
Robert Melvin Worthington, of Utah
Dwight A. Ink, of Maryland
Frank Saburo Sato, of Virginia

James E. Thorndike

for (Secretary of the Senate)

12:30 PM, May 29, 1981
(Time received)

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 27, 1981

The President today announced his intention to nominate Richard D. Erb to be United States Executive Director of the International Monetary Fund for a term of two years.

Dr. Erb is currently Resident Fellow, American Enterprise Institute for Public Policy Research. In addition to his work at AEI, he also serves as a consultant to the Comptroller of the Currency.

In 1976-77 he was Deputy Assistant Secretary for Developing Nations Finance, Department of the Treasury. Dr. Erb was International Affairs Fellow, Council on Foreign Relations and Resident Economist, American Enterprise Institute for Public Policy Research in 1974-76. In 1971-74 he served as Staff Assistant to the President and Director for International Monetary Affairs, Council on International Economic Policy. Dr. Erb was a consultant with Arthur D. Little, Inc., in 1969-71.

He was graduated from State University of New York at Buffalo (B.A., 1963) and Stanford University (Ph.D., 1967).

Dr. Erb is married to the former Joanna Reed Shelton. He was born in Wantagh, New York on April 15, 1941.

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NATIONAL SECURITY COUNCIL

May 29, 1981

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INFORMATION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: NORMAN A. BAILEY *NAB*

SUBJECT: Meetings with Richard Erb, Norman Ture and Paul Craig Roberts

On May 27, Rud Poats, Henry Nau and I met with Norman Ture and Paul Craig Roberts of Treasury and separately with Richard Erb, Executive Director-designate of the IMF.

(1) The meeting with Richard Erb was extremely satisfactory and we found an almost total meeting of minds on the following subjects:

(a) The necessity to support across-the-board strong conditionality on IMF lending to countries with balance of payment difficulties whether or not those countries are friendly to the United States.

(b) A concern over any attempt on the part of the IMF to turn itself into an international central bank and the SDR into a monetary instrument.

(c) A concern over the attempt to create a situation whereby the international financial institutions will act simply as conduits for continuing and chronic overconsumption on the part of certain member countries rather than for true productive development projects which will increase their economic capacity.

(2) Ture and Roberts expressed grave concern over the international debt situation. They did not, however, indicate that they had any ideas of what to do about it. Ture was not concerned about Eurocurrency movements and, contrary to Henry Wallich of the Federal Reserve Board, did not believe that they affect the availability of credit in the domestic market.

These meetings complete the cycle of meetings we have been holding on the issues of international debt, Eurocurrency movements and the IMF with appropriate officials of: OPD,

NSC# 8103076

OMB, CEA, Congressional staff, Treasury, and the Federal Reserve, as well as outside informants. Our general recommendations on these issues will be included in a subsequent memorandum.

cc: Henry Nau
Rutherford Poats

#3076

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DICK ALLEN

IRENE DERUS

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TO ALLEN

FROM BAILEY

DOCDATE 29 MAY 81

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KEYWORDS: IMF

ECONOMICS

ERB, R

TURE, N

ROBERTS, P

SUBJECT: SUMMARY OF DISCUSSION FM 27 MAY MTGS W/ TREASURY / IMF OFFICIALS

ACTION: FOR INFORMATION

DUE:

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 17, 1981

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MEMORANDUM FOR THE PRESIDENT

FROM: Murray L. Weidenbaum *MW*

Subject: International Monetary Fund/World Bank Meetings

Between September 25 and October 3 many foreign visitors will be in Washington to attend the annual IMF/IBRD meeting. Among the international economic issues which will be discussed, two are likely to stand out: new allocations of Special Drawing Rights and IMF "Conditionality."

CEA, Treasury, State Department and Federal Reserve representatives have met and agreed that additional allocations of Special Drawing Rights would be counterproductive in light of excessive liquidity and inflation prevailing in the world.

Also, we are urging in appropriate channels that the International Monetary Fund tighten procedures and strengthen conditions in its lending activity. The United States, as well as other countries, has been increasingly concerned with the apparent weakening of conditionality in the recent past.

Less developed countries want increased allocations of Special Drawing Rights from the IMF as a form of foreign aid. They also want easier lending terms. Except for the French, other major countries support our position.

It may be appropriate to make at least indirect references to the issues in your IMF speech. *

* MR. PRESIDENT:
You will be speaking to the "World Bank" on Sept. 29. I will pass suggestion to speech writers. Dick Darman

'81 SEP 21 A8:53

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ID # 038643

IT044

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 8109109

Name of Correspondent: Donald E. Sepmud

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Submits resignation as Alternate Executive Director for the U.S. at the International Monetary Fund effective Oct. 4, 1981.

ROUTE TO:		ACTION	DISPOSITION			
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>✓ PP</u>	<u>Thar</u>	<u>ORIGINATOR</u>	<u>810908</u>	<u>CP2</u>	<u>A</u>	<u>810929</u>
		Referral Note:				
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ACTION CODES:
 A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
 F - Furnish Fact Sheet to be used as Enclosure

I - Info Copy Only/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply

DISPOSITION CODES:
 A - Answered
 B - Non-Special Referral
 C - Completed
 S - Suspended

FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: Referred by attached memo to Sec of State
10/6/81

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Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
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Prime Subject Code: IT044 Secondary Subject Codes: PE 009 _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

SIGNATURE CODES:

CPn - Presidential Correspondence

- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

CLn - First Lady's Correspondence

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CBn - Presidential & First Lady's Correspondence

- n - 1 - Ronald Reagan - Nancy Reagan
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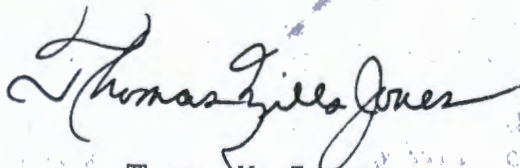
- B - Box/package
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- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

THE WHITE HOUSE
WASHINGTON

October 6, 1981

Dear Mr. Secretary:

Respectfully referred for the files
of the Department of State.



Thomas M. Jones
Executive Clerk

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... wishes for

THE WHITE HOUSE

The Honorable Alexander Meigs Haig, Jr.
Secretary of State
Washington, D.C. 20520

ATTN: Jane Mossellem
Room 26A07

October 6, 1981

Dear Mr. Secretary:

Respectfully referred for the files
of the Department of State.

Thomas M. Jones
Executive Clerk

Transmitting copies of the following:

- Ltr of resignation, 1/20/81, from JRBinnis, Amb. to Honduras, eff. POP; acc. 9/29/81, eff. upon a date to be determined.
- Ltr of resignation, 8/14/81, from HAHoran, Amb. to the Rep. of Equatorial Guinea, eff. date not mentioned; acc. 9/29/81, eff. upon a date to be determined.
- Ltr of resignation, 1/20/81, from SLow, Amb. to Nigeria, eff. POP; acc. 9/29/81, eff. upon a date to be determined.
- Ltr of resignation, 9/3/81, from DESyvruud, Alternate Executive Director of the IMF, eff. 10/4/81; acc. 9/29/81, eff. 10/4/81.
- Ltr of resignation, 1/7/81, from TEMorgan, Chairman of the U.S. Section of the Permanent Joint Board on Defense, U.S.-Canada, eff. POP; acc. 9/29/81, eff. 9/29/81.

(Sent to SECSTATE, Attn: Jane Mossellem, Room 26A07, Washington, DC 20520)

dwc

THE WHITE HOUSE

WASHINGTON

September 29, 1981

Dear Mr. Syvrud:

Thank you for your letter, and I accept your resignation as United States Alternate Executive Director of the International Monetary Fund, effective October 4, 1981.

Your service to the Nation in this capacity has been greatly appreciated. I know that in the years ahead you will be able to look back with pride on your accomplishments.

You may be sure that you have my best wishes for every future success and happiness.

Sincerely,

Ronald Reagan

The Honorable Donald E. Syvrud
United States Alternate Executive Director
International Monetary Fund
Washington, D.C. 20431

*Orig. by receipted WH message to address,
Dom. 13-320, IMF: 9/30/81*

WHITE HOUSE MAIL
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INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

U.S. ALTERNATE
EXECUTIVE DIRECTOR

CABLE ADDRESS
INTERFUND

September 3, 1981

T. Tharp

Dear Mr. President:

038643

I hereby resign as Alternate Executive Director for the United States at the International Monetary Fund effective October 4, 1981.

I have been honored to serve the United States in various capacities for more than 32 years. My best wishes to you in your effort to bring the United States back on a course of sound economic policies.

Respectfully,

Donald E. Syvrud
Donald E. Syvrud

The President
The White House
Washington, D.C. 20500

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THE WHITE HOUSE

WASHINGTON

August 26, 1981

Dear Dick:

Thanks for sending me a copy
of your July 31 statement at the
Executive Board meeting.

I found it to be an excellent
and provocative analysis.

Sincerely,

Dick

Richard V. Allen
Assistant to the President
for National Security Affairs

X
The Honorable Richard D. Erb
U.S. Executive Director
International Monetary Fund
700 Nineteenth Street, N.W.
Washington, D.C. 20431

NSC # 8104951

AR

NATIONAL SECURITY COUNCIL

August 24, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN

FROM: NORMAN A. BAILEY *7B*

SUBJECT: Statement by Richard Erb of the International Monetary Fund

Richard Erb has sent you a copy of a statement he made at the opening of a two-day IMF Executive Board examination of U.S. economic policies (Tab II).

At Tab I is a letter to Erb thanking him for his excellent and provocative analysis.

RECOMMENDATION:

That you sign the letter to Richard Erb at Tab I.

APPROVE

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DISAPPROVE

SIGNED
8/26/81

- Tab I Letter to Erb
- Tab II Statement by Erb

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INTERNATIONAL MONETARY FUND

August 19, 1981

TO : Mr. Allen
FROM: Richard D. Erb RDE

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Attached is the statement I made at the opening of a two-day IMF Executive Board examination of U.S. economic policies.

RDE

August 3, 1981 - 81/150

Statement by Mr. Richard D. Erb
on
The United States
1981 Article IV Consultations
Executive Board Meeting 81/109
July 31, 1981

The United States has been a leading supporter of effective IMF surveillance as an essential complement to the Fund's balance-of-payments financing activities. We continue to believe that surveillance should play an important role in promoting a sound, stable global economy. Consequently, I welcome the first formal IMF consultation on U.S. economic policies and performance under the Reagan Administration and hope that a full and frank discussion will allay some of the concerns that have been expressed about the impact of the new U.S. economic program on the world economy.

I would also like to take this opportunity to express my appreciation to the staff for the comprehensive and balanced report prepared for this consultation and to thank them for the very useful discussions held with the U.S. authorities in June. Many of my colleagues who had not participated in Article IV discussions before were impressed with the Fund Team's knowledge of the U.S. economy and U.S. policies--current and historical.

Recent Economic Developments

The staff report describes the serious adverse developments in the U.S. economy during the past decade including low economic growth, high unemployment, and rising inflation.

In setting the stage for the discussion of current U.S. economic policies, however, attention must also be given to broader sectoral and institutional developments over the past decade. Longer-term micro, macro, and institutional developments have had far more influence on the thinking and decisions of the Reagan Administration than macroeconomic fluctuations over the last year or so. These longer-term economic and economic policy developments have also influenced the attitudes of the American public toward the role of government and the traditional economic policies pursued by successive administrations. The public's recognition of the need for a fundamental change is reflected in the broad public support for the Reagan Administration's economic program.

A review of developments points to the following central policy errors of the past which the President's economic program seeks to correct:

- Frequent shifts in fiscal and monetary policies geared to stimulating or braking short-run demand too often behaved procyclically rather than countercyclically and have curtailed longer-run growth in the economy by exacerbating uncertainties for private investors.
- Pressures from the Congress and the Executive Branch too often induced the monetary authorities to lean against rising interest rates by printing more money. More money, however, fueled inflation and inflationary expectations which in turn increased interest rates even further. *? Expanding Credit*
- Personal and business tax policies ignored the impact of taxes on the nature and magnitudes of saving, investment, and work effort.
- An often capricious regulatory system failed to explicitly and adequately weigh the benefits of a regulation with the costs. In addition, regulatory policies relied primarily on administrative directive rather than price-oriented incentives for influencing undesirable social and economic behavior.
- Selected price controls and interest rate ceilings have distorted the allocation of resources and delayed necessary adjustments in the U.S. economy. Energy producers, auto producers, banking institutions and the savings and loans industry are examples of industries whose long-run strategic position have been hurt by such controls.
- Foreign exchange market intervention policies:
 - (i) delayed necessary domestic policy adjustments,
 - (ii) created uncertainty about the timing and magnitudes of intervention which contributed to instability in the foreign exchange markets,
 - (iii) delayed necessary exchange rate adjustments, thus precipitating market instability when the exchange rates were ultimately allowed to adjust,
 - (iv) inhibited the development of market institutions geared to providing (directly or indirectly) stabilizing speculation.

U.S. Economic Policies and Prospects

Turning now to U.S. economic policies and prospects, the staff has done a good job of describing the economic aims and policies of the U.S. Government and the technical features of the various components of the economic program.

There has been a tendency for many commentators at home and abroad to attach labels to the economic program of the Reagan Administration. "Monetarist" and "Supply Side" are the terms most frequently used, but the analytical framework underlying the Administration's economic program is not captured by any one theory or school of economic thought. As Under Secretary of the Treasury for Monetary Affairs Sprinkel explained to this group last week, the economic policies of the Administration are formed by a consensus process involving members of the Administration, the Congress and the private sector. Although it is a diverse group, a number of central concepts emerged which have shaped the U.S. economic program.

First, and reflecting a growing national mood, the economic policies of the Reagan Administration are based on a belief that economic growth is necessary for increasing social welfare, political stability and international security. The various no-growth, zero risk arguments voiced during the last decade have not prevailed, and greater emphasis is being given to work, saving, investment, and risk taking.

Second, there exists a commonly shared view that economic decisions should be decentralized and made by the individuals and institutions which are in the best position to make the decisions affecting their economic welfare. In this regard, well functioning markets in which prices accurately reflect demand and supply are of critical importance.

Third, given the pervasive impact of government policies on the decisions of workers, consumers, and producers, there is a strongly held belief that government has a responsibility to manage those policies in a stable and predictable manner rather than attempting to fine tune policies. There is a high degree of respect for what is not known about the inner workings of the U.S. economy, its dynamics over time, and its interaction with other economies.

Fourth, there is a strongly held view within the Administration that the United States economy must once again become a source of international economic growth and stability. The dollar remains the central international currency and the U.S. economy remains the largest, most open economy in the world. Thus, price stability and stable but vigorous economic growth in the United States will benefit other countries in a variety of ways including the following:

- Monetary and price stability on the domestic front will go a long way towards permanently restoring confidence in the dollar.
- Monetary and price stability in the U.S. will contribute to stability in international as well as domestic financial markets.
- A more stable domestic growth rate will reduce the volatility of U.S. import flows and thus contribute to economic stability in other countries, especially developing countries.
- A higher domestic growth rate will provide larger market opportunities for foreign producers.
- A more dynamic and innovative U.S. economy will provide more diversified market opportunities for foreign producers and better domestic job opportunities for those whose jobs are affected by foreign competition, thus easing protectionist pressures.
- Price stability will eliminate the erosion in the real value of development assistance caused by inflation.
- Higher domestic economic growth will increase the economic base underpinning development assistance programs.

Appraisal of U.S. Policies

Since the specific elements of the President's economic program are examined in detail in the staff's report, I will not describe them. As noted in the report, and as frequently stated by U.S. officials, all of the elements are interrelated and mutually reinforcing. This approach recognizes that the problems of inflation, unemployment and declining productivity growth also are interrelated and mutually reinforcing.

Without tax cuts to encourage investment, without personal tax cuts to encourage total personal savings and a shift in savings from unproductive tax hedges towards productive investments, without a reduction in the relative size of government and the budget deficit over time, without regulatory reform, and without the elimination of price controls and interest rate ceilings, continued unemployment and declining productivity growth would ultimately undermine the efforts to reduce inflation. In short, the Administration's program is based on the premise that the fight against inflation not only requires a reduction in money growth but also a simultaneous increase in investment and a reallocation of resources within the economy from non-productive to productive sectors. In this important sense, the program is a significant break from past efforts to reduce inflation and increase employment and productivity.

In the past, the usual recipe for fighting inflation called for fiscal and monetary demand restraint sufficient to induce slack in the economy to ease wage and price pressures but not so much slack as to undermine the program politically. This strategy that became known as "gradualism" required a degree of control over the level and time path of aggregate demand that eludes most governments. More importantly, by relying on reductions in aggregate demand, the "gradualist" approach discourages investment and also does nothing to encourage shifts in the allocation of labor and capital among sectors of the economy. Lower levels of investment and rigidities in the allocation of labor and capital among sectors of the economy in turn depress productivity growth and employment growth. The lack of productivity growth makes it more difficult to reduce inflation and the lack of employment growth generates social and political problems.

The Fund staff report seems to be suggesting a third approach. The staff begins with the premise that "Because inflationary expectations have become firmly entrenched, visible progress in reducing price and wage inflation is likely to require, for a time, a significant degree of slack in product and labor market." While endorsing the policy of monetary restraint, and the proposals for reductions in government expenditure and tax cuts to improve incentives, the staff would like to see the budget deficit cut more rapidly, possibly by introducing a consumption tax.

The staff's concern about the size of the budget deficit apparently reflects the view that the deficit will create pressures for still higher interest rates and/or demands for an easing of monetary policy. I can assure you that the U.S. is determined to reduce the budget deficit and takes the goal of a balanced budget by 1984 very seriously. Nor will the Administration press for higher money growth.

However, we do not believe that a more rapid reduction is feasible or desirable. Experience strongly suggests that increased tax revenues (from deferring the tax cut or imposing a consumption tax) would be spent. The end result would be that we would have sacrificed the needed incentives to work, save and invest while contributing little to reducing the deficit. Thus, a more rapid reduction in the deficit is likely to result in an even lower economic growth rate over the next year or two than the Fund staff forecasts for the Administration's program, which in turn is lower than the Administration's own real output forecast.

The Reagan Administration strategy thus differs fundamentally from the traditional "gradualist" and Fund approaches, both of which emphasize, in varying degrees, restraints on effective demand. The Reagan strategy, while limiting money growth, places equal emphasis on reallocation of resources to productive sectors to increase productivity, lower production costs, and increase factor supplies, including labor. Such shifts will augment monetary policy by contributing to a reduction in inflation.

Many foreign critics of U.S. economic policies seem to be closer to the Fund staff's policy alternative. As the staff paper notes, "the questions other countries have raised on the mix of U.S. financial policies have appropriately focused on whether fiscal policy should be tightened rather than on whether monetary policy should be eased." Underlying this view is a perception that a more rapid decline in the budget deficit would lower current and future interest rate levels, and thus reduce the exchange market pressures which allegedly force other countries to pursue higher interest rate policies.

However, suppose the U.S. budget deficit could be reduced more quickly. The effect on interest rates would depend on the impact of the deficit reduction on savings rates, the demand for credit, and inflationary expectations. If tax rate increases caused savings rates to fall, interest rates would tend to remain high. If overall credit demand and employment declined sharply, inflationary expectations and interest rates would probably remain high if it were thought that political pressures would result in a policy reversal. On the other hand, if inflationary expectations did decline and thus further contribute to a decline in interest rates, other countries would probably find little relief on the exchange market front and real interest rates would be unaffected.

In short, the relationship between the budget deficit and the level of interest rates is not straightforward. Nor is there a straightforward relation between interest rates and exchange rates--a subject I had better leave to another time. At the same time, most foreign advocates of tax increases fail to take into account the detrimental impact such increases will have on U.S. growth and in turn the world economy.

With all the attention that has been focused on the impact of current U.S. interest rates on other countries, the advocates of a tighter fiscal policy have lost sight of the fact that other countries are linked to the U.S. economy through the flows of goods, services, and raw materials. Thus, if the budget deficit were more quickly reduced with tax increases, lower U.S. economic growth would result in lower export growth in the industrial and developing world during the near term. In such circumstances, I am sure that focus of the debate on economic policies would be quite different.

In closing, I would like to turn to the final conclusions of the staff's appraisal, which I believe best summarizes the situation all of us are in:

"It has to be recognized that pursuit by the United States of policies to cope with an inflation that has gathered great momentum inevitably will have effects--for example, on interest rates and aggregate demand--that may be regarded as undesirable by other countries. Of course, the degree to which other countries will be disturbed will vary, depending on their views about the pace at which inflation ought to be reduced and the policies best employed for that purpose. What other countries should be able

to expect from the United States is a steadfast and consistent application of its anti-inflation program, which would enable them to develop their own policies with some certainty about the external environment."

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TO ALLEN

FROM ERB, RICHARD D

DOCDATE 19 AUG 81

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8/24

KEYWORDS: IMF

ECONOMICS

SUBJECT: STATEMENT BY ERB ON US ARTICLE IV CONSULTATIONS EXECUTIVE BOARD 31 JUL
MTG RE US ECONOMIC POLICIES

ACTION: PREPARE MEMO FOR ALLEN DUE: 24 AUG 81 STATUS S FILES

FOR ACTION

FOR CONCURRENCE

FOR INFO

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ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
RA	8/24	In signature	28	Picw
C	8/26	Colson ref letter, for RVA		NB

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