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WHITE HOUSE  
OFFICE OF RECORDS MANAGEMENT  
WORKSHEET

- X-MEDIA
- H-INTERNAL

Name of Document: BRIEFING PAPERS  
FOR PRESIDENT'S  
SCHEDULED  
APPOINTMENTS FOR

JAN 12 84

Subject Codes:

1) Subject: Meeting with Apostolic Delegate,  
Archbishop Pio LAGHI and U.S.  
Ambassador William Wilson

P	R	0	0	7	-	0	1
C	O	1	7	0	-		
A	M	0	3	1	-		
F	O	0	0	2	-		
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M	A				-		
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F	G	0	1	0	-	0	2
F	I	0	0	5	-	0	1
F	I	0	0	8	-		
T	A	0	0	6	-		
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T	A	0	0	1	-		
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F	O	0	0	9	-		
S	O				-		

2) Meeting with Small Business Legislative  
Council to receive an award.

3) Meeting with the Cabinet Council on Economic  
Affairs to discuss:  
A) ~~Domestic~~ Federal Credit Activities  
B) Monetary Policy and Financial  
Market Developments.

4) Meeting with United States Special Trade  
Mission prior to its departure for  
Japan and Korea

ROUTE TO:		ACTION		DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
RMHENL		RSZ			C	

Referral Note:



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5) Subject: Meeting with the President's Council  
on Integrity and Efficiency

6) Video taping session for:

A) Jesse Owens International Amateur Athlete  
Award Dinner

B) California Trucking Association

C) Health Insurance Association

D) National Association of Homebuilders

E) Tribute to U.S.S. agent Jim McCarthy  
at the Hundred Club Annual Awards  
Banquet

F) Young Presidents' Organization

G) Schedule for performance of "Hasty Hearts"  
at the Kennedy Center

H) Visit of Premier ZHAO of the State Council of the  
People's Republic of China for the signing ceremony  
of the agreement on Cooperation in  
Science and Technology

ROUTE TO:		ACTION		DISPOSITION	
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
RMHENL		RSZ			C

THE SCHEDULE OF  
PRESIDENT RONALD REAGAN

Thursday, January 12, 1984



7:45 am (45 min)	<u>Working Breakfast with Premier Zhao (McFarlane/Rosebush)</u>	Family Dining Room
8:40 am (20 min)	<u>Signing Ceremony and Departure Statements (McFarlane/Rosebush)</u>	East Room
9:15 am (10 min)	<u>Drop by Meeting of Small Business Legislative Council (Whittlesey)</u>	450 EOB
9:30 am (15 min)	<u>Staff Time (Baker/Meese/Deaver)</u>	Oval Office
9:45 am (15 min)	<u>National Security Briefing (McFarlane)</u>	Oval Office
10:00 am (5 min)	<u>Meeting with William Wilson and Archbishop Pio Laghi (McFarlane)</u>	Oval Office
10:05 am (1 hr 55 min)	<u>Personal Staff Time</u>	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	<u>Meeting with Cabinet Council on Economic Affairs (Fuller)</u>	Cabinet Room
3:00 pm (5 min)	<u>Drop by Meeting with Japanese Trade Mission (Meese)</u>	Roosevelt Room
3:05 pm	<u>Personal Staff Time Remainder of the Afternoon</u>	Oval Office/ Residence
7:20 pm	N <u>Depart for Hasty Hearts Performance (Henkel/Rosebush)</u>	Kennedy Center

UNP REVISED  
01/12/84  
9:30 am



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Thursday, January 12, 1984



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10:05 am (1 hr 55 min)	<u>Personal Staff Time</u>	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
1:53 - 1:55	<i>WPC (due to security re: offshore drilling)</i>	
2:00 pm (60 min)	<u>Meeting with Cabinet Council on Economic Affairs (Fuller)</u>	Cabinet Room
3:00 pm (5 min)	<u>Drop by Meeting with Japanese Trade Mission (Meese)</u>	Roosevelt Room
3:05 pm	<u>Personal Staff Time Remainder of the Afternoon</u>	Oval Office/ Residence
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UNP REVISED  
01/12/84  
9:30 am

THE WHITE HOUSE

WASHINGTON

January 12, 1984

MEMORANDUM FOR DAVE FISCHER

FROM: DENNIS THOMAS

RE: Congressional Attendance - Departure of Chinese Premier

The following Members of the House of Representatives were in attendance at the Departure Ceremony for the Premier of China today, January 12, 1984, in the East Room:

Congressman and Mrs. William Archer (R-Texas)  
Congressman Dick Cheney (R-Wyoming)  
Congressman John Dingell (D-Michigan)  
Congressman Sam Gibbons (D-Florida)  
Congressman Mel Levine (D-California)  
Congressman Toby Roth (R-Wisconsin)



## THE WHITE HOUSE

WASHINGTON

January 11, 1984

MEETING WITH ARCHBISHOP PIO LAGHI AND BILL WILSON

DATE: January 12, 1984  
 LOCATION: Oval Office  
 TIME: 10:00 a.m. - 10:05 a.m.  
 FROM: ROBERT C. MCFARLANE *W*

I. PURPOSE

To provide a photo opportunity for Apostolic Delegate, Archbishop Pio Laghi and Bill Wilson.

II. BACKGROUND

On January 10 we and the Vatican announced the establishment of formal diplomatic ties between the United States and the Holy See. Bill Wilson will be in Washington on his way to Rome on January 12 and we thought it would be appropriate to provide a photo opportunity for Bill and Archbishop Pio Laghi, the Apostolic Delegate in Washington. The Pope has informed us of his intention to name the Archbishop as Papal Pro-Nuncio (Ambassador) to the U.S. The Archbishop's bio is at Tab A. Suggested talking points are also attached.

III. PARTICIPANTSU.S.

~~The President~~  
~~Vice President~~  
~~Robert C. McFarlane~~ *POINDORSTEN*  
 William Wilson  
~~Deputy Assistant Secretary John Kelly (State)~~  
~~Peter R. Sommer, NSC~~  
~~Meese, Baker, Deaver~~ will attend at their discretion.

Holy See

Archbishop Pio Laghi

IV. PRESS PLAN

Photo opportunity in Oval Office.

Tab A Pío Laghi bio

Prepared by:  
 Peter R. Sommer

cc Vice President  
 Ed Meese  
 Jim Baker  
 Mike Deaver

*set*

THE SCHEDULE OF  
PRESIDENT RONALD REAGAN



Thursday, January 12, 1984

7:45 am (45 min)	<u>Working Breakfast with Premier Zhao (McFarlane/Rosebush)</u>	Family Dining Room
8:40 am (20 min)	<u>Signing Ceremony and Departure Statements (McFarlane/Rosebush)</u>	East Room
9:15 am (10 min)	<u>Drop by Meeting of Small Business Legislative Council (Whittlesey)</u>	450 EOB
9:30 am (15 min)	<u>Staff Time 9:29 (Baker/Meese/<del>Deaver</del>)</u>	Oval Office
9:45 am (15 min)	<u>National Security Briefing 9:45-10:08 (McFarlane), BUSH, POINDOXTER</u>	Oval Office
10:00 am (5 min)	<u>Meeting with William Wilson and Archbishop Pio Laghi - 10:09-10:20 (McFarlane)</u>	Oval Office
10:05 am (1 hr 55 min)	<u>Personal Staff Time 10:20 -</u>	Oval Office
12:00 m (60 min)	<u>Lunch with the Vice President</u>	Oval Office
1:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	<u>Meeting with Cabinet Council on 2:06 - Economic Affairs 3:00 (Fuller)</u>	Cabinet Room
3:00 pm (5 min)	<u>Drop by Meeting with Japanese 3:05-3:15 Trade Mission (Meese)</u>	Roosevelt Room
3:05 pm	<u>Personal Staff Time 3:20 Remainder of the Afternoon</u>	Oval Office/ Residence
7:20 pm	N <u>Depart for Hasty Hearts Performance (Henkel/Rosebush)</u>	Kennedy Center

UNP REVISED  
01/12/84  
9:30 am



THE SCHEDULE OF  
PRESIDENT RONALD REAGAN

Thursday, January 12, 1984



7:45 am (45 min)	<u>Working Breakfast with Premier Zhao</u> (McFarlane/Rosebush)	Family Dining Room (available later)
8:40 am (20 min)	<u>Signing Ceremony and Departure Statements</u> (McFarlane/Rosebush)	East Room
9:15 am (10 min)	<u>Drop by Meeting of Small Business Legislative Council</u> (Whittlesey)	450 EOB
9:30 am (15 min)	<u>Staff Time</u> (Baker/Meese/Deaver)	(TAB A)(draft remarks attached) Oval Office
9:45 am (15 min)	<u>National Security Briefing</u> (McFarlane)	Oval Office
10:00 am (5 min)	<u>Meeting with William Wilson and Archbishop Pio Laghi</u> (McFarlane)	Oval Office (available later)
10:05 am (1 hr 55 min) 10:54-10:56	<u>Personal Staff Time</u> EM	Oval Office
12:00 m (2 hrs)	<u>Lunch with the Vice President and Personal Staff Time</u>	Oval Office
2:00 pm (60 min)	<u>Meeting with Cabinet Council on Economic Affairs</u> (Fuller)	Cabinet Room (TAB B)
3:00 pm (60 min)	<u>Personal Staff Time</u>	Oval Office
4:00 pm (30 min)	<u>Personnel Time</u> (Herrington)	Oval Office
4:30 pm (10 min)	<u>Administrative Time</u> 1. Drop by Japanese Trade Mission Meeting (Meese) 2. Photo with Inspectors General (Meese)	Roosevelt Room (TAB C) Oval Office
5:00 pm (30 min)	<u>Taping Session</u> (Elliott/Goode) 1. Jesse Owens Award Dinner 2. California Trucking Association 3. Health Insurance Association 4. Association of Home Builders 5. Tribute to Agent Tim McCarthy 6. Young President's Organization	Diplomatic Reception Room (TAB D)
7:20 pm	<u>Depart for Hasty Hearts Performance</u> (Henkel/Rosebush)	Kennedy Center (TAB E)

# THE WHITE HOUSE

WASHINGTON

January 10, 1984

## MEETING WITH SMALL BUSINESS LEGISLATIVE COUNCIL

DATE January 12, 1984

LOCATION 450 OEOB

TIME 9:15-9:25 a m.

FROM: FAITH WHITTLESEY *JKW*

### I. PURPOSE

To recognize the contributions of the Nation's small businesses to economic recovery and jobs creation and to receive an award from the Small Business Legislative Council in appreciation of your support of the small business community.

### II. BACKGROUND

Today's meeting is part of the 7th Annual Meeting of the Small Business Legislative Council (SBLC), a coalition of 80 trade and professional associations. With a combined membership of over 5 million small, women-owned, and minority businesses, SBLC promotes the interests of small business in the legislative and regulatory processes.

SBLC has been very supportive of your Economic Recovery Program and regulatory reform initiatives.

### III. PARTICIPANTS

Approximately 175 executives representing SBLC member associations and companies.

### IV. PRESS PLAN

Writing pool and photo coverage.

### V. SEQUENCE OF EVENTS

9:15 President arrives, makes brief remarks

9:20 Faith Whittlesey initiates presentation of award by:  
Phillip Friedlander, Executive Vice President, National Tire Dealers and Retreaders Association, and Chairman, Small Business Legislative Council;  
Jared Blum, Vice President and Legal Counsel, Direct Selling Association, and Chairman-Elect, Small Business Legislative Council; and  
Herbert Liebenson, President, National Small Business Association, and Executive Director, Small Business Legislative Council.

9:23 President accepts award, departs.



(Elliott)  
January 11, 1984  
5:30 p.m.

PRESIDENTIAL REMARKS: MEETING OF SMALL BUSINESS  
LEGISLATIVE COUNCIL  
THURSDAY, JANUARY 12, 1984

Well, good morning and thank you very much. I'm delighted to welcome all of you who represent the most dynamic group of individuals in this country -- the men and women of America's small business community.

I've always considered entrepreneurs our forgotten heroes. Their dreams and courage to take great risks are America's best hope for more jobs, stronger growth, and a higher standard of living.

If we're to remain true to the American dream, we must preserve the chance for every small businessman and woman to make it big. And you know something, I believe we're doing just that. From housing to high technology, America is on the move and small business is leading the way.

We're creating an economic recovery built to last and get better and better. Inflation is down by three-quarters; the prime rate has been cut nearly in half; and tax rates have been cut by 25 percent for everyone who works and earns.

Something else is getting better: That bureaucratic monster who would slay private enterprise is being taught a new command. It's called -- heel. The growth of regulations has been cut by more than a third; 300 million hours of federally-imposed paperwork have been eliminated. This will save the public more than \$150 billion over the next 10 years.

In 1983, an estimated 600,000 businesses were incorporated, a new record. Better opportunities are opening up for all Americans. In 1983, for example, women filled more than 70 percent of the new jobs in managerial, professional, and technical fields. Women-owned businesses are growing four times faster than men's. Last year alone, 4 million Americans found jobs. We had the steepest drop in the unemployment rate in over 30 years and growth is stronger than the experts predicted.

I think we're seeing the best of both worlds -- strong growth without a new run-up in inflation and interest rates. Forgive me for repeating what's become a favorite question of mine: But now that our program is doing what we said it would, how come they don't call it Reaganomics anymore? I guarantee you, we will not go back to the disasters of tax and tax and spend and spend. I do not favor raising taxes on hard-working Americans. I favor making Government spend within its means -- and not a penny more.

If we want continued strong, steady growth, we must not raise taxes on small businesses which create more than half of all new jobs. Take a look at the venture capital industry which provides seed money for many of tomorrow's jobs and products. You'll see the tremendous potential for progress.

During 1983, the venture industry raised about \$3.5 billion -- nearly four times more than in 1980. The General Accounting Office has already estimated that previous investments of some \$209 million of venture capital generated 130,000 jobs in 10 years. If \$209 million of venture capital generated 130,000

jobs in 10 years, imagine how many jobs \$3.5 billion will create in the next year.

This recovery is being nourished by incentives from lower tax rates and important changes in the estate tax laws. They provide direct benefits to small business and, in particular, to small proprietorships which make up 75 percent of all businesses in the United States. And I believe we've just seen the beginning of a long-term expansion that will bring great opportunities to small business and the American people.

We have come too far, struggled too hard, and accomplished too much to turn back now. America's days of handwringing and defeatism are over. If we keep our heads, if we work together, and above all, if we have the courage to do what is right and necessary, then there is no limit to what our proud and free people can accomplish. I appreciate the support that the Small Business Legislative Council has shown in sharing this belief.

Thank you very much, and God bless you all.



**THE WHITE HOUSE**

WASHINGTON

January 11, 1984

CABINET COUNCIL ON ECONOMIC AFFAIRS

DATE: January 12, 1984  
LOCATION: Cabinet Room  
TIME: 2:00 PM (60 minutes)  
FROM: Craig L. Fuller *CF*

I. PURPOSE

To meet with the Cabinet Council on Economic Affairs and hear policy options presented on two broad issues: Federal Credit Activities, and Monetary Policy and Financial Market Developments.

II. BACKGROUND

Federal Credit Activities/CM113

The Cabinet Council on Economic Affairs has met on numerous occasions to discuss the allocation of Federal credit and its impact upon the economy. The growth of Federal credit, as recorded in both on and off-budget loan activities, including loan guarantees, has nearly doubled in the last seven years. The housing and agriculture sectors of the economy are the primary beneficiaries of current credit policies.

Four broad recommendations to identify and manage the growth of Federal credit will be presented for your consideration.

Monetary Policy and Financial Market Developments/CM111

Since the summer of 1983 the growth rate in the money supply has slowed dramatically - to about 3 percent annually. The rate of growth in money supply is closely related to economic growth in the short term. The Cabinet Council on Economic Affairs offers a consensus opinion that a sustained period of near zero growth in the money supply poses the strong threat of a recession sometime in 1984.

Secretary Regan will lead discussion of the importance of these trends in monetary policy and provide additional information and options as you deem necessary.

III. PARTICIPANTS

Members of the Cabinet and White House Senior Staff.

IV. PRESS PLAN

None.

V. SEQUENCE OF EVENTS

Secretary Regan is prepared to lead discussion on both agenda items and will defer to others for presentation where appropriate.





THE WHITE HOUSE

WASHINGTON

January 10, 1984

MEMORANDUM FOR THE PRESIDENT

FROM: THE CABINET COUNCIL ON ECONOMIC AFFAIRS

SUBJECT: Controlling Federal Credit Activities

The Cabinet Council on Economic Affairs has recently undertaken a series of Economic Policy Studies reviewing major areas of economic policy. Economic Policy Study Number 6 focused on federal credit policy. A summary of the study is attached at Tab A with the full report and a set of tables at Tabs B and C, respectively. This memorandum presents the conclusions and recommendations of the Cabinet Council arising from this study.

The Growth and Allocation of Federal Credit

Controlling the size of the Federal Government requires not only restraining the growth of on-budget Federal spending, but also the growth of off-budget Federal outlays (primarily direct Federal loans) and off-budget Federal guaranteed loan activity. From 1976 to 1982, while on-budget Federal spending grew 100 percent, off-budget Federal outlays grew 137 percent and Federal loan guarantee commitments grew even faster.

Direct loans and loan guarantees grew rapidly, in part, because they are not subject to the same Congressional scrutiny as on-budget spending. Loan guarantees, for example, show up in the budget only when there is a default and the government must honor its guarantee. This may occur long after the government offered its guarantee. Neither direct loan obligations nor guaranteed loan commitments are covered by binding budget resolution measures. The Administration includes a budget for direct loan and guaranteed loan commitments in Special Analysis F of the Budget, but that credit budget is not treated the same by Congress as the official budget.

Direct loans at subsidized interest rates and guaranteed loans provide a subsidy similar in its impact to many other Federal subsidies. There is little difference between the economic effects of some forms of grants or price subsidies and subsidized loans. The economy bears a cost from these subsidized loans because they allocate credit to certain sectors of the economy and away from other sectors. Thus, there is a loss of investment that would have occurred in these other sectors.

In general, Federal credit activity has allocated credit away from the business and industrial sectors and toward the agricultural and housing sectors. Almost half of the direct loans made by the Federal Government are in farm programs. These programs support farm purchases and farm operations, as well as crop prices. Some of the farm programs also support home purchases in rural areas. Three-fourths of the guaranteed loan commitments made by the Federal government are for housing.

The subsidies embodied in Federal credit activity are highly variable across lending programs. At least one direct loan program, for example, lends at interest rates as low as 2 percent. This and similar low-interest rate programs were begun in the 1930's when a 2 percent interest rate was slightly above or equal to the prime borrowing rate. Today those loans are still made at 2 percent, though now, obviously, they include an enormous subsidy. Further, guaranteed loan commitments are made to a wide cross section of borrowers who differ markedly in their risk characteristics. A guaranteed loan to a relatively risky borrower provides a large subsidy, while a guaranteed loan to a more credit worthy borrower involves a smaller subsidy.

### Proposals

The Cabinet Council on Economic Affairs has four general Federal credit policy recommendations:

1. Support Congressional efforts to move off-budget lending onto the unified budget. This change would require that the direct loan programs of the Rural Electrification Administration and the Farmer's Home Administration, among others, be treated in the same manner for budgetary purposes as other programs. The 1985 budget will not reflect such a change. If, in the future, legislation were enacted to make this change, the published on-budget deficit would appear larger by about \$5 billion to \$10 billion. Such a change, of course, would not affect total Federal borrowing requirements.
2. Include Federal direct loan obligations and guaranteed loan commitments in the Congressional budget resolution process. The Administration already develops a credit budget that is included in the budget submission. Congress, however, does not subject the credit budget to the same scrutiny and binding resolutions it does the Federal budget. While including credit programs in the resolution process will not lead automatically to greater restraint, it is a useful step in the process of evaluating government credit activity.



3. Provide an explicit statement of Administration credit policy. Coherent Federal credit policy requires an up-dated statement. OMB should re-issue its credit policy directive (OMB Circular No. A-70.) The revised circular would:
- (i) Require credit legislative proposals to contain an explicit statement of any subsidies in direct loan or guaranteed loan programs;
  - (ii) Require that interest rates on any direct loans be related to market interest rates so that those interest rates will vary as market interest rates do, rather than staying at fixed levels that may become outmoded when market realities change;
  - (iii) Require those receiving Federal loan guarantees to pay for part or all of the expected Federal default liability on the guaranteed loans;
  - (iv) Encourage risk sharing with the private sector by offering less than 100 percent Federal guarantees rather than the full guarantee frequently used now; and
  - (v) Oppose providing Federal guarantees for Federally tax-exempt obligations.
4. Provide government-wide management guidelines for credit programs. These guidelines would include criteria for forecasting credit write offs, criteria for designating loans as being in default, and procedures for dealing with defaulted loans.

Recommendation: The Cabinet Council on Economic Affairs recommends that you approve the four Federal credit policy proposals outlined above.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_



Donald T. Regan  
Chairman Pro Tempore



THE WHITE HOUSE

WASHINGTON

INFORMATION

January 10, 1984

MEMORANDUM FOR THE PRESIDENT

FROM: THE CABINET COUNCIL ON ECONOMIC AFFAIRS

SUBJECT: Monetary Policy

Since mid-summer the rate of growth in the money supply, as measured by M1, has slowed dramatically; from July through December, M1 grew at an annual compound rate of less than 3 percent. Because the rate of money growth is closely related to economic growth in the short-term, continuing the low rate of money growth of the past five months would raise the threat of a recession sometime in 1984.

The Cabinet Council on Economic Affairs has closely monitored and reviewed the recent developments in monetary policy. This memorandum summarizes our discussions.

The Rate of Money Supply Growth

All members of the Cabinet Council agree that a sustained period of near zero growth in the money supply poses the strong threat of a recession sometime in 1984 and is clearly undesirable. However, the ambiguity of Federal Reserve policy intentions and the accuracy of the policy indicators create some uncertainty regarding the actual course of monetary policy.

There are two basic interpretations of the slow rate of money supply growth over the past five months:

- o The monthly money supply growth rates may be understated because of faulty seasonal adjustment factors and therefore should be treated with some degree of caution. Relying on alternative measures of money growth such as the monetary base suggests that the Federal Reserve's policy is not as restrictive as the money supply figures indicate; and
- o The extraordinary decline in the rate of growth in the money supply is not a statistical aberration but a result of the Federal Reserve's attempt to use monetary policy to maintain the current level of interest rates. The highly volatile rate of money supply growth over the past three years, resulting from the Federal Reserve's targeting interest rates and economic activity, itself contributes to volatile economic growth.

A. Seasonal Adjustment Factors and the Monetary Base

The following table offers a comparison of the 1983 money supply growth rates as measured by (i) the official seasonal adjustment factors for 1983, (ii) the official seasonal adjustment factors for 1982, and (iii) an alternative set of 1983 seasonal adjustment factors that the Fed is experimenting with. It is impossible to say which factors are more correct. What they illustrate is the significance of seasonal adjustment factors. Using either the 1982 factors or the experimental factors suggests that the money supply slowdown is not as dramatic as the 1983 factors suggest.

Annualized Month-to-Month Percent Changes

	<u>Current Seasonals</u>	<u>M1 With 1982 Seasonals</u>	<u>M1 With Experimental Seasonals</u>
Jan.	10.2	14.6	6.3
Feb.	24.9	19.7	24.2
Mar.	17.1	17.5	19.6
Apr.	-2.6	6.1	0.0
May	29.8	15.8	21.4
June	10.7	5.6	7.6
July	9.3	5.7	3.3
Aug.	2.9	3.0	7.0
Sept.	0.9	2.2	-0.5
Oct.	1.9	8.1	4.7
Nov.	0.5	5.6	6.5

Apparently, the official seasonal adjustment factors do not adjust only for variations that occur each year, such as the increased demand for currency at Christmas. Because of the statistical methods employed, the factors are also affected by financial deregulation and other nonseasonal events. For example, the factors may be affected by financial market changes, such as the introduction of Super NOW accounts, which some believe caused a special one-time increase in the growth of M1 by increasing checking deposits.

Because of the uncertainty created by the seasonal adjustment problems, alternative measures of monetary growth are occasionally considered. The monetary base, an alternative monetary indicator consisting of currency in circulation and bank reserves, has grown at a 7% rate over the same July to



December period when money growth has been slow. The divergence of growth rates of M1 and the monetary base has occurred because nearly all of the growth in the base has been in currency, rather than bank reserves; each dollar of bank reserves supports many dollars of the money supply, so currency growth is a much less "potent" form of monetary expansion.

All members of the Council reject relying on M2 as an alternative indicator of money supply growth. There was no important deceleration of M2 preceding the 1981-82 recession. In addition, M2 was not a reliable predictor of either the acceleration of inflation in 1978-1981 or its deceleration thereafter.

#### B. Potential Threat to the Expansion

The second interpretation of the low rate of growth in M1 over August-December 1983 is more pessimistic. Although seasonal adjustments and other factors create uncertainty in the money supply estimates, there is sufficient historical evidence that the previous official estimates of M1 correspond closely with economic activity. For example, over the period of August 1982 to July 1983, M1 grew at a 14 percent rate. Some economists discounted the estimates of M1 for this period because of the introductions of Super NOW accounts and MMDA's. Yet economic forecasts that relied on the money supply estimates are now proving to be the most accurate.

As chart 1 indicates changes in the money supply growth rate correspond closely with changes in industrial production. Likewise, as chart 2 indicates, sharp contractions in the money supply growth rate such as the drop from 14 percent growth rate of August 1982 - July 1983 to the 3 percent rate of August 1983 through December 1983 typically result in economic contractions.

In the last three weeks M1 has shown more significant positive growth, an encouraging sign that the period of flat money growth may be ending. But weekly data on the money supply are notoriously erratic, so inferences cannot be confidently drawn from a few weeks of statistics.

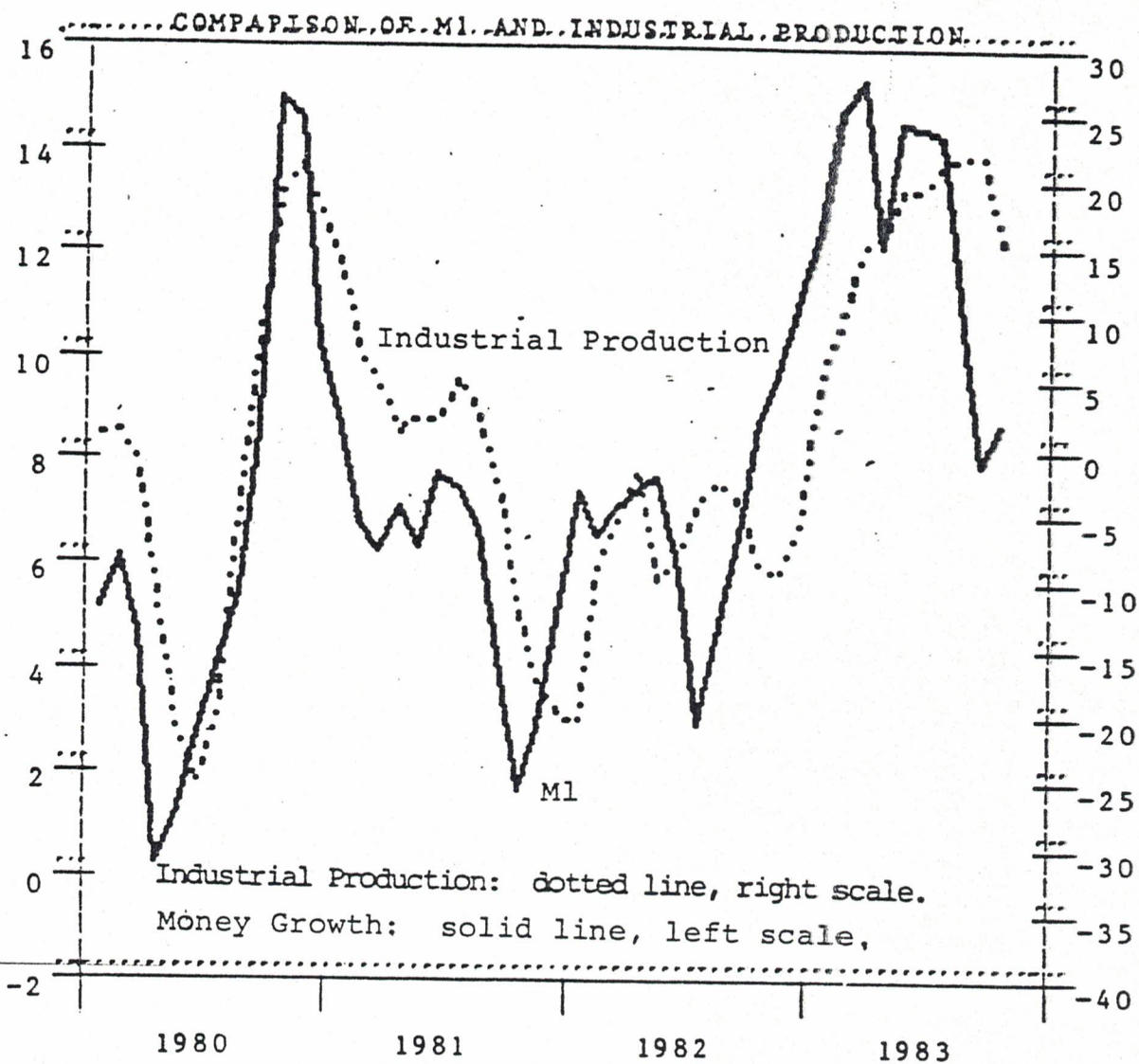
#### Conclusion

The purpose of this memorandum is to alert you to recent trends in monetary policy. The Cabinet Council will continue to monitor financial market developments and monetary policy and provide you with additional information and options as appropriate.



Donald T. Regan  
Chairman Pro Tempore





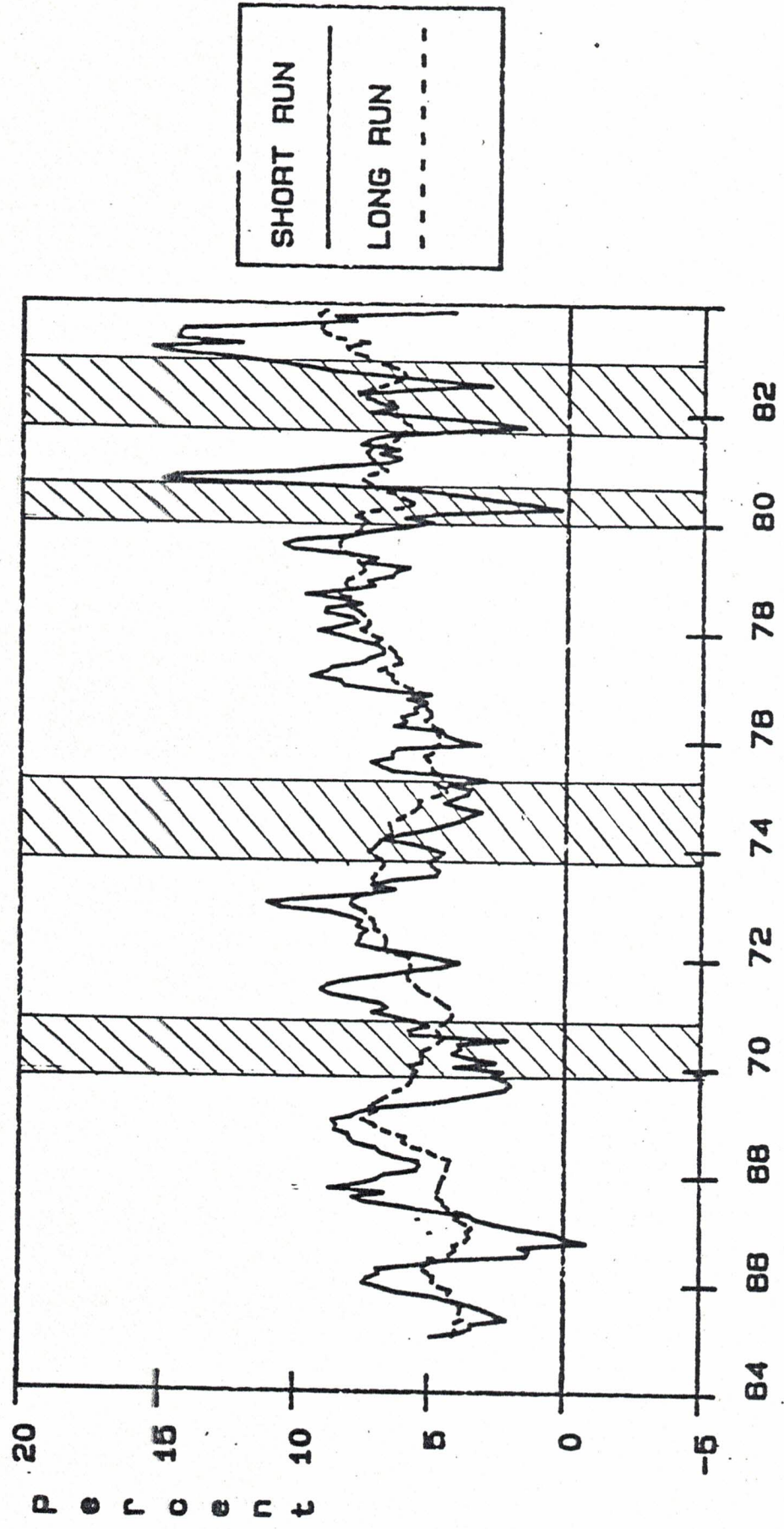
Latest date plotted: November 1983.

Money is a six month rate of change.

Industrial Production is a three month rate of change.

Prepared by the Office of Monetary Policy Analysis. Telephone 566-6261.

# LONG RUN AND SHORT RUN MONEY (M1) GROWTH



Short-run is 8-mth rate of change in M1.

Long-run is 2-yr rate of change in M1.

SHADED AREAS REPRESENT RECESSIONS

THE WHITE HOUSE

WASHINGTON

January 12, 1984

MEETING WITH UNITED STATES SPECIAL  
TRADE MISSION

DATE: Thursday, January 12, 1984  
TIME: 4:30PM (10 minutes)  
LOCATION: The Roosevelt Room

FROM: *for* EDWIN MEESE III *EM*

I PURPOSE

To greet the members of the U.S. Special Trade Mission that is leaving on Sunday, January 15th for Japan and Korea.

II BACKGROUND

This is a follow-up mission that the President took last November to Japan to reinforce his commitment to international free trade.

III PARTICIPANTS

Edwin Meese III  
James E. Jenkins  
Richard McElheny - Asst. Sec. of Commerce  
Mitchell Stanley  
List of Trade mission members attached

IV PRESS PLAN

White House Photographer only

V SEQUENCE OF EVENTS

4:00PM - Participants will arrive in the Roosevelt Room.  
4:15PM - Mr. Meese will say a few words.  
4:30PM - Mr. Meese will escort the President into the Roosevelt Room and introduce him. The President will welcome the group and partake of a photo op with each person and depart back to the Oval Office.

Attachments: Talking points  
Participants  
Scheduling proposal



TALKING POINTS

- o Welcome to the White House this afternoon.
- o The Special Trade Mission upon which you are embarking is seen here as a clear expression of the President's and the Administration's commitment to international free trade.
- o President Reagan places great emphasis on trade promotion. That was one reason why he recently visited Japan and Korea, and why trade issues were so high on the Agenda.
- o The Administration is committed to assisting American businesses in exporting their goods and services, currently only one percent of our firms account for 70 percent of our export trade.
- o We need to interest more of our firms in the potential of export markets.
- o The Special Trade Mission program is a new initiative of the Commerce Department's International Trade Administration and we support it as a genuine follow through to important strides we are making in vital trade areas.

U.S. Special Trade Mission

Korea/Japan

January 1984

List of Participants

Construction and Engineering Industry

Burns & Roe, Inc.

Mr. Kenneth A. Roe  
Chairman and President  
550 Kinderkamack Road  
Oradell, New Jersey 07649  
(201) 265-2000

Bechtel

Power Systems Group, Inc.

Mr. Joseph M. Battin  
Vice President, Division  
Program Operations Manager  
50 Beale Street  
San Francisco, California 94105  
(415) 764-6000

Dravo Corporation

Mr. Thomas P. Faught, Jr.  
Chairman, President and Chief  
Executive Officer  
One Oliver Plaza  
Pittsburgh, Pennsylvania 15222  
(412) 566-3000

*Richard Quick*

Gilbert/Commonwealth International

Dallas J. Stephens  
President  
P.O. Box 1498  
Reading, Pennsylvania 19603  
(215) 775-2600

Telecommunications Industry

Hughes Aircraft Company  
Space and Communication Group

Dr. John Koehler  
Director  
Resources Planning, Space Communication Group  
P.O. Box 92919  
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Los Angeles, California 90009  
(213) 414-6200

Lynch Communication Systems Inc.

Al Hutcheson  
Vice President,  
Corporate Planning  
204 Edison Way  
Reno, Nevada 89520  
(702) 786-4020

GTE  
Communications Systems Corporation

Mr. David M. Fleming  
President,  
Communications-Asia  
1 Stamford Forum  
Stamford, Connecticut 06904  
(203) 965-2000



Medical Equipment and Services Industry

Camelot Overseas Traders

Mr. John C. Moon  
Chairman  
3510 Broadway Place  
Los Angeles, California 90007  
(213) 232-2166

Diasonics, Inc.

Mr. William Doran  
Vice President,  
Corporate Marketing  
1708 McCarthy Blvd.  
Milpitas, California 95035

U.S. Medical Equipment Inc.

Mrs. Sallie Kennedy  
Chief Executive Officer  
2424 W. Holcombe  
Houston, Texas 77030  
(713) 674-9500

TAGO Inc.

Helga Johnson  
President,  
P.O. Box 4463  
Burlingame, California 94090  
(415) 692-4015

General Business

Gulf+Western Industries

Milton B. Hollander  
Vice President - Science & Technology  
1 Gulf & Western Plaza  
New York, NY 10023  
(212) 333-7018

IET Industries Inc.

John Lee  
President  
3810 Pacific Coast Hwy.  
Torrance, CA 90505  
(213) 541-5397

Omega Engineering

Mrs. Betty Hollander  
Chief Executive Officer  
1 Omega Drive  
P.O. Box 4047  
Stamford, Connecticut 06907  
(203) 322-1666

Powell Farm Company

Marjorie Powell Allen  
President  
10990 Roe Avenue  
Shawnee Mission, Kansas 66207  
(913) 383-3000

United States Trading Company

John Caldwell  
Managing Director  
1605 New Hampshire Avenue, N.W.  
Washington, DC 20009  
(202) 462-2033

U.S. Government Participants

The White House

James E. Jenkins  
Deputy Counsellor to the  
President

U.S. Department of Commerce

Richard L. McElheny  
Assistant Secretary for  
Trade Development

James R. Phillips  
Deputy Assistant Secretary  
for Industry Projects

Mitchell F. Stanley  
Director  
Office of Special Trade Missions



THE WHITE HOUSE

WASHINGTON

January 11, 1984

MEETING WITH THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

DATE: January 12, 1984  
LOCATION: Oval Office  
TIME: 4:30 PM  
FROM: Edwin Meese

I. PURPOSE

To provide an opportunity for the PCIE to express its appreciation for your support of their work to reduce fraud, waste and abuse in Federal programs.

II. BACKGROUND

The PCIE report for the second six months of fiscal year 1983 was presented to you at a meeting of the Cabinet Council on Management and Administration on January 5. You indicated at that time that you would like to meet with all the Inspectors General in recognition of their reported \$8.4 billion in cost reductions and improved use of funds during this period.

III. PARTICIPANTS

Edwin Meese, Counsellor to the President  
Joseph R. Wright, Deputy Director, OMB  
Members of the President's Council on Integrity and Efficiency, (list attached)

IV. PRESS PLAN

Photo opportunity only

V. SEQUENCE OF EVENTS

1. Mr. Meese, Mr. Wright, and members of the PCIE are in place as you enter.
2. You stand for brief presentation of PCIE report by Mr. Wright.
3. You respond to Mr. Wright.
4. You pose with the members of the PCIE for individual photographs.
5. Participants leave.

President's Council on Integrity and Efficiency

Beckington, Herbert  
Inspector General  
Agency for International Development

Brown, June Gibbs  
Inspector General  
NASA

Dempsey, Charles L.  
Inspector General  
HUD

Devine, Donald J.  
Director  
OPM

Funk, Sherman M.  
Inspector General  
DOC

Graziano, John V.  
Inspector General  
USDA

Harrop, William C.  
Inspector General  
Department of State

Hyland, J. Brian  
Inspector General  
DOL

Kusserow, Richard P.  
Inspector General  
HHS

Martin, David  
Director  
Office of Government Ethics, OPM

Martin, John  
Inspector General  
EPA

Mulberry, Richard  
Inspector General  
DOI

O'Connor, K. William  
Special Counsel  
MSPB

Revell, Oliver B.  
Assistant Director  
Criminal Investigative Division, FBI

Richards, James  
Inspector General  
DOE

Sato, Frank S.  
Inspector General  
VA

Schmults, Edward  
Deputy Attorney General  
DOJ

Sherick, Joseph H.  
Inspector General  
DOD

Sickon, Joseph A.  
Inspector General  
GSA

Thomas, James B., Jr.  
Inspector General  
DOEd

Trause, Paul K.  
Inspector General  
Department of the Treasury

Triplett, Arlene  
Associate Director for Management  
OMB

Van Stavoren, William  
Deputy Assistant Attorney General  
DOJ

Welsch, Joseph P.  
Inspector General  
DOT