

THE WHITE HOUSE

WASHINGTON

February 10, 1983

Dear Mr. Goergen:

Thank you for your recent letter. It is always encouraging to hear from people like you who have been long-time advocates of the President's philosophy of limited government and individual freedom. I know that President Reagan is as grateful for your support as I am.

Regarding your interest in serving within the Administration, I can only recommend that you write to the White House Presidential Personnel Office directly.

Again, thank you for your support.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. William H. Goergen
P.O. Box 782
Encino, CA 91316

ESTATES UNLIMITED, INC.
Financial Services — Mid West & Southwest Offices

February 4, 1983

Michael K. Deaver
White House
Washington, D.C. 20050

Dear Mr. Deaver:

My contact with you over the last several years has been minimal, therefore I am enclosing some memos that may jog your memory. In any event, I am and have been a supporter of President Reagan and his administration, which you are an important part of. I reside most of the year in California for business reasons, but I vote in Iowa. I influenced a friend of mine, a Mr. Jack Schroeder to act as State Finance Chairman for the Reagan campaign in Iowa. I was happy to assist in any way I could.

The second half has just started for the administration and it looks like its third down and long yardage, but I am confident that the Head Coach and his assistants can make the big play or plays to succeed. The general public is not informed of the good policies and programs that the Administration has put in motion. The public should be informed in a way that will down-play the yet unsolved economic and social ills of the country and inform them that you are diligently working on the cure.

I had the pleasure of escorting Mr. Pat O'Brien to the pre-Rose Bowl "Dinner for Champions" where Pat was a part of the program. Pat is a friend of mine, as well as the President's, and he remarked to me on the way home from the dinner how the President stays by his convictions regardless of the criticism of the opposing party and some of the media.

I am old enough to remember how during the F.D.R. administrations, the way F.D.R. picked out one or two trusted members of the media such as Edward R. Murrow and related his policies to them and they in turn too would relate to other members of the media and the public which usually united the people behind him. There was no TV at that time, only the radio and press, but it might be well to adopt a similar type method. It bothers me that the administration is accused by many to benefit the rich and ignore the poor. The method of determining who qualifies for Social Security retirement benefits should be altered to eliminate some and add benefits to others and still save enormous amounts of money and also indicate to the public the administration is sympathetic to the needy. I will elaborate on the plan if there is an interest.

Page Two
February 4, 1983
Michael K. Deaver

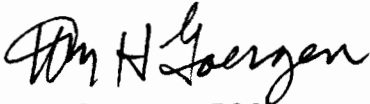
As a contracted financial public relations consultant to an independent oil company, I have watched with interest Mr. Watt's efforts as Secretary of the Interior and on a scale of one to ten, I would have to give him a nine.

I also hope the administration pushes to put more economic and administrative duties on to the state governments and reduces the Federal bureaucracies. This will make the state governments more responsible and hopefully more efficient and conservative with the taxpayers' money.

In conclusion, I have a few good productive years left and would welcome a chance to assist the administration succeed in its tenure of office.

Respectfully yours,

WILLIAM H. GOERGEN



P.O. Box 782
Encino, California 91316
Tel. (213) 344-2685

RONALD REAGAN

477-8231

SUITE 812
10960 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024

February 16, 1976

Mr. William H. Goergen
President
Estates Unlimited, Inc.
Post Office Box 782
Encino, California 91316

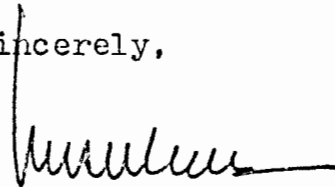
Dear Bill:

Thank you for your nice note and offer of help to Governor Reagan's campaign.

I do think it would be better if you discussed your ideas with Mr. Charles Black, Governor Reagan's Midwest coordinator. I am sending on your note to him and you should be hearing from him directly.

Thanks again for your offer of support.

Sincerely,



Michael K. Deaver

MKD:bls

cc: Mr. Charles Black

Michael K. Deaver
10960 Wilshire Boulevard
Los Angeles, California 90024
213/477-8231

August 25, 1980

Mr. William Goergen
President
Estates Unlimited, Inc.
Post Office Box 782
Encino, California 91316

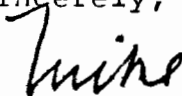
Dear Mr. Goergen:

I'm sorry, but I'm on a plane practically all the time from now through the election.

If you'd be good enough to put your thoughts in a letter, I'd be delighted to go over them and respond, or put you in touch with the appropriate person in the campaign.

Thank you for your continued interest.

Sincerely,



Michael K. Deaver

MKD:bd



MICHAEL K. DEEVER

Dear Lorraine

I was saddened to hear of your mother's death. I know how close you were and how much you must miss her. Please know that you and she are in my thoughts and prayers.

I'm excited to think Suzzy and Steve will visit Washington in May. It's always refreshing to see real people here. always,
mike

THE WHITE HOUSE
WASHINGTON

Mrs. Lorraine Price
1418 Floribunda Ave. #204
Burlingame, CA 94010

2-10-83

Will enjoyed the family picture
on your Christmas card -
Steve and I maybe in Washington
D.C. the end of May. It would
be fun to see you or at least
call you. I'll get your
phone number from Jean & Bill.
Take care -

Love.

For M.D. Steve &
the group -
~~do not~~

Dear Carolyn & Mike -

Just a short note to tell
you that Steve's Grandmother
died on January 14th in
Burlington. She really did not
know anyone including Lorraine
most of the time for the last 6
months. She was 89 - It was
sad as death always is but it
was a blessing also. If you
want to drop Lorraine a note her
address is 1418 Floribunda Ave #204
Burlington, Ohio 94010

THE WHITE HOUSE

WASHINGTON

February 10, 1983

Dear Marge:

This is to acknowledge your letter of January 13 bringing to my attention a copy of the letter addressed to the Presidential Gift Unit by Mr. Ron Smith about the desire of Mr. Madjid Moghaddasian to present to the President and Mrs. Reagan the portrait he has painted of them.

I do indeed appreciate your kindness in writing me about this artist, but the President and Mrs. Reagan both have such busy schedules, time does not permit this presentation. I am sure you will understand they have so many wonderful requests from people who want to present them with artwork that it has become impossible for them to accept them.

With my best wishes to you,

Sincerely,

MICHAEL K. DEEVER
Deputy Chief of Staff
Assistant to the President

Miss Marge Boynton
711 Willow Avenue
Ukiah, CA 95482

711 Willow Avenue
Ukiah, Ca. 95482

January 13, 1983

Mr. Michael Deaver
Whitehouse
Washington, D. C. 20500

*Thank
but we
simply don't
have time
right
now*

Dear Mike:

I am enclosing a copy of a letter that is self explanatory.

I have become acquainted with Madjid just recently because someone suggested that perhaps I could help him. He is a student attending our community college. He is slightly under thirty I believe.

I find him very refreshing because he is so terribly excited over the possibility that he might be able to present his paintings as a gift to the President of the United States. This has become a dream of his. Madjid is not a political person at all. He plans to live here permanently as soon as he can but he maintains pride and love for his homeland.

What I believe to be important here is the intent. Majie, as he is called, wants to give these paintings to President Reagan as a gesture of peace and good feelings. It is my thinking that perhaps this is the sort of human interest stories that the president likes.

There are some persons here in Ukiah that are arranging an art exhibit for Majie in combination with a fund raiser so he could be sent to Washington to give these paintings to the president and Nancy.

I would appreciate it very much, Mike, if you feel this is something that would appeal to the president, if you would have someone pursue it. I know that quite frequently requests of this type can easily be filed away unless someone is made aware. Anything you can do would be appreciated. If you have any questions or comments, please contact me.

Please greet the president and Nancy for myself and my husband and do tell the president that we are very proud of him and think he is doing a tremendous job despite the press and the usual activists. History once again, as they did in California, will record him as one of our more outstanding leaders. Just tell him to hang in. Contrary to the media, no one supports him except the people!

Thanks, Mike, and continued good happenings to you. Everytime I read that you are considering leaving Washington, I hope that you will reconsider. The next two years will pass very quickly. Then you can come home to California...maybe.

Sincerely,

Marge
Marge Boynton

cc

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Patti:

I very much appreciate your enthusiasm and support for the President's State of the Union address. As you suggest, signs that America is "on the mend" are growing.

Thanks also for your comments on Administration proposals limiting the use of federal money for lobbying and other forms of political advocacy. The Office of Management and Budget and the principal agencies engaged in procurement, including the Department of Defense, have proposed regulations that are designed to ensure that federal tax dollars are not used, directly or indirectly, for the support of political advocacy. Although as an Administration, we appreciate and rely on the political efforts of our supporters, we also feel that it is important to make clear that political advocacy is not to be conducted at the expense of the taxpayer. The proposal you wrote about will be applied on an across-the-board basis to contractors and grantees alike, to supporters as well as critics of the Administration.

As you may know, the OMB-Defense proposals were submitted for public comment. We have been hearing a wide variety of views on the subject, and many suggestions have been well taken. We intend to continue listening to persons offering comments on the OMB-Defense proposal, and expect to come up with a set of fair and balanced final regulations that protect the right of persons to engage in political advocacy while at the same time making sure that it is not financed with federal grant or contract funds.

Thanks again for offering your kind words and letting us know of your concerns.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mrs. Patricia M. Hawkins
United for Arizona
3003 North Central Ave., Suite 2000
Phoenix, Arizona 85012

THE WHITE HOUSE
WASHINGTON

TO:

Joe Wright

FROM:

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Information

Action

*Please prepare a suggested
reply in Mr Deaver's
signature.*

14890

(Signature)

United for Arizona

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The O'Malley Companies
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Chairman and President
Kaibab Industries
Phoenix, Arizona

EXECUTIVE DIRECTOR

P. MORDIGAN HAWKINS

January 26, 1983

Mr. Michael K. Deaver
Assistant to the President &
Deputy Chief of Staff
The White House
Washington, D.C. 20500

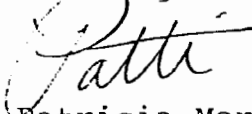
Dear Mike:

President Reagan's address last evening was, by far, the best speech I've ever heard. It was brilliant! Congratulations to all of you -- it's truly what we need and America is definitely "on the mend"!

On another subject, I've attached a recent clipping from The Wall Street Journal regarding U.S. Funds for Lobbying. I am a bit concerned Mike. As I read it, the definition of "federal contractor" could reach into many businesses. The complexity of administering this could conceivably dry up many lobbying efforts and PACs. Am I over-reacting? Please advise and let me know who I can talk to, if appropriate.

Many thanks.

Warm regards,



Patricia Mordigan Hawkins
(Mrs. Jasper S. Hawkins, Jr.)
Executive Director

PMH:jm
encl.

Juell Wright
for suggested reply

14890

Curbs on Use of U.S. Funds for Lobbying Planned for Businesses, Nonprofit Groups

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Reagan administration proposed new limits on the use of federal money for lobbying, electioneering or litigating.

The administration asked for comments on the proposal, which would apply to nonprofit groups getting federal grants and also to businesses supplying goods or services to the Pentagon or other government agencies.

The proposed rules would prohibit the use of federal money by grantees and contractors for attempting to influence balloting at any governmental level, for the administration of a political-action committee, for attempting to influence government decisions directly or through swaying public opinion, for participating in litigation on behalf of others, or for supporting trade associations or other groups that spend more than \$100,000 a year on political advocacy or that have political advocacy as "a substantial organizational purpose."

The rules would prohibit grantees and contractors from using federal money for paying any part of the salary of persons whose work includes political advocacy. Thus, even a part-time lobbyist would have to be paid entirely from nonfederal funds.

An even tougher provision would bar the use of federal money for paying salaries of any employee whom the employer has "required or induced" to engage in political advocacy, even during nonworking hours. Under this provision, a military contractor might risk losing the whole payroll for an entire manufacturing facility if the business

induced the employees there to write their congressmen in support, say, of a missile system or airplane made by the company.

Also, the proposal would for the most part require contractors and grantees to keep separate offices, computers, autos and other such things for their lobbying or political operations. A company airplane used for administering a federal contract couldn't be used to fly company officials to Washington to lobby, for example. Further, contractors and grantees would have to use their own money exclusively to pay dues to lobbying associations.

In the nonprofit area, officials at the White House Office of Management and Budget gave as an example a hypothetical group that had received a federal grant to promote better health services for the poor. If the group then organized a political rally to promote more federal funding for health programs, it couldn't use for that purpose any duplicating machines, telephones, desks or other facilities paid for, even in part, by the federal grant. "The organization would be free to hold the rally—but it would do so at its own expense," an OMB official said.

While much stricter than present standards, the proposed new rules still contain some potential loopholes. Federal money could still be used, for example, to "provide technical advice or assistance to a government body." Under the technical-advice provision, contractors might well supply friendly congressmen with self-promoting, federally financed aid, much as the Pentagon itself, which is also legally barred from lobbying, manages to keep platoons of "legislative liaison" employees busy feeding information to legislators.

14890

THE WHITE HOUSE
WASHINGTON

February 11, 1983

Dear Bob:

You're right. It was a delightful evening we shared at the Second Inaugural Anniversary. I hope everyone enjoyed the 'entertainment' as much as the entertainers.

Carolyn asked me to thank you for the booklet on whole grains. She found it very interesting.

Thanks for your very supportive remarks.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. Robert D. Stuart, Jr.
The Quaker Oats Company
Merchandise Mart Plaza
Chicago, Illinois 60654



The Quaker Oats Company, Merchandise Mart Plaza, Chicago, Illinois 60654

Chairman
(312) 222-7450

February 3, 1983

Mr. Michael K. Deaver
Deputy Chief of Staff and
Assistant to the President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mike:

That was a very pleasant dinner party the Deavers and the Michels hosted Tuesday evening. Barbara and I especially enjoyed visiting with you and Carolyn. The unrehearsed "Mike and Bob" show was super and gave a warm touch to the whole occasion.

Please tell Carolyn that I've found and scanned the F-Plan Diet, which has been such a "hot seller" in the U.K. And, of course, we believe this approach is "right on," as you will see from the little booklet on the value of whole grains that I'm enclosing for Carolyn's interest.

I admire your dedicated service to the President, at a whale of a financial sacrifice. Three cheers for what you're doing! I hope our paths will cross soon again.

Kind regards,

Robert D. Stuart, Jr.

RDSjr/lk
Enclosure

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Harvey:

I apologize for being so late in sending you our thanks for the Hickory Farms items. That's a gift that the whole family is able to enjoy - and did!

Carolyn and I appreciate your generosity and thoughtfulness.

Best personal regards,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. Harvey Goldstein
10960 Wilshire Boulevard
Suite 826
Los Angeles, California 90024

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Celestine and Jim:

I can't begin to tell you how much Carolyn and I appreciated the lovely dinner you gave in our honor last Friday. We enjoyed our old friends and the wonderful new friends we met that evening. It certainly ranked as one of our most memorable evenings in Washington or anyplace else.

Thank you again for your generosity and thoughtfulness.

Sincerely,

MICHAEL K. DEAVER
Assistant to the President
Deputy Chief of Staff

Dr. and Mrs. James Cheek
8035 16th Street, N.W.
Washington, D.C. 20012

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Dr. Macomber:

Thank you so much for the exceptional tour of the Vatican Art Show. It was spectacular, and we especially enjoyed Margaret Frazier's expertise and guidance.

We look forward to seeing you in Washington soon.

With best wishes.

Sincerely,

MICHAEL K. DEAVER
Assistant to the President
Deputy Chief of Staff

Dr. William B. Macomber, President
Metropolitan Museum of Art
5th Avenue at 82nd Street
New York, N.Y. 10028

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Fred:

Thanks for your thoughtfulness in sending "Viewpoint". I intend to share this with the staff.

With best wishes.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. Fred L. Dixon
Folger Nolan Fleming Douglas, Inc.
725 Fifteenth Street
Washington, D.C. 20005

FOLGER NOLAN FLEMING DOUGLAS
INCORPORATED
725 FIFTEENTH STREET
WASHINGTON, D. C. 20005

FRED L. DIXON

February 7, 1983

Thank

Hon. Michael K. Deaver
Assistant to the President
and Deputy Chief of Staff
The White House
Washington, D.C. 20500

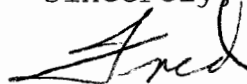
Dear Mike:

This fine piece of research by our Senior Vice President might be helpful in your thinking on this problem.

We are delighted that you are here to help lead us out of this complicated morass.

All good wishes to you in the coming year.

Sincerely



Fred L. Dixon

FLD:cc
Enclosure

FOLGER NOLAN



FLEMING DOUGLAS
INCORPORATED

VIEWPOINT

December 1982

Third World Debt A Tangled Web of Finances and Politics

Even the most optimistic observers of the current domestic and global recession warn that the expected economic recovery could be seriously imperiled by an international "financial accident". At a time when the abundance of dismal news has become oppressive, the euphemism "financial accident" has gained wide acceptance in the vernacular of economists and political analysts, perhaps because it softens the sting of its true meaning. Stripped of its polite veneer, the term refers to the potential for the repudiation or default of its debt by a sovereign government, with all the attendant unpleasant consequences for the international banking system. If such an event were to occur, however, it would not be an accident at all, but rather the product of deliberate decisions undoubtedly more heavily freighted with political considerations than with economic concerns.

In an international environment fraught with tensions engendered by the breakdown of detente, a worldwide recession of unusual severity, and changing leadership in major nations around the globe, it is hardly surprising that the level of apprehension regarding mounting international financial strains and delinquent loans has reached the level of near-hysteria. Consider the magnitude of the problem:

1. The debt burden of developing countries (all countries except for the major "industrial" or "oil-exporting" nations) has surged from about \$100 billion in 1973 to an estimated \$640 billion this year. More than half of this amount is owed to commercial banks in the West, and much of that is short-term debt. The remainder is due to governments and international lending agencies, such as the World Bank.
2. The debt service payments of developing countries have multiplied severalfold over the same ten year period, and in some instances, represent almost insurmountable drags on the debtor nations' financial resources. Interest payments alone are expected to consume 45% of Brazil's export earnings this year. Comparable figures are 44% for Argentina and 37% for Mexico. Awesome as these percentages are, they make no provision for repayment of principal.
3. As foreign debt problems have mushroomed, world bankers have become increasingly wary of exposure to overseas loans. It is estimated that the number of commercial banks willing to participate in loan

syndications to foreign countries may contract from more than 1,000 currently to about 100 within a year. Such a trend clearly will increase risks for the major banks in the United States and abroad which are deeply involved already, and may be forced to become more so. The nine largest U.S. banks, for example, have loans outstanding just to Mexico and Brazil which exceed their total capital.

4. The developing countries contain three quarters of the world's population. They are at once important suppliers of raw materials and foodstuffs to the industrialized world, and a major import market for manufactured goods. About one third of U.S. exports go to non-OPEC developing countries, our largest single customer group.

The accumulation of debt by the so-called less developed countries (LDCs) is not a new phenomenon. Such countries normally have relatively low incomes, especially on a per capita basis, and for many years have required net inflows of investment capital or loans from abroad to supplement their domestic savings in order to support economic growth.

What is new, at least over the last decade, is the alarming rate of expansion of LDC debt, and the increasing role of commercial banks in meeting the voracious appetite of developing nations and Eastern bloc countries for foreign exchange. This surge in overseas borrowing was triggered initially by the OPEC oil price shock of late 1973, and the need to finance the resulting balance of payments deficits of oil-importing nations. The problem was aggravated by the acceleration of inflation worldwide in the wake of the leap in oil prices; by the second oil price shock in 1979; and by the stagnating world economy since 1980. The global recession not only sharply reduced LDC exports, but also caused a severe slump in commodity prices. At the same time, interest rates soared, magnifying still further the total need of LDCs for borrowed funds, in many instances simply to pay the interest on previously outstanding loans.

It is clear with the benefit of hindsight that many developing nations borrowed excessively during the years of rising inflation and negative or minimal real interest rates; and by so doing, avoided making necessary economic policy adjustments. On the other side, in the absence of strong private loan demand in the industrialized nations, commercial banks became more aggressive in their pursuit of LDC borrowers, and somewhat casual in their evaluation of credit risks. The denouement of this unfortunate series of misjudgments has been accelerated by such events as the war over the Falkland Islands, the plunge in world oil prices, and the imposition of martial law in Poland, which pushed beyond the brink the already precarious finances of Argentina, Mexico and Poland, respectively.

With the inability of these countries to meet their current obligations well publicized in recent months, the whole matter of Third World debt has been propelled to almost daily prominence in the financial press, replete with dire predictions and warnings of imminent disaster. The problem is indeed real, enormous in scope, and extremely serious. It is not, however, insoluble.

In order to appreciate the nature of the risks involved in the inability of a sovereign government to service its debt, it is useful to consider the major options available to a debtor nation. These include:

1. Total repudiation of foreign debt. While perhaps tempting over the short term, this is not a workable solution for a country that depends on foreign trade and will continue to require capital inflows in the future. Upon repudiation of its debt, a nation would risk the immediate

freezing of its assets abroad, would be cut off from any further access to Western bank credit, and would be reduced to participating in world trade only on a barter or cash basis.

2. Delay or curtailment of debt service. Such a measure at best would buy time. It also would damage the debtor country's reputation, however; and thus would increase the likelihood of more difficult negotiations for future loans.
3. Proposal to reschedule debt. This process normally extends the term for repayment of principal of an outstanding loan, but imposes a strict requirement that interest payments be kept current, often at higher rates than under the previous loan agreement. Although considerably less than ideal, rescheduling appears to be the preferred alternative of the international banking system, as it prevents questionable loans from deteriorating into "non-performing" or delinquent loans.
4. Request for new loans. Borrowers unable to meet current debt service and reluctant to reschedule can seek new loans to avoid default. When granted, such loans often represent a case of "throwing good money after bad", but are rationalized by banks as a means of allowing debtor nations to keep interest payments current, and thus avoid the write-off of outstanding loans that are unlikely ever to be repaid.

Regardless of which option a delinquent debtor chooses to pursue over the short term, the root cause of the problem often remains, namely, the inability to generate sufficient trade surpluses to cover foreign exchange needs. It is the intractability of this problem that poses the major dilemma not only for Western commercial bankers but also for their governments.

As a matter of self interest, banks will go to great lengths to avoid precipitating defaults which could undermine their own capital and those of affiliates, and potentially touch off a wave of bankruptcies. The same concern for self-preservation, however, will cause major banks with heavy current exposure to LDC loans to scrutinize future credit risks more carefully, to back away from questionable new loans, and to impose conditions designed to force borrowers to make economic policy adjustments necessary to restore their financial solvency over the long term.

Creditor nations such as the United States recognize full well, however, that imposing austerity programs on already poor LDCs will further slow their internal growth, inevitably will increase the hardships borne by their populations, and thus may magnify the risk of social unrest and political upheaval. Belt-tightening by the developing nations may appear to be a sound solution to their excessive debt in principle; but in practice, few have any notches left on their belts!

Thus, governments of creditor nations must assume a role - perhaps that of lender of last resort - in the LDC loans of their banks, since to a large extent, the international banking system has become an instrument of political policy in addition to its function as financing intermediary. While major Western powers understandably seek to protect themselves against the unprecedented strains which threaten the stability of the international financial structure, they must also beware of the potential for a disastrous self-fulfilling prophecy in the event of precipitate action by one or another lender that upsets the currently fragile balance between excessive credit to LDCs and excessive repression of their economies.

In this regard, it is important to make a distinction between the developing nations of Latin America, Asia and Africa, and the Eastern bloc nations such as Poland. While political expediency dictates that the United States and our Western allies must maintain credit policies toward the so-called "free" Third World nations that will not drive them to social revolution and possible drift into the Soviet orbit, we should not be so constrained in dealing with debt problems of Eastern bloc countries. The effective default on Poland's debt was an opportunity to hold the Soviet Union accountable for the financial needs of its satellite states, and for the West to flex its economic muscle in response to the Soviet's military muscle. The Soviets clearly could not have tolerated a Polish default, since it would effectively have cut off credit to all Eastern bloc nations.

Regrettably, in the staredown that followed the imposition of martial law in Poland and the de facto bankruptcy of the country, the West blinked first. What should have been a foreign policy decision was subordinated to economic face-saving, primarily under pressure from European bankers, and particularly from West Germany, which alone had some \$6 billion in Polish debt outstanding in addition to substantial other Eastern bloc exposure. Although the fiction of solvency has been restored by rescheduling, the quality of Polish debt has not improved, nor is it likely to.

In forging solutions to the debt problems of other developing nations, it is clear that the role of the International Monetary Fund must be expanded, not only in negotiating terms and economic policy conditions for rescheduled and new loans, but also in participating with commercial banks in extending funds to troubled countries. The IMF's prompt action in dealing with the financial crises in both Mexico and Argentina several months ago did much to restore confidence in the severely shaken international banking community. Fortunately, the United States and other important contributors to the IMF recently agreed to increase its available funds by some \$30 billion to enhance its ability to defuse potentially dangerous problems, and to avoid international defaults and bankruptcies.

Independent of any herculean measures by Western powers to restore order to LDC debt, and perhaps far more important, are changes occurring in world economic conditions that augur well for a gradual improvement in the situation. The pronounced softness in oil prices has reduced financial pressures on LDCs, as has the sharp decline in interest rates. As the industrialized world recovers from the present recession, demand for the primary commodities exported by LDCs should increase, and their prices should firm. Greater internal disciplines adopted by many developing nations either at their own initiative or at the urging of IMF also should begin to bear fruit.

The world credit situation obviously remains deeply troubled. It would be misleading to minimize its seriousness, but equally misguided to suggest that disaster is unavoidable. The problem is extremely complex. All players have a great deal at stake, and all accordingly are highly motivated to maintain stability. The alternative is the threat of deepening world recession at best, and the risk of financial panic at worst. Although the possibility of worldwide financial panic clearly exists, the intimidating consequences of such a development are themselves a source of some comfort, as they should serve as powerful deterrents against intemperate actions by any government, whether debtor or creditor.

Lillian H. Blucher, C.F.A.
Capital Management Division

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Art:

I appreciate your sending Long Soar the Eagle. I found it extremely interesting and thank you for your thoughtfulness.

With best wishes.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. Arthur B. Laffer
608 Silver Spur Road
Suite 229
Rolling Hills Estates, CA 90274

Arthur B. Laffer

January 31, 1983

Mr. Michael Deaver
The White House
Washington, D.C. 20500

Dear Mike:

I've gotten a lot of response, both plus and minus on this piece. I thought you might find it of interest.

Hope to see you soon.

Best wishes,



Arthur B. Laffer
Charles B. Thornton Professor
of Business Economics
UNIVERSITY OF SOUTHERN CALIFORNIA

ABL:sj
nclosure

Long Soar the Eagle



Ref. #125U

A. B. Laffer Associates

Political Economy

LONG SOAR THE EAGLE

by Arthur B. Laffer

The characteristic vision of America is one of strength, power and independence so aptly represented by an enormous bald eagle confidently navigating the atmospheric currents amongst rugged mountains. America, however, is not what it once was. Over the past several decades, the precipitous decline in the economic and social well-being has found few parallels in the historic annals, save for those instances wrought by pestilence or war. The trail of despair and despondency has attracted numerous economic crackpots self-draped in academic garb proposing one preposterous solution after another. Each solution envisages more government involvement.

In industry after industry—education, highway repair and maintenance, the postal service, the Social Security system, etc.—pervasive effects of governmental incursions have so weakened the system's ability to respond to incentives that performance levels have deteriorated to their current abysmal levels. The past 15 years have amply demonstrated the inability of demand-side economics to cure our nation's ills. The answer is not to increase the size of government and the power of its representatives but to restore the decision-making responsibility to the people.

The electorate is far more capable of making tough decisions than is any group of mere mortal politicians. When given the option of making meaningful decisions, the electorate does it well. Initiatives and propositions in California and elsewhere have elicited strong voter responses and have led to mature and well-reasoned decisions. The principal benefit of direct referendums, however, is taking power away from a relatively poorly performing representative system. People feel, and rightfully so, that their actions have no effect on the path of the nation. With the extension of the referendum or proposition mechanism to the federal level, the political deterioration quickly would be reversed. At the will of the electorate, direct democracy would supplant a faltering, overburdened system of representative democracy. If, however, more direct representation does not evolve, I fear that an elitist, non-democratic form of government will emerge. The choice is ours.

December 22, 1982

LONG SOAR THE EAGLE

An accomplished vizier would be hard-pressed to conjure up an image of America so enfeebled as to be pitiable. The characteristic vision is one of strength, power and independence so aptly represented by an enormous bald eagle confidently navigating the atmospheric currents amongst rugged mountains. And yet, in mere moments that same eagle, condemned to earth by a broken wing resulting from the hapless act of a demented hunter, can tap deep feelings of pity.

America's Decline

America is not what it once was. Over the past several decades, the precipitous decline in the economic and social well-being has found few parallels in the historic annals, save for those instances wrought by pestilence or war. However measured, the indicators are strikingly uniform in their depiction of descent.

The decline in the real value of equities since 1966 parallels an erratic but relentless deterioration in the state of the U.S. economy. The housing industry, if not at an all-time low, has sunk to depths matched only by the steel, farm equipment and auto industries. On a less transitory plane, the educational skills of our student population have drifted south over the past two decades with a slight uptick this year. The most recent SAT scores by graduating high school students have the dubious distinction of being the second worst on record—last year's figures were the worst. Our highways, bridges, railroad crossings, dams and other infrastructure are reputed to be in atrocious disrepair. It would seem that rapid advances in computer technology were needed if for no other reason than to count the number of potholes in New York City's streets. All things considered, 1982 had a great deal to be modest about.

The trail of despair and despondency has attracted numerous economic crackpots self-draped in academic garb proposing one preposterous solution after another. Each solution envisages more government involvement in the sickest sectors of the economy. Because education has fallen so far so fast, the government, they argue, should step in with a huge reeducation effort. Not mentioned is the simple issue of how government should do this. Over the past decades, government has become more and more involved in education just as the performance of students has fallen. Perhaps the association is not spurious. If government retreated somewhat from the education arena, perhaps the relationship would continue to hold and SAT scores would rebound.

Likewise, there is no group more involved than government in maintaining, repairing and constructing our nation's highways, bridges and railroad trestles. As of late, government has delivered something less than a sterling performance. Even in sectors of the economy seemingly dominated by private firms, there is more the illusion of private action than there is the reality. With regulations, restrictions and taxation expanding the way they have over the last 16 years, what used to be primarily private companies have now become so constrained that their actions are more analogous to the U.S. Postal Service than to private entrepreneurs.

In industry after industry, the pervasive effects of governmental incursions have so weakened the system's ability to respond to incentives that performance levels have deteriorated to their current abysmal levels. Surely, the solution to the advanced state of depredation of our nation's capacity to deliver is not more of just those policies that brought us down. Those

who advocate, in their desperation, more government to solve the problems of our society are demonstrably wrong using the test of history. The solution rests in less—not more—government.

And yet, the knowledge of past failures has done little to alter the path taken by the nation. It would seem upon cursory inspection that the very system of governance is so cumbersome as to preclude meaningful change. Closer scrutiny does nothing to modify cursory inspection.

The Failure of Demand-Side Economics

The past 15 years have amply demonstrated the inability of demand-side economics to cure our nation's ills. Ever since Lyndon Johnson pushed his 10 percent income tax surcharge on the American taxpayer, the path taken by the U.S. economy has been downhill. In almost classic proportions, Richard Nixon instituted demand-side remedies to the nation's combined problems of slow growth and high inflation. Government spending and federal deficits were both increased to stimulate domestic demand for domestic products. Money growth was accelerated to provide the liquid wherewithal to lubricate the more rapid pace of commerce. And the dollar was debased time and again to render American goods more competitive vis-a-vis their foreign counterparts.

These stimulative policies, in and of themselves, were believed to carry sufficient force to right the production side of the economy. But they were thought to be inflationary as well. As such, wage and price controls were imposed on a nation that traditionally relied on private market contracts. The intentions were explicit. Unemployment and production deficiencies were to be rectified by monetary, fiscal and exchange rate policies while deflation was to be avoided by incomes policies. A more nearly textbook-perfect example of demand-side economics would have been hard to come by.

The results came as a terrible shock to a nation imbued in the incantations and dogma of leading academic institutions. Output growth from 1969 to 1975 was at or about a 2.5 percent annual rate. Unemployment went from a respectable 3.5 percent level to one in the range of 8 percent at the same time the federal deficit rotated from surplus to horrendous deficit. In spite of the depressed economic conditions and an extreme application of harsh wage and price controls, inflation accelerated.

No lesson was learned, however; Presidents Ford and Carter followed much the same course.

Throughout, the leaders of both political parties have been creative at finding sources of the nation's problems other than their own limitations. President Carter even went so far as to blame the American people for the nation's then inflationary ills. People, he noted, had consumed beyond their means. Americans were not sufficiently self-restrained. By way of example, he stated that Americans were importing more energy each and every day. They also were frenetically bidding up the prices of everything from speculative sojourns into gold, silver and houses right down to necessities such as rent and food. People were the problem and austerity was the supposed answer.

On November 4, 1980, the people disagreed with Carter. They elected a President who based his campaign on the idea that the answer to the nation's ills could be found in the American people's inherent industriousness and desire for a higher standard of living. What was

required was removing the roadblocks of oppressively high tax rates, uncertainty over the value of the dollar and government intrusions into every sector of American life through regulation.

The Problem

In spite of the President's efforts and some early successes, however, the Reagan Administration through 1982 has followed much the same course as had its predecessors. And once again, we hear leaders of both parties blaming the American public for much of today's problems. Retreat is demanded on virtually every issue that the public supported in the 1980 elections. Taxes must be raised, not lowered. Government incursions into the private sector must be increased to fight unemployment, and improving the nation's defense must be deferred. Throughout, there is a presumption that the electorate has failed to recognize the reality of a difficult decision based on a series of unpleasant choices.

At one point, Congress was being pushed into a "lame duck" session in hopes that it would deal with the arcane malfunctions of our Social Security system. The idea of opting for a lame duck session of Congress as opposed to a pre-election session is literally to remove the issue from a highly politicized atmosphere. The electorate's feelings, so the logic proceeds, would entice our representatives to do what is politically expedient and not what is in the public weal.

In this instance, and for whatever reason, the electorate is seen standing as a direct hindrance to good public policy. Political pressures, some say, make for bad policies. In reality, the electorate is far more capable of making tough decisions than is any group of mortal politicians.

Other contra-representative democratic evidence has been appearing all across the nation. Year in and year out, the monies expended to be elected to public office have grown out of control. There seems to be no limit to the amount people are willing to spend.

In one California state legislature race, each of the major party's candidates spent more than \$1 million to obtain a job that pays less than \$25,000 annually. Quite clearly, the race between Tom Hayden and Bill Hawkins was an ostentatious exception. Nonetheless, the frenetic geometric growth in funding required to lose, let alone win, national office is mind-boggling. Never before has so much been put out to get so little.

The necessity of raising massive war chests is sufficient reason to question the objectivity of any politician, once elected. Whether his or her actions are seen as repayment for or in anticipation of political contributions, it is beyond the scope of the imagination for these "public servants" to avoid the appearance and reality of influence peddling.

Ironically, huge sums of money are raised to finance expensive media advertising campaigns to profess one candidate's independence from influence peddling or to point fingers at others. Clearly, the underpinnings of representative democracy are showing signs of major strain if not outright failure.

Teems of Assistants

One look at a Congressman's or Senator's office dispels any harbored illusions that the elected official is the person representing us. Teems of staff aides, assistants and supposed

experts can be seen milling around. At the first hint of inadequacy, the politician proceeds to relate how many people work for him in his district offices and in the committees to which he is assigned.

The system is weighted down by its own encumbrances and the natural limitations of a single human being. In 1978, the tax bill passed by the House and Senate and signed by the President was 1,500 pages long. And that was just the final tax bill and does not include all versions that failed to pass. Imagine the other fields from which masses of legislation are heaped upon our trusted public officials. A politician's span of expertise must literally be encyclopedic—which it isn't. What with all the social and political functions politicians have to attend and the routine visits from constituents, politicians barely have enough time to skim a newspaper. The true decision makers are to be found in the milling throngs replete in the politician's office. How they make decisions is anyone's guess, but it is highly unlikely that devotion to the electorate is their driving force.

Our system of government is functioning less and less well as time goes on. The prospects for a reversal of these trends are remote at best. It would seem that as more and more falls under the purview of government, the present political system will be less and less sensitive to the general wishes of the electorate.

It is hardly likely that politicians and their retainers will voluntarily relinquish the power to dominate issues even if their own capabilities become widely recognized as inadequate. Given the power dynamic inherent in political seats ranging from the local courthouse to Washington, D.C., the more likely response will be for incapable politicians to obfuscate issues, policies and general procedures. And above all, every politician's repertoire must include the ability to accept and mediate opposing opinions of issues—a la compromise.

The concept of compromise brings to mind two antagonists, irrationally stubborn, amicably settling the issue through mutual concessions. No reasonable person, surely, could ever argue against such a notion. Unfortunately, in today's political arena, compromise occurs without the advice and consent of those most affected by the compromise—the electorate. Politicians conspire amongst themselves, each vying for power under the guise of compromise. Through such modus operandi, the "will of the majority" is legislated. In this context, compromise is more properly likened to conspiracy amongst politicians against those whom they are commissioned to serve.

Innumerable cases of conspiracies to compromise can be chronicled. One such example is the progressive income tax which directly discriminates against achievement-oriented poor and middle class workers. Another was Reagan's pursuit of the \$99 billion tax increase package last summer. The electorate, through its selection of Reagan, overwhelmingly ratified tax cuts. The illegitimate delays in their implementation and the further betrayal by passage of tax increases have resulted in, if not caused, 1982's abysmal performance and record unemployment. Any further weakening will only add to the overall state of national despair.

This nation, founded upon a noble heritage of self-determination, is crumbling beneath the weight of firmly ensconced politicians and administrators. Laws have become an obfuscated mass of legal mumbo jumbo with an aura and mystique of complexity beyond the comprehension of ordinary people. The necessity of experts to interpret that which is

incomprehensible is the source of much power. If something is not done, the process will deteriorate to an elitist form of government almost totally removed from the electorate. Even now there are calls for a single six-year term for Presidents so they can do what "should" be done without being too political. The correct answer, however, does not lie in this direction.

The Answer

The answer more correctly would be to reintroduce direct democratic procedures. The electorate, when given the option of making meaningful decisions, does it well. Initiatives and propositions in California and elsewhere elicit strong voter responses and lead to mature and well-reasoned decisions. The principal benefit of direct referendums, however, is taking power away from a relatively poorly performing representative system.

Proposition 13, passed in June 1978, showed just how far removed Sacramento was from the electorate. Only recently, the landslide removal of the state's inheritance tax reconfirms how far out of touch the political process remains from the desires of the electorate.

Compassion and wisdom also were reflected in the state's recent vote to commit \$85 million to the purchase and preservation of land in the Lake Tahoe area. This act effectively compensates Lake Tahoe landowners for the loss in the value of their properties due to much needed additional environmental restrictions. Whatever its flaws, the existence of direct referendums has made California a far better state. Extending this process to the federal level would have even more profound benefits.

Disenchantment with the political process has never been greater. Politicians, laws and the overall impact of government on the lives of private citizens are viewed with a jaundiced eye. People feel, and rightfully so, that their actions have no effect on the path of the nation. With the extension of the referendum or proposition options to the federal level, the political deterioration would be quickly reversed. At any time, the electorate could seize power by putting an issue to a vote of the people. Direct democracy then would supplant a faltering, overburdened system of representative democracy.

If, however, more direct representation does not evolve, I fear that an elitist non-democratic form of government will emerge. Not as a result of some cataclysmic encounter between rich and poor or black and white but rather, the elitist regime will emerge in response to our current failures. If there is one lesson history repeats, it is the lesson that inefficient systems ultimately falter under their own weight and, in their stead, new regimes emerge. The choice is ours. Do we, as we enter the era of pity, wish to heal the eagle's wing or mercifully put it out of its misery?

* * *

THE WHITE HOUSE
WASHINGTON

February 11, 1983

Dear Tom:

Thanks for your letter. It was certainly my pleasure to meet with you. It was a nice break from a gruelling day.

Thanks for your invitation to attend a hockey game. We'd love to if our schedule will allow it. I'll be in touch when we have something a little more definite.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. Thomas A. Micheletti
Southern California Edison Company
Suite 303
1111 Nineteenth Street, N.W.
Washington, D.C. 20036

Southern California Edison Company



SUITE 303
1111 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036

THOMAS A. MICHELETTI
VICE PRESIDENT - WASHINGTON REGION

TELEPHONE
(202) 298-7050

February 8, 1983

Dear Mr. Deaver:

Just a short note to thank you so much for taking time from your busy schedule to see us last week.

I will give your office a call in a week or so to see when and if you and your children are interested in seeing a professional hockey game.

For your convenience, I am enclosing a schedule for the Capitals' games. It appears as though the month of March may be our best bet, with March 2 being a prime date given the presence of Wayne Gretzky. I will look forward to hearing from you on this.

Again, many thanks, and I hope to see you soon.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Tom', written in black ink.

The Honorable Michael K. Deaver
Deputy Chief of Staff and
Assistant to the President
The White House
Washington, D.C. 20500

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Bill:

Thanks for your input about Woody Mefford. He has been interviewed by all the proper parties, and is still being considered along with several other top contenders.

I appreciate your recommendation.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

The Honorable Bill Gradison
Congress of the United States
House of Representatives
Washington, D.C. 20515

BCC: *Personnell*

BILL GRADISON
2ND DISTRICT, OHIO

MARGARET TOTTEN
ADMINISTRATIVE ASSISTANT

2311 RAYBURN HOUSE OFFICE BUILDING
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Congress of the United States
House of Representatives
Washington, D.C. 20515

February 7, 1983

Mr. Michael K. Deaver
Deputy Chief of Staff and
Assistant to the President
The White House
Washington, D.C. 20500



Dear Mike:

I am writing to recommend most highly THOMAS FLEETWOOD ("Woody") MEFFORD to the position of Deputy Chief of Protocol.

As you know, Woody has all of the qualities necessary for this demanding position. His experience as a part-time advance man for the President has shown that he is very well organized and can put together complex social, political and media events smoothly. His pleasant personality is a great asset in what can be trying situations.

Woody is a well respected attorney from my district. He has generously shared his time to be a ward chairman during several of my Congressional campaigns. I admire his thoroughness and efficiency and I greatly appreciate his willingness to help out when I call him.

Based on Woody Mefford's background as an attorney and loyal Republican and his experience as an advance man for the President, I am pleased to lend my strongest support to his position as Deputy Chief of Protocol.

Sincerely,



Bill Gradison
Representative in Congress
Second District of Ohio

THE WHITE HOUSE

WASHINGTON

February 11, 1983

Dear Brown:

Your kind complimentary letter was a bright spot in my day. I hope everyone had as much fun listening as I did playing.

The evening of the Second Inaugural Anniversary was one of the nicest we have had since we've been here.

Thanks again for your thoughtfulness.

Sincerely,

MICHAEL K. DEEVER
Assistant to the President
Deputy Chief of Staff

Mr. E. Brown Pinkston
Vice President
Government Relations
Gulfstream Aerospace Corporation
1000 Wilson Blvd., Suite 2701
Arlington, VA 22209



Gulfstream Aerospace Corporation

1000 Wilson Blvd., Suite 2701
Arlington, Va 22209
Telephone: (703) 276-9500

E. Brown Pinkston
Vice President
Government Relations

February 4, 1983

A handwritten signature in cursive, appearing to read 'J. Brown', with a horizontal line underneath.

The Honorable Michael K. Deaver
Assistant to the President
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20005

Dear Mike:

Please sign me up as a Charter Member of the Mike Deaver Fan Club! When the word gets around about your sterling performance on February 1st, the Third Inaugural Anniversary will have to be booked in Kennedy Center.

It was a delightful occasion, with the warm atmosphere, good food, and friendly greetings - topped by the dynamic duo, Mike Deaver/Bob Michel. All of our dinner companions seemed to enjoy themselves just as much as Selina and I did.

Thanks again for making the Boss' Second Anniversary a memorable occasion for many of us.

Sincerely,

A handwritten signature in cursive, appearing to read 'Brown'.

THE WHITE HOUSE

WASHINGTON

February 11, 1983

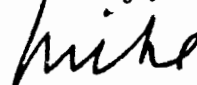
Dear Mr. Sher:

Thanks for sending along Yankovich's news-clipping from the San Francisco Examiner and your Terranomics paper.

I have taken the liberty of forwarding a copy of this information to Craig Fuller, Cabinet Secretary, for his information.

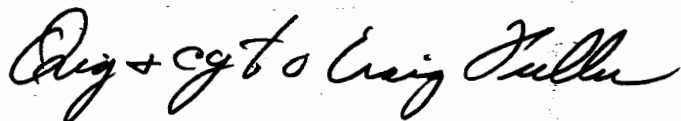
Thanks for your thoughtfulness.

Sincerely,



MICHAEL K. DEAVER
Assistant to the President
Deputy Chief of Staff

Mr. Merritt Sher
50 California Street
Suite 1235
San Francisco, CA 94111



From the desk of:

JOHN LOFTON

Date: 2-13-83

Dear Mike:

May I interview
you on-the-record,
please?

Best regards,

John

636-3158

no thanks.

Mike
2-22

The Washington Times

3600 New York Ave. N.E.
Washington, D.C. 20002
Phone: 202-636-3000