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**Collection:** Mussa, Michael: Files  
**Folder Title:** [U.S. Foreign Indebtedness:  
Implications for US Leadership] [2 of 2]  
**Box:** OA 17731

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** MUSSA, MICHAEL: FILES

**Withdrawer**

DLB 5/2/2013

**File Folder** [U.S. FOREIGN INDEBTEDNESS: IMPLICATIONS FOR  
US LEADERSHIP] (2 OF 2)

**FOIA**

S589

**Box Number** 17731

SYSTEMATIC

238

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
158711	PAPER	DUPLICATE OF #158710, US FOREIGN INDEBTEDNESS: IMPLICATIONS FOR US LEADERSHIP	40	8/10/1988	B1

The above documents were not referred for declassification review at time of processing

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

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⑦ Difficult to identify harm

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS

① DUSTMANS BAD POLICIES  
INFL CRISIS - from

② STRESS RATE: Debt - Not Related

TO:

⑤ ~~Paul Kennedy private~~ RULES -  
③ FLUCT RATES  
FROM: ④ PAX US

⑥ 1. ~~Good~~ Numbers should relate to U.S. economy -  
Estimates of  $1 \times 10^{12}$  net debt aside from accounting will represent  $1/6$  of GNP, etc.

2. U.S. a net debtor prior to WWI - Did not prevent emerging as a powerful nation - WWI netted debt

3. If there is a concept "national strength" productive capital and productive labor

(b) What do we do with resources?

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS

DATE:

TO:

- FROM: Use of "large" numbers
4. Servicing cost of \$50-60 billion - 1% of GNP in 1990's -
5. Debt denominated in \$  
~~Voluntary~~ Mainly arise from voluntary decisions (theoretically)
- a. Small part is "gov't"
- b. Relate to float. rate
- c. to extent that foreigners disapprove U.S. mon. policy to be less inflationary - good
6. See Kindleberger's 4 functions - p. 7 - (Based on fixed rate)
- a. distress goods  
Argument - commodity price stabilization?
- Nothing about debt position prevents us from performing as long as service costs...

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS

DATE:

TO:

FROM:

- b. Supply Capital -
- (i) There ~~are~~ <sup>are few</sup> no impediments  
to capital flow currently  
~~How do~~ (ii) We do supply  
capital at the margin -  
Why is the net position  
relevant?
- (iii) Main point should  
be - We have an interest  
in the trade & finance  
system - We ~~do~~ want to  
maintain rules of open  
access; Our net position  
does not change that
- (iv) Manage Exch. Rate!  
Exchange Instability <sup>the</sup> to Reserve  
them

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS

DATE:

TO:

FROM: c) Rediscount mechanism -  
Lender of last resort  
Oct 1987 showed U.S.  
in role of world  
leader - Supplied funds.  
Debt position irrelevant

d) Manage exchange  
rates - The CRUX  
Need for rules -

Effects of debt not  
independ. of resource use.  
Political - ① Paul Kennedy's  
overcommitment overcommitment  
② Relative strength changed  
but not because of debt.

Lauren

Some issues

Does it affect  
troy commitments  
Foreign mgt -  
able to purchase  
li - tech  
\* Pick - separate way -  
Not nec. or suff.

Debtor can't be a leader? - Not nec. or suff.

Leadership is more impressive  
if we don't fall prey  
Acquisition of leader

Pop Americana - Stress on rules  
Deregulation protection -  
Economic stability  
Political stability

Fluctuating vs. fixed

Debt is private not public - Losses are borne by  
debtors

Creditors cannot damage us without  
damage to themselves

Creditors are not monolith -

Debt relative to Trade or GDP

Comparative  
Adv. in  
Lending -  
Japan / U.S  
Fore Cap Mkt

~~$1.3 \times 10^{14}$~~   
 ~~$\times .05$~~   
 ~~$6.5 \times 10^{12}$~~   
 ~~$\times 10^3$~~

~~$100 \times 10^9$~~   
 ~~$1300 \times 10^9$~~

$7\frac{1}{2}$   
 $1 \times 10^{29}$   
.075

$75 \times 10^4$   
 $6 \times 10^{23}$

$\frac{12.5}{1000}$