WHORM Subject File Code: IT044 (International Monetary Fund)
Case file Number(s): 155000-159999

WITHDRAWAL SHEET
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File Folder: IT044 (156000 - 161799) **Date:** February 14, 1997

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
~~1. memo (157607)~~	~~Roger Robinson to William Clark through Charles Tyson re President's meeting tomorrow with Congressional leaders on IMF legislation (1 pp.)~~ R 10/20/10 F95-043/1 #9	~~7/13/83~~	~~P1~~
~~2. talking points~~ (157607)	~~re above meeting (2 pp.)~~ 1 pg. R 10/20/10 F95-043/1 #10	~~n.d.~~	~~P1~~
~~3. Talking pts.~~	~~re. above meeting~~ 1 pg. R 10/20/10 F95-043/1 #11	~~n.d.~~	~~P1~~

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 statue [(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].

ID # 155310

IT044

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 83 107 114

Name of Correspondent: Lee L. Morgan

☑ **CN Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: The Business Roundtable Task Force on International Trade and Investment supports increasing the U.S. contribution to the IMF.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O	WS 83107119	Em	A	83 07 26
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:

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.

11/81

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 4200 __.____ __.____

Prime Subject Code: IT044 Secondary Subject Codes: FG006.01 __ ____.__ __ ____.__ __ ____.__ __ ____.__ __ ____.__

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 - **0** - Unknown
- n - **1** - Nancy Reagan
- n - **2** - Nancy
- n - **3** - Mrs. Ronald Reagan

CBn - Presidential & First Lady's Correspondence
- n - **1** - Ronald Reagan - Nancy Reagan
- n - **2** - Ron - Nancy

MEDIA CODES:

- **B** - Box/package
- **C** - Copy
- **D** - Official document
- **G** - Message
- **H** - Handcarried
- **L** - Letter
- **M** - Mailgram
- **O** - Memo
- **P** - Photo
- **R** - Report
- **S** - Sealed
- **T** - Telegram
- **V** - Telephone
- **X** - Miscellaneous
- **Y** - Study

CATERPILLAR TRACTOR CO.

Chairman and Chief Executive Officer

Peoria, Illinois 61629

July 11, 1983

155310

Mr. Edwin Meese
Counselor to the President
The White House
Washington, D.C. 20500

Dear Ed:

I know you have been attaching great importance to legislation pending to authorize the U.S. contribution to the IMF.

The Business Roundtable Task Force on International Trade and Investment agrees with you that this authorization is vital. Today I have communicated to members of the House of Representatives the Roundtable's support for legislation that increases the U.S.' quota in the IMF, without imposing unnecessary restrictions on banks.

I hope you will find this helpful.

Sincerely,

Lee

Lee L. Morgan
sm

T E L E X

DATE: July 11, 1983

TO: (see attached list)
(All members of the House of Representatives)

Dear Congressman:

The House of Representatives will shortly consider legislation to authorize an $8.4 billion U.S. supplemental contribution to the International Monetary Fund (IMF). I would like to present the views of the Business Roundtable on this very important topic.

The Business Roundtable believes an increase in IMF resources from the United States and other IMF member countries is critical to the continuation of a viable and ultimately much healthier international financial system.

IMF financing permits borrowing countries to sustain imports while they make the necessary adjustments to their economies which will strengthen them for the future. This is critical to American companies who increasingly depend on developing country markets as an outlet for their goods and services. Considering that one in six American manufacturing jobs depends on sales to developing countries and recognizing that over 40 percent of U.S. exports now go to the developing world, the importance of keeping these countries solvent can hardly be exaggerated. While certainly no panacea to their problems, the IMF financing is critical to the short-term economic welfare of the borrowing countries, without which there could be no longer term stability.

The IMF has proved itself, over the years, to be a practical and economic vehicle, designed to meet short-term balance of payments problems. It is by no stretch of the imagination an "aid institution." The IMF helps stabilize markets and it contributes to overall international political stability.

The United States government, at a relatively low cost, exercises strong leverage within the IMF, thus can insist on necessary corrective actions by debtor nations. In fact, the United States as a major shareholder, holds 19.5 percent of the votes and only slightly less than the 20.65 percent of the IMF capital which it contributes. The quota increase will guarantee the U.S.' traditional large stake <u>and</u> responsibility in the international financial world.

Finally, the Business Roundtable views with some concern, proposals for imposing unrealistic and impractical limitations on commercial bank loans to foreign countries. Alongside the IMF, commercial banks play a critical role in providing substantial resources to developing countries. In addition, restrictions such as requiring special loan loss reserves would serve to diminish the amount of credit available to U.S. exporters while at the same time increasing the cost of such funds.

In summary, the Business Roundtable urges your support for legislation to increase the United States quota in the IMF without imposing unnecessary restrictions on banks.

Sincerely,

Lee L. Morgan
Chairman
Task Force on International Trade
and Investment
The Business Roundtable

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THE WHITE HOUSE

WASHINGTON

July 13, 1983

Dear Gary:

The House of Representatives will soon consider my request for increased United States participation in the International Monetary Fund (IMF). In my letter transmitting this request, I explained that the IMF plays the central role in a comprehensive strategy to resolve current world debt and financial problems. Since then, I have met with leaders of the other industrialized nations at Williamsburg where we affirmed the correctness of this strategy and pledged to secure early ratification of the increase in IMF resources. I would now like to emphasize the major importance I attach to this request.

The world economy is currently facing a number of serious strains, including a heavy international debt burden which threatens to stifle growth in the developing countries and, if not handled properly, thwart economic recovery in the United States and other industrialized nations. To assure orderly resolution of current global economic problems, there must be better coordination of policies in developed countries to promote sustainable, noninflationary growth; appropriate policies in LDCs to set their economies on a path to sustainable growth; continued official and private financing at adequate levels to maintain a viable international trading system; and reduction of protectionist barriers to trade.

The IMF is the centerpiece of these efforts, and it must have adequate resources to do its job. Those resources are now nearly exhausted. If they are not augmented in the very near future, as agreed to by all member countries, the IMF will be unable to provide financial support and policy advice to countries facing balance of payments problems. Without this, commercial lending will dry up, and economic conditions in developing countries will deteriorate, forcing severe contractions in imports and possible defaults.

The U.S. economy could not escape the after-effects of such events. The legislation I have requested to fulfill our share of the increase in IMF resources is necessary to protect our own interests in a stable financial system, a growing world economy, and sustained economic recovery and higher employment levels. It is also necessary to help protect U.S. foreign policy and security interests overseas.

Because of the importance of early ratification of the proposed increase to help stabilize the international financial system, I have pledged to other world leaders my full efforts to ensure prompt enactment of the legislation to authorize and appropriate the proposed U.S. share. I believe this legislation is in our Nation's best interests and warrants, as it has in the past, the broadest bipartisan support in the Congress. I therefore urge its prompt approval by the House of Representatives.

Sincerely,

Ronald Reagan

The Honorable Gary L. Ackerman
House of Representatives
Washington, D.C. 20515

this mailing was
sent to the entire
House of Rep.

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Can the U.S. really bail out the whole world through the IMF? Or will the attempt wreck our own creditworthiness?

SOMETHING NEW UNDER THE SUN

By Ashby Bladen

According to Ecclesiastes, one of your more reliable gurus, there is nothing new under the sun. Well, the Administration is about to try to prove him wrong. Just a few months ago the Administration knew nothing and cared less about the developing international financial crisis, and it was opposed to the idea of increasing the American subscription to the International Monetary Fund. But now that it has discovered the crisis, it is seriously proposing to help the banks fend off worldwide deflation and hard times by making new bailout loans to every country whose necessitous selling of exports will otherwise cause deflation. Does it concern the Administration that quite a few of those countries cannot possibly repay what they already owe? Apparently not. Throwing good money after bad on a global scale has never been tried before, and it is hard to believe that the Administration has any idea about the ultimate consequences of its new policy.

This is an excellent illustration of my basic point that, current appearances to the contrary notwithstanding, there is no such thing as a peaceful and painless disinflation. And yet this seems to be what the IMF expansion is supposed to bring about. If the outcome were left to the tender mercies of the marketplace, it would be violently and painfully self-correcting. The recent collapse of OPEC is an excellent example of how that works.

During the 1970s several oil-producing countries with large populations and low standards of living borrowed heavily to finance economic development. By now Nigeria, Mexico and even Venezuela are heavily overindebted and will have to sell their oil for whatever it will bring to avoid defaulting on their debts. Thus, conditions in oil have turned not merely disinflationary, but downright deflationary.

If it were not for political intervention, inflation would always be self-correcting. Why? Because the perception that debts are becoming top-heavy by comparison with the incomes from which they are supposed to be repaid would cause lenders to pull in their horns and cease to finance marginal borrowers. Most overextended borrowers would save, and sell whatever they could to pay down their debts. Those who could not manage would default and be foreclosed, and the pressure of necessitous selling would cause a period of deflation and hard times that would be painful but over fairly quickly. Then the world would not be saddled with chronic inflation.

Bailouts of any sort, whether by the IMF or by domestic agencies, tend to frustrate this natural self-correction. If the government of a sovereign country decides that domestic deflation is politically unacceptable, it can borrow and bail out its own residents because, unlike most people and businesses, its creditworthiness does not depend on the coverage of its debt service but upon its monopoly of legal force that allows it to command the incomes and assets of all the people in the country. It can create all the credit it wishes and bail out the overextended borrowers.

Domestic bailouts remove the risks associated with borrowing and spending excessively so that the inflation tends to worsen. In the countries that have slipped over the brink into hyperinflation, the government has been financing everybody for years.

Another trouble with bailouts, either of people or of countries, is that they weaken the incentives to produce the real goods and services on which our standard of living depends. Why work hard to produce exports for foreigners to enjoy when those nice folks at the New York banks will lend you the dollars to pay for the imports that you enjoy? These eager bankers don't seem to care very much when, or even if, you repay. Just don't default and make them write off the loan.

If the policy of bailing everybody out succeeds, it will mean global inflation on an unprecedented scale. However, it seems clear that the Administration is too busy coping with today's crises to think through the consequences of its policy. But how long will the external credit of the U.S. remain good if we use it wholesale to bail out countries that have no real chance of repaying us?

Ironically, politics may thwart this dangerous bailout. In 1932 the Reconstruction Finance Corp. was making loans to troubled banks, one of which was controlled by the family of President Hoover's budget director, Charles Dawes. The Tip O'Neill of the day, John Nance Garner, decided that publicizing that fact would enable the Democrats to score a political point by embarrassing the Republicans. So he got the Congress to require the RFC to publish the names of the banks to which it made loans. The banks figured that would be taken as an official government list of bad banks. They stopped borrowing from the RFC and closed down instead. That was the last straw that led to the Bank Holiday of Mar. 4, 1933. Once again, the Democrats will almost certainly oppose a policy that can be construed as a bailout of the bankers. ■

Ashby Bladen is senior vice president for investments of the Phoenix Mutual Life Insurance Co. and author of How to Cope with the Developing Financial Crisis.

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July 22, 1983

Dear Steve:

I know you talked with the Vice President yesterday, and he passed on to me your thoughts about the International Monetary Fund (IMF) legislation. I want to emphasize the importance I attach to passage of this legislation and my strong support for the central role played by the IMF in dealing with current economic problems.

The U.S. economy is now embarked on a strong recovery which will mean additional jobs for millions of Americans. However, we cannot afford to become complacent and leave unaddressed the serious threat to our recovery posed by the strains in the international financial system. At the Williamsburg Summit, the leaders of the major industrial countries endorsed a cooperative and constructive approach for resolving the debt problems of developing countries in an orderly manner. The IMF is at the center of the strategy, but must have adequate resources to fulfill its important responsibilities successfully.

The United States has been a leading advocate of the current strategy and a strong supporter of the IMF for nearly forty years. Other countries are now looking to us to fulfill our responsibilities for maintaining the sound world economy upon which the prosperity of all nations depends. Failure of the Congress to provide the U.S. share of the agreed increase in IMF resources would seriously erode confidence in our leadership and jeopardize the stable financial framework needed for an open, growing U.S. and world economy.

Your efforts on behalf of the legislation are greatly appreciated. As I said recently in meeting with many of your colleagues, I believe there is no legislation now before the Congress more important to a healthy world economy and a continuing economic recovery here in the United States.

Sincerely,

RONALD REAGAN A

The Honorable Stephen L. Neal
Chairman
Subcommittee on International Trade,
Investment and Monetary Policy
House of Representatives
Washington, D.C. 20515

RWR:KMD:TRES:CMP:mdb

July 21, 1983

Dear Jerry:

I am writing to express my strong support for pending legislation to provide for U.S. participation in replenishments of the Inter-American and Asian Development Banks and the African Development Fund. This legislation is part of H.R. 2957, which also provides for continued U.S. participation in the International Monetary Fund, strengthened supervision of international lending and reauthorization of the Export-Import Bank.

United States participation in the multilateral development banks is an important means of promoting economic growth and development in the less developed countries, and complements our bilateral assistance programs. The proposed replenishments covered in this legislation are the result of extensive multilateral negotiations with all of our major allies, many of whom have already completed their legislative procedures for contributing to these replenishments. It is essential that the United States demonstrate its continued commitment to the cooperative effort undertaken through these institutions by completing promptly the necessary legislative steps to contribute to these replenishments.

The proposed replenishments will provide critical development resources for countries of strategic importance to the United States in Latin America, Africa and Asia. Countries benefiting from these replenishments include Mexico and the Caribbean Basin countries. In addition, some of the poorest countries in the world such as Chad and Bangladesh will receive critically needed resources to combat poverty and famine.

Prompt enactment of this legislation will be a strong signal of U.S. resolve to assist the people of developing countries in their struggle to improve their own lives. I urge you and your colleagues in Congress to lend your strong support to this important legislation.

Sincerely,

RONALD REAGAN

The Honorable Jerry M. Patterson
Chairman
Subcommittee on International Development
Institutions and Finance
House of Representatives
Washington, D.C. 20515

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

Charlie — please begin putting these in machine. B currently reviewing. He will bring you any changes directly
Lynn

MEMORANDUM TO KENNETH M. DUBERSTEIN
Assistant to the President
for Legislative Affairs
The White House

Subject: Letters to Chairmen Neal and Patterson from the President

Attached is a draft letter to Chairman Neal from the President which you requested. I am also attaching a proposed letter from the President to Representative Patterson, who is Chairman of the Subcommittee on International Development Institutions and Finance, expressing support for the MDB portion of H.R. 2957. This letter is important to us because the Banking Committee leadership in their meeting with the Secretary requested that the President's letter on H.R. 2957 address not only IMF but also MDBs. Unfortunately, we did not get the necessary change to you in time before the President's letter went up on IMF alone.

This has caused great difficulty and serious reluctance on the part of already very nervous Members. A subsequent letter to Neal on IMF without a letter to Patterson on MDBs would exacerbate what is already a serious problem. Therefore, I strongly recommend the President send both letters.

W. Dennis Thomas

Attachments

Dear Mr. Chairman:

I know you talked with the Vice President yesterday, and he passed on to me your thoughts about the International Monetary Fund (IMF) legislation. I want to emphasize the importance I attach to passage of this legislation and my strong support for the central role played by the IMF in dealing with current economic problems.

The U.S. economy is now embarked on a strong recovery which will mean additional jobs for millions of Americans. However, we cannot afford to become complacent and leave unaddressed the serious threat to our recovery posed by the strains in the international financial system. At the Williamsburg Summit, the leaders of the major industrial countries endorsed a cooperative and constructive approach for resolving the debt problems of developing countries in an orderly manner. The IMF is at the center of the strategy, but must have adequate resources to fulfill its important responsibilities successfully.

The United States has been a leading advocate of the current strategy and a strong supporter of the IMF for nearly forty years. Other countries are now looking to us to fulfill our responsibilities for maintaining the sound world economy upon which the prosperity of all nations depends. Failure of the Congress to provide the U.S. share of the agreed increase in IMF resources would seriously erode confidence in our leadership and jeopardize the stable financial framework needed for an open growing U.S. and world economy.

Your efforts on behalf of the legislation are greatly appreciated. As I said recently in meeting with many of your colleagues, I believe there is no legislation now before the Congress more important to a healthy world economy and a continuing economic recovery here in the United States.

Sincerely,

Ronald Reagan

The Honorable
Stephen L. Neal, Chairman
Subcommittee on International Trade,
Investment and Monetary Policy
Committee on Banking, Housing, and
Urban Affairs
House of Representatives
Washington, DC 20515

THE WHITE HOUSE
WASHINGTON

July 22, 1983

TO: ~~Everett~~ / Tom

FROM: **KATHY RATTÉ JAFFKE**
Office of Legislative Affairs

Attached are several copies of two Presidentials which were done yesterday.

Dear Mr. Chairman:

I am writing to express my strong support for pending legislation to provide for U.S. participation in replenishments of the Inter-American and Asian Development Banks and the African Development Fund. This legislation is part of H.R. 2957, which also provides for continued U.S. participation in the International Monetary Fund, strengthened supervision of international lending and reauthorization of the Export-Import Bank.

United States participation in the multilateral development banks is an important means of promoting economic growth and development in the less developed countries, and complements our bilateral assistance programs. The proposed replenishments covered in this legislation are the result of extensive multilateral negotiations with all of our major allies, many of whom have already completed their legislative procedures for contributing to these replenishments. It is essential that the United States demonstrate its continued commitment to the cooperative effort undertaken through these institutions by completing promptly the necessary legislative steps to contribute to these replenishments.

The proposed replenishments will provide critical development resources for countries of strategic importance to the United States in Latin America, Africa and Asia. Countries benefiting from these replenishments include Mexico and the Caribbean Basin countries. In addition, some of the poorest countries in the world such as Chad and Bangladesh will receive critically needed resources to combat poverty and famine.

Prompt enactment of this legislation will be a strong signal of U.S. resolve to assist the people of developing countries in their struggle to improve their own lives. I urge you and your colleagues in Congress to lend your strong support to this important legislation.

Sincerely,

Ronald Reagan

BJB

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THE WHITE HOUSE

WASHINGTON

July 22, 1983

Dear Steve:

I know you talked with the Vice President yesterday, and he passed on to me your thoughts about the International Monetary Fund (IMF) legislation. I want to emphasize the importance I attach to passage of this legislation and my strong support for the central role played by the IMF in dealing with current economic problems.

The U.S. economy is now embarked on a strong recovery which will mean additional jobs for millions of Americans. However, we cannot afford to become complacent and leave unaddressed the serious threat to our recovery posed by the strains in the international financial system. At the Williamsburg Summit, the leaders of the major industrial countries endorsed a cooperative and constructive approach for resolving the debt problems of developing countries in an orderly manner. The IMF is at the center of the strategy, but must have adequate resources to fulfill its important responsibilities successfully.

The United States has been a leading advocate of the current strategy and a strong supporter of the IMF for nearly forty years. Other countries are now looking to us to fulfill our responsibilities for maintaining the sound world economy upon which the prosperity of all nations depends. Failure of the Congress to provide the U.S. share of the agreed increase in IMF resources would seriously erode confidence in our leadership and jeopardize the stable financial framework needed for an open, growing U.S. and world economy.

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Your efforts on behalf of the legislation are greatly appreciated. As I said recently in meeting with many of your colleagues, I believe there is no legislation now before the Congress more important to a healthy world economy and a continuing economic recovery here in the United States.

Sincerely,

Ronald Reagan

The Honorable Stephen L. Neal
Chairman
Subcommittee on International Trade,
Investment and Monetary Policy
House of Representatives
Washington, D.C. 20515

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THE BOWERY

The Bowery Savings Bank
110 East 42nd Street
New York, New York 10017
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Vice Chairman

July 19, 1983

Richard Still, Esq.
General Counsel
Banking, Finance, and Urban Affairs Committee
House of Representatives
Room 2129
Rayburn Building
Washington, D. C. 20515

Dear Dick: Re: H. R. 2957

Again, my thanks for your interest in, and for discussing with me and with Ira Tannenbaum, Bowery's Florida effort. It was, unfortunately, rebuffed last week by the Federal Home Loan Bank Board. A copy of the American Banker recap on this subject is enclosed for your information.

Also enclosed is an article from this morning's Wall Street Journal giving Bank of America's posture on the foreign loan problems. I write now in connection with this subject.

Some months ago I wrote to Chuck Schumer in connection with foreign loans by international lenders against whom savings institutions compete. A copy of my letter to Congressman Schumer is also enclosed (and there will be no further enclosures).

I believe savings institutions have a stake in this subject. We have no "earnings" from foreign transactions; still we must bid for deposits against those major international lenders who do. For example, such a lender led the market in New York for MMDAs last November by offering 11% when the T-bill rate (3-month) was circa 8.5%. Result: their capacity to use their so-called "earnings" aggressively in this bidding process causes major dislocations throughout the system, raising the cost of funds for savings institutions and detracting from restoring them to health.

Since the time of writing to Chuck, I have been musing as to how one might create a package of incentives for global debtors to repay (as urged in my letter to him). Such incentives are far superior, I submit, to the heavy hand of IMF to enforce austerity and produce enmity against the U. S. Accordingly, I have this question: is it possible to require lenders to reduce their receivables by the "special reserves" set up under H. R. 2957, such reductions to be contingent upon discharge (perhaps in stages) of the reduced indebtedness by borrowers presently in de facto default?

For example, if classes of receivables were reduced unilaterally by international lenders for principal and interest purposes to, say, 80-85% of their present nominal amount, but contingent on payment by all debtors, then:

a) Brazil, Mexico, Poland et al would have debt-service relief currently;

b) Each would have a stake in the payment by others (not unlike owners of cooperative units in residential housing) for the ultimate discharge of their respective debts;

c) Failure in payments would cause the debt to be restored in its pristine fullness. (At such a time, the harsh judgments of the economy could be made concerning how such "receivables" should then be accounted for .)

There could, of course, be several variants to such a plan. For example, instead of reducing the principal amount ab initio the implicit "hit" against capital could be avoided by having the reduction dependent upon meeting the condition precedent of faithful discharge by all debtors, and with the interest reduced by, say, 80-85% in the meantime.

Such a plan would, I submit, provide meaningful incentives to debtors involved. Meanwhile, the judgments by several knowledgeable observors as to the validity of these "assets" would be given effect, at least in part. I refer to statements acknowledging the de facto defaults in esse by: President Reagan, Arthur Burns, George Champion, Paul Craig Roberts, Bill Simon, Congressman Jerry Lewis, editorial writers for tne Wall Street Journal, ditto for the Financial Times (London), and virtually every other observor who is not directly or indirectly within the employ of the international lenders.

Thanks for your consideration.

Sincerely,

Stuart D. Root

SDR/lg

Bowery Is Denied Acquisition of Fla. S&L

By LAURA L. MULCAHY

NEW YORK — The Federal Home Loan Bank Board, in a closed meeting on Monday, denied the Bowery Savings Bank's application to acquire Commonwealth Savings and Loan Association, Margate, Fla. The decision came on the same day that the Bowery's offer to the S&L expired.

Marc Perkins, S&L analyst at Raymond, James & Associates, St. Petersburg, Fla., said the refusal was probably because "as a matter of policy" the Bank Board does not want to allow cross-state acquisitions unless a troubled association is acquired by a healthy one.

He pointed to the recently approved acquisition of Palmetto Federal Savings and Loan in Florida by the Goldome Bank in Buffalo, N.Y. Goldome also acquired the troubled Guaranty Savings and Loan Asssociation in St. Petersburg.

Metropolitan Savings Bank, New York, has applied to the Bank Board to acquire First City Federal Savings and Loan Association of Bradenton, Fla., and is negotiating the additional acquisition of other troubled thrifts in the South. Metropolitan expects a decision on the matter in about one month.

Stuart D. Root, vice chairman of the $5.2 billion-asset Bowery, said he had not read the Bank Board's decision in full but that it had voiced an objection which has recurred since December 1982: "We wouldn't take a supervisory case at the same time.

"We just didn't feel we could do that," Mr. Root said. As recently as last month, however, "we did try to work with them on that score," he added.

Approved by State Regulators

The Bowery had proposed the acquisition of the Florida state-chartered savings and loan in April 1982, and approval had been granted by state regulators in Florida and New York last year.

The proposed combination was possible under New York State's leeway provision, which allows thrifts to make a wide variety of investments of up to 1% of total assets, or 10% of net worth. This is the same provision that has allowed Goldome to move into the Florida market.

"I can say we deeply regret that the Bank Board failed to go along with the states of Florida and New York in supporting an acquisition" which both states recognized as good for the two thrifts, Mr. Root said.

Although the merger did not need the approval of New York State regulators, Mr. Root said the state banking supervisor's office had written a letter in support of the proposed acquisition addressed to the Federal Home Loan Bank Board.

Mr. Root, who received a copy of the decision Tuesday afternoon, said, "I thought every objection they'd raised — and there had been eight or nine — we were responding to."

The Bowery had planned to acquire the S&L through a "well-capitalized" subsidiary called Bowery Advisors Inc. Mr. Root said the subsidiary has twice the capital of Commonwealth, and he thought this was one of the "great strengths" of the proposed acquisition.

Would Have Cost $10.5 Million

Under the proposal, the Bowery would have acquired Commonwealth for 1.5 times book value, or a total of about $10.5 million. This compares to a cost of $6 million before the deal was renegotiated when the original expiration date was extended last year.

Commonwealth common shares, which sold for $10 two years ago, today would have cost the Bowery $26.25 each.

Gary R. Crum, president of Commonwealth, said his board of directors had not decided yet whether to pursue another combination."

Commonwealth is a relatively new S&L, founded a little more than two years ago. It has grown from $40 million in assets when the Bowery offer was announced to $261 million at June 30, Mr. Crum said. About half of its portfolio is invested in government securities or bank certificates of deposit and about 40% in home mortgages. The S&L earned $1.9 million in the fiscal year ended March 31.

The Bowery suffered a $20.1 million loss in the first quarter of this year, when it reported a net worth of $76.7 million. This net worth figure, however, included $58.7 million in net worth certificates from federal regulators. If losses were to continue at the first-quarter rate, the Bowery would exhaust its net worth in less than one year.

The savings bank has sustained large losses, like other New York mutuals, because of the high interest rates of recent years.

When the acquisition was announced, the Bowery's Mr. Root said it would be paid for with funds received in late 1981 from the sale of the savings bank's mortage banking subsidiary, formerly part of Bowery Advisors Inc.

Toledo . . .

Continued from page 9

IBM developed the software for Toledo Trust, Mr. Braun said.

"What is unique, is that we were able to support home banking with no programming changes" in the bank's accounting systems, Mr. Braun added.

The bank's branch system was already highly automated, so automated, in fact, that if a customer uses a home banking terminal to shift funds between accounts and then looks up the account balance on an automated teller machine at a branch, the transfer will show up, Mr. Braun said.

Bigger Market Coming

While the system only has just over 100 users now, Mr. Braun sees a big

WSJ 7/19/83 p.26

Why Should Congress Lend Foreign Banks a Hand?

By H. Robert Heller

The House is about to take up a bill that, in its present form, would make it more difficult for U.S. banks to compete with their foreign counterparts in international lending. The bill, H.R. 2957, already has passed the House Banking Committee, and last month the Senate approved a similar, though somewhat less stringent, measure. Significant harm is about to be done to banking, its customers and the economy. At stake are billions of dollars in foreign earnings and thousands of American jobs—and not just those in banking.

As usual, it all started out with good intentions. The finance ministers of the world agreed that in view of the large international payments imbalances faced by many countries it would be appropriate to increase the financial resources of the International Monetary Fund. For the U.S. this involves an allocation of $8.4 billion. The funds are to be used to finance the IMF-approved adjustment programs that allow those nations most seriously affected by the global economic difficulties to regain their economic and financial health.

But as frequently happens when there is an opportunity to do something good, people rush in to do even more good. In the present case this unfortunately has the result that the very same bill that provides for more governmental financial resources to countries in difficulties may also severely restrict the funds available to the same countries from private sources.

One provision of the House bill stipulates that banks are to set aside "special" reserves for all loans to foreign borrowers that aren't fully up to date with their interest payments, to countries that do not comply with an IMF adjustment program, or where "there is a substantial likelihood that such debt cannot reasonably be expected to be repaid in accordance with its original terms and conditions without additional borrowing or a major restructuring." Not even the U.S. government is in a position to repay its debt without additional borrowing! Yet banks are to apply this stringent standard to all foreign loans and to establish special reserves if these conditions aren't met. These special reserves aren't to be considered part of the bank's capital, but are actually to be subtracted from it.

Many banks may consider this a signal to pull back from international lending. To do so would not only be harmful to the foreign countries that would have to reduce their imports further, but would also adversely affect American exports, the fledgling U.S. recovery, and therefore American jobs.

While U.S. banks are thus encouraged to curtail their international lending, additional official resources are to be made available through the IMF. The ultimate irony is, of course, that this runs totally counter to the intent of the IMF financing programs. The IMF funds aren't to be used by the countries to pay off their bank loans. Instead, the IMF adjustment programs are designed to bring forth additional private lending. In many countries, such as Brazil and Mexico, the IMF program itself is contingent upon banks boosting their financing commitments by 7%. Obviously, no "bail-out" of commercial banks is intended.

The banks face an additional dilemma: While Congress is urging them to increase their loan-loss reserves, the Internal Revenue Service won't permit banks to set aside more than 1% of outstanding loans in the form of reserves without first paying taxes on these funds. This ratio is actually scheduled to drop to one-sixth of 1% in the near future. The banks are caught in the situation of having one government agency urge them to increase their loan-loss reserves, while another agency severely penalizes them for doing so.

The House bill also requires an "economic impact study" for any U.S. bank loan larger than $1 million made for a foreign mining, processing or manufacturing project. If this study finds that any subsidies or guarantees by a government or international organization assist in the repayment of the loan, then the bank isn't permitted to finance this project. Presumably this would include even small subsidies in the form of World Bank or U.S. Export-Import Bank financing or even U.S. governmental guarantees in support of the project. Clearly, this would make it more difficult for U.S. banks to lend to many foreign ventures, while foreign banks would be eager to lend to projects thus benefited.

It is argued that U.S. banks channel funds to foreign borrowers that could be used more productively at home. In fact, the nine largest U.S. banks hold more in foreign deposits than they have in foreign loans outstanding. On balance, no funds of American depositors in these banks are used to fund foreign loans. Thus, domestic U.S. capital markets aren't affected adversely by the international lending activities of U.S. banks.

In the past few years, many domestic loans, no less than foreign loans were jeopardized by record interest rates, falling commodity prices and volatile exchange rates. With the wisdom of hindsight it is easy to say that economists, government officials and bankers should have somehow predicted the global inflationary surge and the severity and duration of the recession. But it does not follow that the government is better qualified to decide who gets credit on what terms. Indeed, loans by the U.S. government itself and by its agencies have scarcely been free from repayment problems.

Banks are in the business of taking risks, thereby reducing risks for others. Mistakes are made, and there is no reason for undue sympathy toward specific banks. But the U.S. banking industry as a whole has been a vital and competitive contributor to the entire U.S. economy.

At this crucial period in the U.S. and global recovery it is important that funds are available to U.S. industry so that these firms can finance their investment and export programs. If the U.S. banking system, because of a stringent requirement for special reserves, were to be sharply constrained in its capacity to meet the additional financial needs of industry, the recovery would be weakened. Also, the ability of U.S. industry to compete internationally will be reduced if export financing isn't available.

If the legislative penalties on U.S. banks are enacted, nobody should be surprised by congressional hearings within a few years to investigate why the international banking industry was taken over by foreign banks, and why Americans at home and abroad lost their jobs. The answer will be simple. The provisions of the House bill now being considered would make it much more difficult for U.S. banks to compete internationally. Congress is about to hand over the international banking system to foreign banking interests on a silver platter.

Mr. Heller is Bank of America's vice

ONE PAGE SUMMARY

RE: DOMESTIC SAVINGS AND FOREIGN LOANS

A. Postulates:

1. The people's savings is the best source of capital formation.

2. Inflation, and expectations of it, are enemies of savings.

3. Depositaries receiving savings have a consummate duty to repay deposits.

4. A system which is based on incentives to borrow is inimical to savings and to maintenance of safe depositaries. The duty to repay deposits becomes subordinated to other pursuits.

B. History:

1. Arthur Burns warned in a stinging speech in 1978 of the very perils we have now witnessed in 1982-83 re "country risk"; it is not a new "blindsiding" problem.

2. In spite of Burns' warnings, there was an explosion of international incentives to borrow with such debt rising from $340 billion in 1978 to $640 billion in 1982.

3. In 1972 and 1978 Chairman Burns also gave prescriptions for stability in international finance, being mindful of maintaining depositaries' ability to repay deposits.

C. Current Condition:

1. Numerous solutions are offered; among are those by Felix Rohatyn, Peter Kenen, Albert Gaylord Hart, The Ad Hoc Commitee on International Debt and U. S. Financial Policies, and Georgetown University Center for Strategic and International Studies.

2. Many solutions, however, lack political support.

D. Essential Elements for a Plan:

1. Key is providing incentives to repay; this is key to banking, but has been largely ignored in international lending.

2. Relief from burden of compounding debt is essential to providing incentives to repay.

3. Absent such relief, the debtors will face increasing incentives to repudiate--as noted long ago by Lord Keynes.

THE BOWERY

The Bowery Savings Bank
110 East 42nd Street
New York, New York 10017
212 953 8288

Vice Chairman

March 7, 1983

The Honorable Charles E. Schumer
126 Cannon House Office Building
Washington, D. C. 20515

Dear Chuck:

I very much appreciate the opportunity to spend a few minutes with you last Tuesday. This letter is a follow-up on one of our topics of discussion, namely contributions to IMF. I am pleased that this topic commands your interest and considerable ingenuity. As an officer of an institution which has been fighting intense competition (predatory?) from commercial banks covetous of savings deposits, I have both a great interest and, no doubt, bias which, I can only hope, is pardonable.

There are certain postulates under which I operate, which I will enumerate so that you may "consider the source":

1. The best source of capital formation for society is the savings of the many. (I was acquainted with this proposition at an early age, namely through purchasing savings stamps from our local post office. During those years of World War II, our national savings rose from about 6% of DNI circa 1941 to 25% of DNI in late 1944. These savings financed huge deficits incurred for nonproductive--but self-preserving--expenses. The implications of this are considerable, in my opinion, in view of the fact that we once again have a very large deficit, a considerable portion of which is committed to nonproductive uses.)

2. The best way to assure stability of savings flows is to maintain a positive yield curve and one which rewards savers by not having to contend with inflationary expectations (or debasements of deposits).

3. A bank which receives savings has the paramount duty to "repay deposits." (The number one general power of a New York savings bank is "To receive and repay deposits." [New York Banking Law, Section 234, subd. 1.] This duty to repay deposits is the point of differentiation between banks and other investments, i.e. mutual funds and the like. In the latter cases, the entity which receives the savers'dollars only undertakes to place those dollars in agreed upon investments, but not necessarily to repay the amount "invested.")

4. A system based on the foregoing postulates is particularly vulnerable to inflation and a system which champions incentives to borrow. This vulnerability is made all the more acute within a society which bridles at deferring consumption (and hence to save). Further, it is compounded by government spending for nonproductive purposes if incommensurate with the underlying savings rate.

5. A system vulnerable to inflation quickly loses sight of the distinction between deposits (and the importance of repayment) and other investments because the focus turns to "total return," i.e. appreciation of capital out of desperation to "keep up with inflation." Hence this system gradually assumes savings must bear one of two risks:

   a) If a deposit, a risk of loss through debasement of the dollar deposited; or

   b) If another investment, a risk of loss through nonpayment of principal but exciting rates of interest in the meantime.

In my view, the international lending commercial banks have trivialized the sanctity of banking by encouraging depositors to "invest" dollars with them but with scant attention to their ability to "repay the deposit." Thus they have shown exciting earnings (representing 50-75% of their reported net income) out of which they are able to fund their pursuit of savers. But the importance of their borrowers' ability to repay loans so that depositors might be repaid has been virtually dismissed as archaic. This apostasy from banking has made a popular jokeof the phrase: "You can bank on it." My conclusions in this regard are drawn from:

1. Arthur Burns' warnings in 1977, to wit:[1]

   a) "Commercial banks, as a practical matter, have neither the inclination nor the leverage to impose restrictive covenants on sovereign governments." (p. 459)

   b) "Under such circumstances [growth of imbalances in international payments accounts] many countries will be forced to borrow heavily, and lending institutions may well be tempted to extend credit more generously than is prudent. <u>A major risk in all this is that it would render the international credit structure especially vulnerable in the event that the world economy were again to experience recession on the scale of the one from which we are now emerging</u>." (pp. 458-459, emphasis supplied)

   c) "But in no case must [IMF] become a substitute for an adequate adjustment policy by borrowers or serve as a bailout for private banks."

[1] These quotations are from Burns, Arthur, <u>Reflections of an Economic Policy Maker</u>, American Enterprise Institute, 1978, speech at Columbia University Graduate School of Business, April 12, 1977. Chairman Burns also stated as one of five "essential" conditions for restoring world economic expansion: "...fourth, private financial institutions need to adhere to high standards of creditworthiness in providing whatever volume of international financing occurs during the next few years;" (p. 459).

2. The fact that, notwithstanding Chairman Burns' warnings, the "total volume of international debt of developing nations rose from about $340 billion in 1978 to about $640 billion in 1982. This increase of almost 90 percent over four years, even after adjustment for world inflation, has outpaced the debtor nations' real growth." (Statement of the Ad Hoc Committee on International Debt and U. S. Financial Policies - January 14, 1983, as printed in Congressional Record, Vol. 129, No. 21, February 25, 1983, Extension of Remarks by Jerry Lewis, California.)

3. The retreat into the semantics of obfuscation. The foregoing activities are blithely described as "recycling" funds. But recycling means to take a substance of little use (e.g. scrap metal) and make something of value out of it. In the present case, however, the bankers' alchemy has caused them to turn gold into lead. The result is to forget that these funds (i.e. to be recycled) came into banks as "deposits"; they went out with little heed as to the borrowers' abilities to repay (and derivatively, the lenders' abilities to repay their depositors). In other words, the banks acted as depositories when they should have acted as brokers. And to call this "recycling" is 1983 double-think.

With the above to serve as background for my point of view or bias, I now turn to the issue of what can be done (as invited by your letter of February 15).

Set forth below is a chart which offers some historical perspective. It represents the ingredients for international financial and monetary stability as seen by Arthur Burns in 1972 and again in 1977 (at which time--as noted above--the magnitude and potential risks which we are presently observing were forewarned).[2] The rankings in the chart below are those given by Chairman Burns to these ingredients in his speeches from which this comparison derives.

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[2] Again, these summaries are taken from Burns, pp. 453-454, as to 1972; pp. 466-467, as to 1977.

1972	1977
1. Strengthening the processes of international consultation and cooperation.	3. A better framework of knowledge for evaluating the creditworthiness of individual countries.
2. Responsible domestic policies in all the major industrial countries.	(See 6 below.)
3. Domestic autonomy "so that no country would feel compelled to sacrifice high employment or price stability in order to achieve balance-of-payments equilibrium."	1. An assertive IMF for monitoring economic policies of its members. 2. Support of IMF by national governments without circumventing the Fund by bilateral official loans.
4. Prompt adjustments of payments imbalances.	
5. "[A] symmetrical division of responsibilities among surplus and deficit countries" for adjusting payments imbalances.	6. Countries with persistent payments deficits need to adopt effective domestic stabilization policies. 7. Non-OPEC countries with payments surpluses probably should revalue their currencies.
6. Evolution of world reserves and official credit arrangements.	
7. A diminished role for gold and an increased role for SDRs as reserve assets.	
8. A more complete "international consensus...about the proper role of reserve currencies."	
9. Some form of dollar convertability in the future.	
10. Freer trade to compliment monetary reform.	5. Avoidance of protectionist policies.

4. More alertness on the part of private lenders and bank examiners to avoid "excessive concentrations of loans in individual countries."

8. Primacy of oil conservation policies and development of new energy sources.

9. Avoidance of a new round of oil-price increases by OPEC.

The foregoing chart is useful in demonstrating how some things did not change from 1972 to 1977; how some concerns evaporated during those five years; and how other concerns emerged. Noted that in 1972 no concern was expressed about prudent lending practices; in 1977 this was Chairman Burns' fourth priority. Note also that a significant change of mind took place between 1972 and 1977 in respect of "domestic autonomy": by 1977 such autonomy could be sacrificed in favor of stronger IMF intervention.

Now in 1983 we have new contributors to the debate--far more numerous than I can synthesize. I offer two recent examples of thoughtful commentary, one by Felix Rohatyn and the other the Ad Hoc Committee referred to in paragraph #2 on page 3 above. Their suggested policy components are:

Rohatyn[2]	Ad Hoc Committee
*1. Coordinated, aggressive economic growth policies among Western nations that "Germany, France, Britain, Japan and the U. S. will have to agree on more expansive economic and monetary policies."	*1. Distinguish between countries unlikely to repay in the future and those expected to earn enough to repay rescheduled indebtedness. Those unable to repay should be deemed in default.
2. An orderly international monetary system.	2. Avoid insistence on repayment of debt under present maturities. However, require domestic policy adjustments as a condition of future reschedulings.

[2] Rohatyn, Felix. "A Plan for Stretching Out Global Debt," Business Week, February 28, 1983, pp. 15 and 18.

As noted below, I question the political feasibility of those marked "".

*3. Long-term, low-interest refinancing of a significant part of the world debt.

*4. Maintenance of air and liberal trade policies throughout the world.

5. Avoidance of IMF austerity programs so long as crushing debt-service pressures persist.

*6. Create a new entity having Western government guarantees (styled after New York's Municipal Assistance Corporation) issuing the long-term low-interest bonds required above to become the substitute creditor of present borrowers, allowing banks to stretch out their write-downs "over a long period of time."

*7. The Soviets must provide half the credits and assume half the commitments to Eastern Europe.

*8. Bank credits to Communist governments should be handled on a government-to-government basis, and so "become part of our strategic negotiations with the Soviet Union."

3. Coordinate any loan extensions with a long-run strategy, e.g. debtor nations' altering domestic policies. "Bailouts without reform merely postpone the day of reckoning."

*4. IMF must provide incentives for debtor nations "to produce and export," for which the IMF may need a temporary increase in its quota, but not a permanent increase (as is being proposed).

5. Prepare central banks for liquidity claims without accelerating monetary growth or abandoning movement to a stable price level.

6. Avoid "socialization" of losses incident to defaults by borrowers [or, presumably, losses established on the basis of a policy whereby "creditors must be made to recognize that they have suffered a permanent loss that cannot be recouped by further transfers of wealth camouflaged as loans"].

In addition to Rohatyn, other long-term solutions involving separate refunding entities have been put forth by: Dr. Albert Gaylord Hart, Professor Emeritus of Columbia University; Dr. Peter B. Kenen of Princeton University (New York Times, March 6, 1983, p. F3:1). A variant plan has been produced by the Georgetown University's Center for Strategic and International Studies in a paper authored by Messrs. Bailey, Luft and Robinson (as reported in The Wall Street Journal, March 3, 1983, p. 28:1). This calls for debtor countries' central banks to issue Exchange Participant Notes which would lay claim by the holders on a debtor's future foreign exchange earnings. (This is similar to the Ad Hoc Committee's approach.)

I have starred ("*") above those elements of these plans which are likely to be the most difficult to achieve. Given this evaluation, and the residuum of Arthur Burns' earlier analysis, I condlude as follows:

A. A revitalized international RFC, as proposed by Mr. Rohatyn, is far too ambitious an undertaking. Besides the fears of the Ad Hoc Committee about an explosive bureaucracy at the IMF would be magnified under such a proposal.

B. Incentives for borrowers to repay are the key to any successful program. To the extent the many extant proposals (e.g. Rohatyn) ignore this essential element, they are harbingers of hopelessness insofar as loans made by banks are concerned. The Ad Hoc Committee recognizes the importance of this ingredient by focusing on "incentives to produce and export" as desirable "major targets of the IMF." The Georgetown Study also gives effect to this factor. To illustrate further:

   (i) Savings institutions' record of safety and asset quality depended, in many instances, on the incentives of homeowners to pay borrowings so as to preserve their shelter--a primal need. Hence the housing industry became an incidental beneficiary of people-oriented savings institutions' use of funds.[3]

   (ii) The traditional commercial bank repayment incentive was embodied in the "real bills" concept. By being short term and related to identifiable cash flow, the borrower had an effective incentive to repay (which permitted the banker, in turn, to repay deposits). What has become the surrogate for this incentive as cash flow became attenuated from loan maturity? Obviously this was of major concern to Chairman Burns in 1977. Rohatyn also appears to recognize this problem when he writes: "In a general sense, long-term loans are the province not of the banks but of insurance companies and the public markets." (Rohatyn, p. 18.)

---

[3] When the incentive to repay became diluted, e.g. with 90-95% loan-to-value borrowings, savings institutions had to look to surrogates for this incentive, such as VA-guarantees, FHA insurance, or more recently private mortgage insurance.

C. As a corollary to any repayment incentive, the crushing burden of compounded debt must be significantly reduced. This is the strongest point in Rohatyn's agenda; it also pervades the Ad Hoc Committee's analysis.

(i) Rohatyn would reduce rates and "schedule limited write-downs over a long period of time" (but with no clear relationship to productive capacity or repayment incentives).

(ii) The Ad Hoc Committee would, in some instances,[4] declare immediate defaults:

> "The default acknowledges that the creditor nations have suffered a loss and that further lending will not prevent a future default. The creditors must be made to recognize that they have suffered a permanent loss that cannot be recouped by further transfers of wealth camouflaged as loans."

(iii) The more universal importance of this postulate is reflected in the following summary by Lord Keynes:

> "The active and working elements (i.e. debtors) in no community, ancient or modern, will consent to hand over to the rentier or bond holding class more than a certain proportion of the fruits of their work. When piled up debt demands more than a tolerable proportion, relief has usually been sought in....repudiation....and currency depreciation."[5]

Of course, currency depreciation is not available to debtor nations who must repay in dollars. That privilege still remains with us given the present strength of the dollar. This leaves repudiation.

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[4]In those instances where debtor government economic or financial policies are "pernicious" to otherwise productive investments in private firms.

[5]Keynes, J. M. "Tract on Monetary Reform," MacMillan, 1923, as reprinted in "The Outlook 1983," A Supplement to The Bank Credit Analyst, December, 1982, p. 2. (Emphasis supplied.)

I hope that in the foregoing there are some ideas, perspectives, or guiding principles which you will find to be of some use.

Again, thank you for your invitation to write.

Sincerely,

Stuart D. Root

SDR/lg

cc: Henry Reuss, Esq.

BB MEMORANDUM

4809 C. F. 157607

IT044
FG036-01
PR007-01
FG006-12

NATIONAL SECURITY COUNCIL

July 13, 1983

~~CONFIDENTIAL~~

ACTION

MEMORANDUM FOR WILLIAM P. CLARK

THROUGH: CHARLES P. TYSON

FROM: ROGER W. ROBINSON RWR

SUBJECT: President's Meetings Tomorrow with Congressional Leaders on IMF Legislation

I am informed that the President will participate in two meetings tomorrow with Congressional leaders on the IMF legislation (11:00 a.m. Cabinet Room and 2:00 p.m. Roosevelt Room). Treasury originally sent over talking points pulled off the shelf from May which were, at least in part, unacceptable. We urgently requested that these be revised and updated. In the meantime, Treasury has evidently been coordinating with our legislative people who favor a strategy of broad remarks by the President followed by a more detailed presentation by Secretary Regan. The revised talking points (Tab A) reflect this approach. I have boiled down these points and placed them on 3" x 5" cards in an effort to make them more useful for the President (Tab B). Overall, we strongly support the President's involvement at this time as Treasury appears not to have pursued this issue on the Hill with sufficient vigor.

RECOMMENDATION:

That the talking points attached (original reportedly with M. B. Oglesby) and cards be sent to the President.

Approve _______ Disapprove _______

DECLASSIFIED
NLRR F95-043/1 #9
BY RW NARA DATE 10/20/10

Attachments
Tab A Cards
Tab B Revised Talking Points

cc: Norman Bailey

7.13.83
Received from Tyson
7:00 pm

~~DECLASSIFIED~~
~~Sec.3.4(b), E.O. 12958, as amended~~
~~White House Guidelines, Sept. 11, 2006~~
~~BY NARA RW, DATE 10/20/10~~

~~CONFIDENTIAL~~
DECLASSIFY ON: OADR

NSC #8304809

delivered to K.D. 7/14

Too late to go to Judge
Pass to Chris Lehman for Dubenstein
MMK

TALKING POINTS

-- WANT TO EMPHASIZE IMPORTANCE I ATTACH TO PROMPT PASSAGE OF LEGISLATION PROVIDING FOR U.S. SHARE -- $8.5 BILLION -- OF INTERNATIONALLY AGREED INCREASE IN THE RESOURCES OF IMF.

-- SENATE PASSED BOTH AUTHORIZATION AND APPROPRIATIONS FOR IMF. ESSENTIAL THAT THIS LEGISLATION BE ENACTED NOW TO ENSURE AGAINST FURTHER INSTABILITY IN INTERNATIONAL FINANCIAL MARKETS WHICH COULD ERODE OUR RECOVERY.

-- INDUSTRIALIZED COUNTRY LEADERS AND I AGREED AT WILLIAMSBURG ON COMPREHENSIVE STRATEGY FOR DEALING WITH INTERNATIONAL ECONOMIC AND DEBT PROBLEMS. IMF IS PIVOTAL IN THAT STRATEGY. CAN'T WORK EFFECTIVELY WITHOUT THESE ADDITIONAL RESOURCES, WHICH MUST BE IN PLACE BEFORE THE END OF THE YEAR.

-- MAINTENANCE OF SOUND WORLD ECONOMY AND STABLE FINANCIAL SYSTEM ARE CRITICAL TO U.S. ECONOMIC RECOVERY AND VITAL U.S. FOREIGN POLICY AND SECURITY INTERESTS.

3

SUGGESTED TALKING POINTS FOR MEETING WITH CONGRESSIONAL MEMBERS

-- I WANT TO EMPHASIZE THE IMPORTANCE I ATTACH TO PROMPT PASSAGE OF LEGISLATION PROVIDING FOR THE U.S. SHARE -- $8.5 BILLION -- OF AN INTERNATIONALLY AGREED INCREASE IN THE RESOURCES OF THE INTERNATIONAL MONETARY FUND (IMF).

-- SENATE HAS PASSED BOTH AUTHORIZATION AND APPROPRIATIONS FOR IMF. ESSENTIAL THAT THIS LEGISLATION BE ENACTED NOW TO ENSURE AGAINST FURTHER INSTABILITY IN INTERNATIONAL FINANCIAL MARKETS WHICH COULD ERODE OUR OWN RECOVERY.

-- OTHER INDUSTRIALIZED COUNTRY LEADERS AND I AGREED AT WILLIAMSBURG ON COMPREHENSIVE STRATEGY FOR DEALING WITH INTERNATIONAL ECONOMIC AND DEBT PROBLEMS. IMF IS PIVOTAL IN THAT STRATEGY. IT CAN'T WORK EFFECTIVELY WITHOUT THESE ADDITIONAL RESOURCES, WHICH MUST BE IN PLACE BEFORE THE END OF THE YEAR.

-- THE MAINTENANCE OF A SOUND WORLD ECONOMY AND STABLE FINANCIAL SYSTEM ARE ESSENTIAL TO U.S. ECONOMIC RECOVERY AND VITAL U.S. FOREIGN POLICY AND SECURITY INTERESTS.

4809

July 14, 1983

TO: NSC SECRETARIAT

Attached action can be closed out -- talking points/ cards were delivered to Ken Duberstein this morning.

pb

NSC/S PROFILE ~~CONFIDENTIAL~~ ID 8304809

CAS 1/28/97

RECEIVED 14 JUL 83 15

TO CLARK FROM ROBINSON DOCDATE 13 JUL 83

TYSON 13 JUL 83

KEYWORDS: IMF ECONOMICS

CONGRESSIONAL AP

SUBJECT: TALKING POINTS FOR PRES 14 JUL MTG W/ CONGRESSIONAL LEADERS ON IMF LEGISLATION

ACTION: FOR INFORMATION DUE: STATUS C FILES WH

FOR ACTION	FOR CONCURRENCE	FOR INFO
PRESIDENT		

COMMENTS *** TALKING POINTS & CARDS FWDED TO DUBERSTEIN PER BAILEY

REF# LOG NSCIFID (H / H)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO

DISPATCH ______ W/ATTCH FILE ______ (C)