

NEWS CLIPS

AUG 15 —

1971

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Monday night

~~Friday~~

Limit consequences on economy

Connally

1. Have to close gold window
Not changing price of gold
Probably encourage float
2. Deal with fundamentals
Expansion - attack root cause of \$ under attack
 - a. Import tax 10-15%
Inflationary
 - b. Further stimulate
 1. Inv. Tax credit 2-10% - pass without trouble 2.5-3.0 billion
 2. Auto repair tax - repeal 2 billion
 3. Dereg
 4. Personal exemption
 - c. Remove controls on foreign investment
 - d. Anti-trust laws overseas
 - e. Wage + price freeze Jan 1

Content - Budget cuts - no increase in deficit
Follow freeze with Board

Border tax -

"Surge" - Use signal of conversion

Treasury - OMB - Interior

Run against closing

Retaliatory action

Outright devaluation worse

Trade & investment dollar

Technical judgment

general

- Can't negotiate without closing

- Can't hold for a year

Gold price

Barre conflict - put on the table

Peterson - Monetary reform - mention in a couple of sentences

President

Decided

Import - Jatt Baris

Budget -

1. Family Assistance delay
 2. Revenue sharing delay
 3. Cut Federal employment (5%?) Symbolically important
 4. Space - postponement
 5. Federal pay raise + Military
 6. OEO(?)
 7. Water + sewer (\$500 MM)
- 5-7 billion total

Tax - 9 billion too much

Maybe 5-6 billion

Congress will do individuals

"Job Employment tax credit"

Automobile

Freeze -

- Realty - 1. most immediate impact
2. wonder how in relation to union
3. Short life effectiveness
4. How do you stop?
Usual problem - labor walks out

fr

Short & simple

President - too long breaks down - doesn't require bureaucracy.

Realty -

Must take effect immediately

Use period to develop consensus

Tripartite board. let criticism

Spin off industry problem

Advance notice

President - No permanent price & wage controls

Recap -

Budget - leave out consumer ^{on part 3} show surplus

Start with peace - thank god.

Enormous challenge

Competitive world

U.S. going to be #1 nation.

Meet challenge of competition.

Look at itself.

Problem of employment - can & will do it.

Problem of competition in world - jibe for someone

What can we do. Nothing to fear.

Not allow dollar to be devalued.

Import tax.

Education - investment tax credit

Keep American competitive.

Inflation - wage program but not enough
on treadmill

Freeze wages and prices

Total moral support to sustain competitive

Bevy

Complete

Everything but work

Not Terrible int. crisis as expected

Don't mean - here is our strength.

Treasury

Auto excise

Law tax credit

Accelerating one year

Briefing - national television 75%
written 25%

Connolly major battle T.V.

A Few congressional Telephone calls.

Major Baden

Not foreign affairs

B+C, W+M, Finance

Income
Business
Labor
Income before .

John Wolcott - Investment Tax Credit

Aid tying
Tariff preference
Defense

Goals of the American Society

^{your} The request to set forth goals for the American society
seems to me ^{symptomatic} ~~itself~~ ^{in itself of} ~~significant~~ ^{a basic psychological fact.} There is a ^{yearning} ~~desire~~ of freedom
^{in the nation.} at large. A more self-confident society is not self-conscious
about its goals - ^{but} ~~they~~ ^{the goals themselves} seem self-evident, and the ways of reaching
them basically agreed. Or at least, the issues are sharply defined
and contested, with the three groups ^{continually} ~~separately~~ living up on
one side or another.

I suspect, too, the choices are likely to be narrower and more certain
of course. It is ~~harder~~ ^{and smaller} ~~for a poorer nation, with~~
for tradition bound, poorer, ~~more~~ ^{and smaller} ~~closer to subjugation~~
~~less power and affluence,~~ and threatened from abroad. ^{To some degree, where} ~~In a real sense,~~ The U.S. leads
^{more clearly}

tends to set the goals for the world, and
whether economically, or socially - the world follows. We are
little bound by tradition or by precedent of others.

Obviously, we have no ^{shortage} ~~of~~ ^{worthy} stated goals. Every

Presidential Message and every department

The trouble is they ^{are} ~~do not~~ ^{by and large, rooted in} ~~command~~ ^{an} ~~a~~ ^{irresistible belief} ~~solid~~

- or where they are, or with "peace" and "prosperity",
there seems to be more than ordinary uncertainty about
how to proceed. In other words, we need not only valid
goals, but a ^{felt} national consensus - and the latter may be harder
than the former.

With this much said, I would hope leadership could
focus attention and ~~imagination~~ on a limited number of
broad goals that could capture

Decision came to IMF

Vote on gold →

Convertibility - essential to IMF operations

Margin →

Intervent

SDR's

Spanish

Script - on 9-10 meeting
15 minutes

Wed recap of Tuesday.

Congressional
speech on gold
not until

U.S. ~~Miller~~
-10%

U.K. devalue
Switzerland probably devalue
Germany ~~to~~ stand still plus some
Belgium - same difficulties +

Would be devaluation

6.5
8

Wed aft

Belgium -	
Zilstra	8.5
Dutch Zilstra + 1.5	10
Japan	++ 10 + a few (under five)
France	reasonable amount (take eye out + Stalin)
U.K.	5.5
Italy	5.5 (devalue if avoc)
Germany	10 + plus

Barber started ^{work} about gold

Burden hunting
Canada

Bar

Harshinagi - Trade immediately Westward

Rogers

Where meeting

Peer -

Cap - Get to U.K.

The United States intends to assist in the stability of the system and the
5. Defense of the newly established ^{structure} ~~structure~~ of exchange rates will be facilitated by vigorous implementation of its

6. Discussions will be promptly undertaken in appropriate forums to resolve ~~economic~~ longer term issues ^{since} ~~of the international~~ ^{monetary system}, ~~including~~ ^{attention should be directed to the} ~~particular~~ appropriate monetary means and division of responsibilities ^{for} defending established exchange rates; and the ^{role} ~~role~~ of gold, reserve currencies, and Special Drawing Rights in the operation of the system; ^(the volume of liquidity) ~~and a reexamination~~ the range of ^{permissible} ~~margin of~~ fluctuation around established exchange rates and ^{other} ~~means of~~ ^{establishing} ~~achieving~~ a suitable degree of flexibility in exchange rates. It is recognized that ^{such} ~~these~~ reforms will be ^{it is} ~~interrelated~~ ^{recognized} that decisions in each of these areas will be interdependent.

7. In recognition

7. ^{arrangements} ~~Trade and business~~ ^{arrangements} ~~showing~~ are recognized as a relevant ^{relevant} factor in achieving a new and lasting equilibrium in the international economy. Progress on business ~~showing~~ ^{has} ~~been~~ ^{made} at the recent NATO meeting.

The French Government, ~~in view~~ ^{will} therefore ~~will~~ support an appropriate ~~negotiating~~ ^{will} mandate ~~is~~ for the Commission of the European Community to enter into negotiations immediately with the U.S. to resolve

^{pending} short-term issues at the earliest possible date and to establish an appropriate ^{agenda} ~~framework~~ for considering more basic issues in the course of 1972 and beyond. ^{in a framework of cooperation} ~~based~~ ^{mutual}

(particularly affecting agricultural products)

8. The United States believes commitment with consultation at the recent NATO meeting represents a ^{constructive} ~~reasonable~~ approach toward ^{dealing more} ~~the~~

7. The United States ^{and France} will join with other nations to promptly ^{appropriately} ~~consider~~ means of facilitating the operation of the International Monetary Fund. ^{adequately with} ~~showing~~ ^{a proper degree of defense burden.}

Settlement of monetary and trade
has issue

Framework for Monetary & Trade Settlement

^(providing a framework for an early)
The following proposals should be considered as
an integrated whole:

1. The U.S. will remove the 10 per cent ^{surv} surcharge
and the related provisions of the Jap
Development credit.

2. The U.S. will propose to the Congress a
suitable means for ~~express~~ devaluing the dollar
in terms of gold by 10 per cent as soon as the
entire ~~package of~~ set of ^{related} measures is available
for Congressional ^{scrutiny} ~~scrutiny~~. <sup>(including short-term trade
measures)</sup>

3. The French franc ^{will reaffirm} ~~will express~~ its intention, under these conditions,
to maintain the present gold
parity of the French franc. ~~(It is expected that~~
~~(the British and Italian governments will be expected to~~
~~express a similar intention).~~ Consistent with this
decision, it is anticipated the German mark will
be revalued by 4-5% and the Japanese yen by
8-10%. Sterling and the lire will be expected to
remain closely in line with the French franc

4. Pending resolution of longer-term issues of monetary
reform, provision will be made for three per
cent ~~to~~ margins of exchange rate fluctuation above
and below the new exchange rates.

Margin
LTF -
Reserve Currency

✓ Exchange rate - 10

✓ margin - ~~2~~ 3

✓ Long term - convertibility - role of gold & dollar
SON'S

✓ Trade - Permit negotiation

Recognized each nation's defend position
ways & means of appropriately defending position

Total discipline
need secrecy

ARV notes at Cabinet
mtg Aug. 1971

No speculation on Chinese nuclear
efforts in Viet Nam, etc.
Political ramifications verboten

Not directed against any other country

No speculation on Viet Nam
Japan
India
etc.

He about China + U.S.

Barman

"Wait & see", but leave opened some doors.

U.S. Rep. to the
United Nations
Amb. Bush

Dir. Office of Mgmt.
& Budget
Director Shultz

Ambassador at Large
Amb. Kennedy

The Secy. of Labor
Secy. Hodgson

The Attorney Gen.
Atty. Gen. Mitchell

The Vice President

The Secy. of the Treas.
Secy. Connally

The Secy. of Agric.
Secy. Hardin

Secy. of H.M.D.

The Secy. of H.E.W.
Secy. Richardson

The Secy. of the Interior
Secy. Morton

The Secy. of State
Secy. Rogers

THE PRESIDENT

The Secy. of Defense
Secy. Laird

The Secy. of Commerce
Secy. Stans

The Secy. of Trans.
Secy. Volpe

Counsellor to
the President
Counsellor Rumsfeld

THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

1. Belgian offset bonds —
2. Lyrian gold —
3. other ideas
4. Schweitzer { see Council
IMF meetings
5. Japanese exchange rate ~~15~~ 15-20
6. IMF payments

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Room 3312

Ext. 5635

THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

preliminary review.

*No specific result - only a better
understanding of problem from
different points of view so
Ministers can have fruitful
discussion.*

*Large adjustments
position had been eroding, etc.
these are difficult, and can't be worked out
overnight.*

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DATE _____

TO _____

1. Rome
2. Note - 5.984%
3. Lend Lease

Depends on evaluation of our total position. Will be removed ^{first} as soon as conditions are in place; ^{that require the necessary adjustment} removal ^{must} not be delayed until figures show results. Not we obviously, must be convinced the conditions for improvement exist. This is not totally an exchange rate problem. It necessarily depends on an evaluation

4. Peru

of prospects for trading arrangements & burden sharing

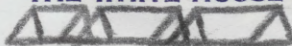
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Rodgers
Japan

THE WHITE HOUSE



1. Weak politically at home
2. Shocked at news - suspicion of us
3. List of eight subjects

What are we prepared to do?

Don't know

Firm + tough in private

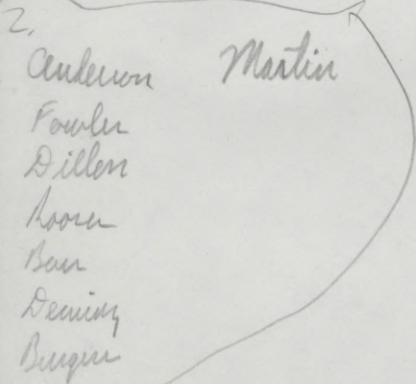
Aware of sensitivities in public comment

Laird

Japan ready to do more in defense arrangements
in Pacific.

OFFICE OF THE SECRETARY OF THE TREASURY

1. Call off meeting Monday

2. Anderson Martin
Fowler
Dillon
Hoover
Barr
Denning
Burgess

3. Consultants

THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

Butler
Clay

265
300

SPR gold fund
375 110
300

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DATE _____

TO _____

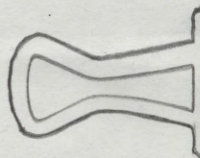
President -

Ward Keener

~~\$~~ 60,000

office
~~Home~~ - 606-498-0212
Resic 606-498-3366

Albert Clay



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DATE _____

TO _____

~~Left~~
Wilson Belmont / Do's MacNamara
Stephen Eaker - Martin Kelly
Oil & Gas - O. A.
Tempo - Rep
Peter Fouch -
Ted Beza - IMF

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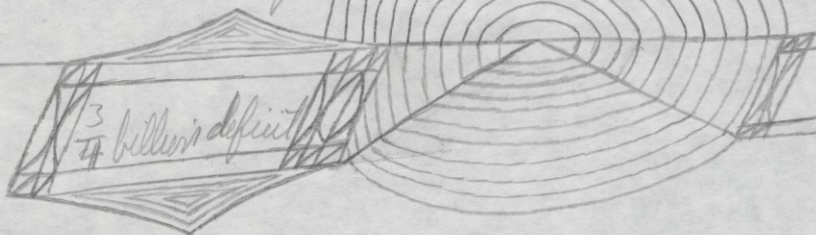
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612-3735028

~~Not~~

No 3 billion deficit

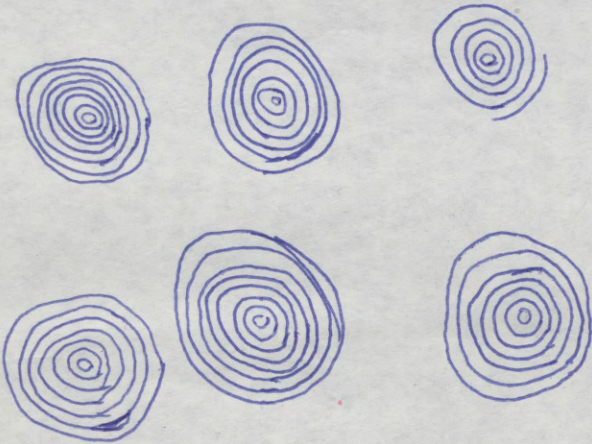
1.7



Direct
Harmon

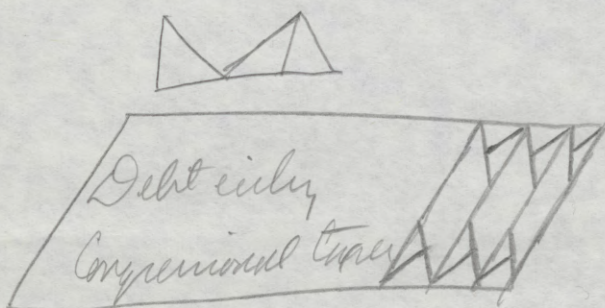
Clark
Zimmer
Brownstein
Pelle
Hayden

Partman
Brownstein
Submitt



$$\begin{array}{r}
 208.7 \\
 212.4 \\
 \hline
 204.8 \\
 9.6
 \end{array}$$

6-10



THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

Pension Trust

200

- General Economy, Housing, Money Market

- Commission

- One Bank holding

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TO _____

*3-monthly
Trust funds*

6,000,000

3,000,000

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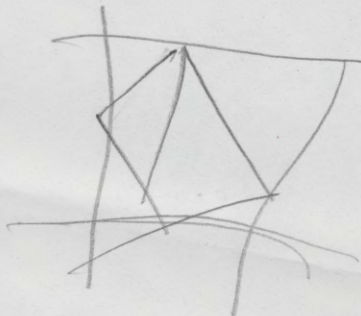
DATE _____

TO _____

I II
Budget 963
Now 959.6

304

Robert H. Miller



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DATE _____

TO _____

Sabin

659-8180

Deek Palmer

George Ware

Toyman from U.S.

Kaff is American now

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DATE _____

TO _____

Stephen E. Calk

4.9

~~5.6~~

1.1
1.6
2.7
5.3

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THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

Everybody
90 day

Don Wadler

IDS

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THE DEPARTMENT OF THE TREASURY

DATE _____

TO _____

Mr. Wentworth
212-553-7015

4.15
William Mitchell
V. P. Carroll Young

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DATE _____

TO _____

~~Spencer~~

Spencer -

Gary -

Karlson -

Mulhail -

Levy

Klayman

Ritter

Haynie

Dunberry

Lietner

Arthur Smith

Wojniak

Chase

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DATE _____

TO _____

Edgar Fiedler - Deputy Asst Sec Commr

Bob Lindsay -

Paul Nadler -

Jay Shilling

Don Wooley

15
55

John Wilson

Herb Johnson

Norman Robertson

Dudley Luskett

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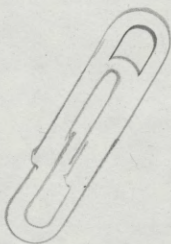
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Nov 16

Rodo Development Plan

Vine

Duke Bell



~~18~~
Legislation

Industrial wholesale prices

6% growth 4% prices

6-7% money growth, decreasing rate of price increase

fiscal-monetary
policy mix

Leads to search for monetary policy

We have all sorts of independence
inside + outside administration.

Keep monetary expansion as limited as possible, consistent with demand target
Reduction in F-E surplus OK, but due to depreciation. Need more flexibility.

① Five year projections (fiscal reform)?

② Range of 4-6 billion more needed (with capital controls eased, off) (not small once loan runs)

source - sympathy.

Greek tragedy - air of inevitability

Built on relatively limited observation
(Compromise between past + present?)

Difference between fund + dollar liabilities - former limited + negotiable.
Preferable to use Reserve Assets + facilities in Fund.

Capital controls - can't be lightened.

(Outgoing)

monetary policy - they need further mechanism in coordination

Busch's ?

Houthalikes ✓

Daane ✓

Polomon

Regster

Sale

W

3 Hats + 1 aid

Commence

Heaven

Masters U. of C.

33

Very Enthusiatic

Bob & Hesterberg

Financial Program Inc.

Allan Holmes

2

400

400

130

270

325

40

13000

30-60 - $6\frac{1}{4}$

60-90 - $6\frac{1}{2}$

90-180 $6\frac{3}{4}$

180-365 7

1 yr $7\frac{1}{2}$

\$400

10% Commercial paper

Feb 15

Eff. date
26

Reg. A?

pasbook 4-4 $\frac{1}{2}$

Golden pasbook 5%

1 yr $5\frac{1}{2}$

2 yr $5\frac{3}{4}$

no minimum

6%

MSB - 5% pasbook - itich

$5\frac{1}{4}$ 3-month

~~6%~~

$5\frac{3}{4}$ 1 yr

6% 2 yr

S+L

Lift reserve requirement

2 yr 6% no minimum?

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

Report - Wednesday
Urgent - get sympathetic

French Gov't interested
May make representation

Need immediate answer to stockholders
any other way

30

68

50

4

10

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

Jim Finkle

① Congress
Meet more - lunch

Meetings I DO, gold, quotas

Interest
Debt ceiling

- 1) Lead time on statements?
- 2) Do some basic statements way ahead?
- 3) One day each week - invite House members
- 4) Bank-Fund meetings

Legislative items

A Revenue sharing

B Debt ceiling

C. International - Asian Bank - House
IMF quotas

D. Tax - new revenue measures

E. One bank holding Co.

F. Interest rate ceiling

G. Financial bank

H. Submit list to Finkle

Lee Kennedy -

2) Internal Operating Procedures

17 year for emphasis

2) Question of Treasury role in Operations

3) Better knowledge in Treasury

Japan
Malaysia
H.C.
Rescheduling

New Commitments left above current level

Questionnaire

1. Volume new commitments 1969 total

2. " " " 1970 "

3. 1969 Residential mortgage

4. Outstanding end 1969

5. What volume residential now planned 1970

6. " added volume 1970

7. Gross volume * how much urban program

Acquisitions is residential 1970 a. from commitments year end

b. from new ~~plans~~ commitments

c. total



1. National Foundation Health Affairs + Pension
Elm Grove Wisc
2. Council of People's Housing Fund
Chicago
3. Eastern Pension Conf
NYC
4. Mid Western Pension Conf.
Chicago -
Western Pension Conf
Seattle, San Francisco, Honolulu
5. Transit Division A B D

28% - 10%

Letter

Bert Cox

Follow up

Touched upon - but
not conclusively
answered.

Faithfully listened

Arden House

COLUMBIA UNIVERSITY, HARRIMAN, N. Y.

1. Are small changes same as large - Is 5 times as ten?
advantage in dramaturgy? Chamber introducing new budget,
etc.
Can we realistically
reconcile the two?

2. Small changes lead to speculation - French situation
repeated?
(No difference in definition of speculation)

Dismissed the
presumption
Presumption against change - is this good or bad.

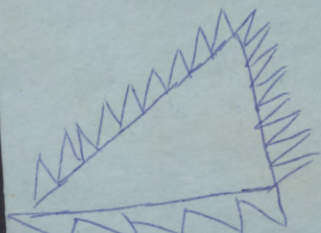
3. Problem of lags - cow-hog cycle

~~4. Reconcilability?~~

4. Institutional questions - focus on adjustment problem
& short-term capital flows.

Q What does it do to reserve management (and thus
to the reserve currency?

A What does it do to complex of Euro-dollar market?



all other
countries

u

u

Q

U.S. basic surplus

would be

"any meaningful definition"
very unfavorable

Don't disagree with anything but the
premise

Something more fundamental
behind it.

How unacceptable intention is to
Netherlands

Doesn't want more reserves

Need deficits to support
anti-inflationary policy

Inflate by 6% to avoid
surplus

Attribute too much importance to
U.S.

Is recycling policy deliberate
policy?

10 billion

by & have done better
job but

U.S. problem

Christman

Surplus - deficit growth
Real surpluses or
devaluation wrong to many

Real problem
Real deterioration on trade
account

Where is it

Japan

Germany

Italy

Canada

Hong Kong

as bad as 1979

Maybe because other countries not

like Netherlands

competitive positions

But something to Marshall point

SDR's on wrong side of

argument.

Basic problem is domestic
inflation. Is recycling policy deliberate?

Raise questions fully interested

1. Widening the Band - for itself - EEC
Voluntary

2. Security - or crawling peg -

3. Crawling peg -

Devaluing currency

Presumptive rules

Ruling out discrete changes

4. Bias questions

orderly market - reserve existing swap. renegotiate

III Reform

A Eurodollar

1. Member countries ~~could~~ minimum reserves etc.
2. Dry up - U.S. offering securities
Aware of money go around

3. Central bank placements } should not mention

B. Oil country problem - part of Eurodollar + reform problem

C. Talk about interrelated problems

Tedemand

US
Japan
UK
France
Germany
Italy
Mexico
Brazil
Sri Lanka
Morse
+2

44 Rue de la
Faisanderie
3rd floor

15

1. Substance

2. Procedures

Wed - US - Leo

Thurs Lunch - Morse
Limit General
group

Friday - Development

Friday - US - Development

Saturday Lunch

Summit - Dirty Talk

Summit Cite expectations on development of domestic economy.

"all deal with inflation"

Have Arthur Burns speak to central bankers

Emphasize European rates

III Intervention

Shultz Accept possibility of intervention

If right arrangement + pattern of consultation
orderly, markets important, intervene to help

Not in interest to have formula

Summit Concern about French - not let it slip

But can't do alone

Griscard push for early concerted intervention

Shultz - need within period

Summit not sell

Summit - not clean float

Come to understand

Swaps - public float in being - Summit

Shultz - not opposed in principle

Same tone of voice as gold

Summit - communicate - not obliged to buy & not indicated, not
clean float. Let market find correct rate.

1. Planning out - Norway, Sweden, Austria, Finland,
accept joining, if safe. Don't expect formality.

2. B dropping, then use Schmitt's guess.

3. Gold Schmitt raised

S. glad to see agreement established on all
Schmitt - Obtain from official
no rhetoric about it

4. Basic attitude of cooperation last week.

Now what have in mind?

Schmitt 1. Planning out - 1. end of 1974 - B of P will change, long time

2. Planning out with due regard B of P, and machinery

Amplification of statement

Some manner consistent with overall objective

"Restrictive self-interpretation"

3. Don't intend to have full report

4. In end, may help in capital flows.

2. Inflation

Potentially can't agree at international meeting

Louis Phillips Louis XVIII
Putunder - not a real alternative

still around -
suspect gold will
be around but
essentially a putunder

Overly Nostalgia - Terrible thing we lived you in deficit
Adjustment

What period of Bretton Woods do you like
period to 1958 - non-convertibility

1960 - gold coin

1960-70 U.S. deficits

devaluation

U.S. devalue - resistance

Note the contrast with the O.K. neutrality - He called it ^{neutrality}

Didn't want to change gold price - create any false expectations

Some people told us ~~not to~~ not to worry

Some people now say it not precedent

certain amount
of frustration
when very same
countries - sometimes
very same
officials -
that resisted
O.S. exchange
rate adjustment

Now self generating machine - talk about higher price.

Let + behold private price goes up.

to talk about it some more.

Inflation - U.S. has had but never, has none.

What do you want
Non-reform, in which U.S. has no intention of participating

Openness
that going to do it
Reduction ad absurdum

This morning talking about
reform - this afternoon non-reform

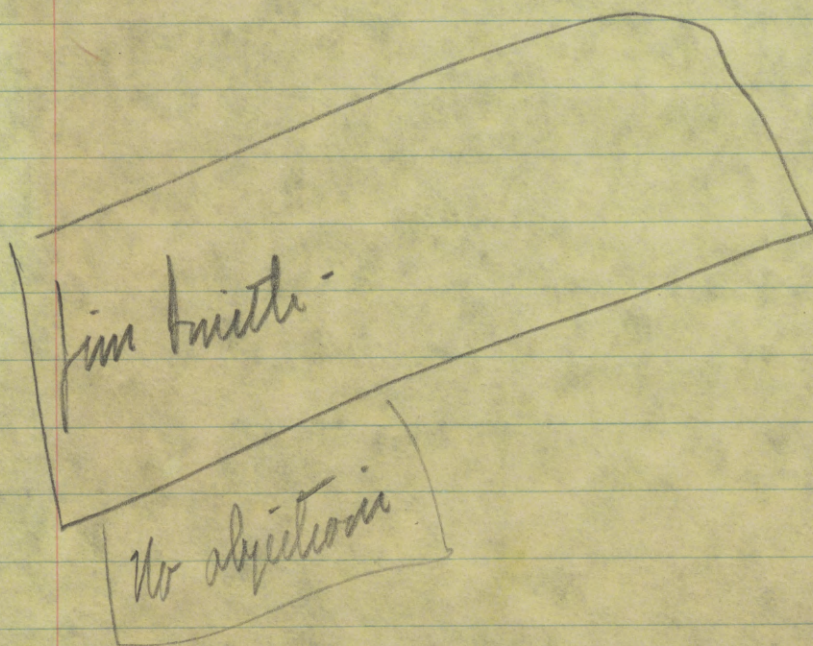
This morning had the case for
reform - this afternoon have had the
case for non-reform

Adverse (on EEC matters)

B of E

Balfour

1. What is guideline for international control over volume of ^{which} ~~monies~~ ^{maneuvers are} ~~monies~~ ^{insufficient} ~~monies~~ ^{not}
2. Are other countries ready to contemplate deficit for 5 years
3. U.S. feels require substantial additions to reserves - how to achieve
4. What degree exchange rate under int control
5. " " interest rates under int control
6. Regions - trade preferences
7. Pressure U.S. Gov of reserves - can we develop



- Upset over agricultural policy

1. Increase imports 15%
2. Bill to congress impose quotas, tariffs, or administrative barriers, country by country, equal to barriers abroad.
Country or product
Take analysis

papers for President
Magnitude of problem
Implications

Write memorandum on each
Trouble on trade
unrolling, troops, etc.



William Commission

- 1.
- 2.
- 3.
- 4.

Personal

JMF Southard

1. Connolly - Ltt & Clide ✓
2. Peterson - dinner forum ✓
3. Volker Group in annual ✓
4. Memo on organization - did it go ✓
5. Enrollables becoming ✓
6. Bank secrecy ✓

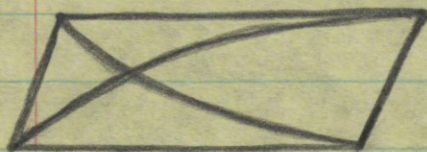
Birth ✓

200

100

Forum ✓

Setup monitoring group in U.S.



I Intervention

A. Devaluation only

B. Full guarantee - interest rate

C. Amount (1) \$500M (2) \$1,000M

D. Exchange rate +5%

II Eurodollar

A. Central bank placements

1. Interest

B. Reserve Requirements

C. Other - Fed actions, etc.

III Consolidation

A. Level of interest of others

B. "Anti diversification"

C. Other

IV Control

A. Increased surveillance of U.S.

B. Lowering of U.S. activities

V Meeting date

Intervention

1. Ad hoc, country by country operations based on mutual consultation in light of market circumstances.
2. Only make EC countries - Details?
3. Purpose of operation

a. Orderly market ✓

b. No general guidelines as to rate levels ✓

c. They will sell \$ at lower margin (or before) ✓ encourage
reflex

d. Anti-speculative - rate stability

e. Going back to par value?

f. Only allow value appreciation

4. Nature of guarantee

a. Formally - U.S. takes devaluation risk - Germany, any revaluation

b. Floating situation - Bundesbank - we get profit if buy in market
They act as agent

50-50 - ultimate settlement - interest? part of
banknote

c. Intervene in New York at our initiative

5. Increase in swap lines? all or part - 50-100%

Keep British

Study

6. Time period - 3-month renewal

7. How long, continue - there until terminate

2. Gold - ?

3. Study, Escrowollen

4. Study funding

1. Managing Director
2. How do you avoid distorting effects of short-term capital
3. How do we balance payments of U.S. - How do we maintain equilibrium
4. How do we avoid political confrontation in adjustment? How do we run I & F? How do you avoid abrupt change.
5. Long-term capital flows - political implications
6. How deal with chronic surplus
7. LDC's.

Impaired with confusion of issues - Economic + political

1. Sense in which economic are dominant - if system doesn't work right, The political problems will follow.

Filled with catch phrases + every body an expert.

2. However, useful to look at it from political angle, too, before this group. Think our way Together Through ~~the~~ Catch phrases

3. "One world" solution.

General meaning clear - non-discrimination

A. More trade than monetary implications - but can have discrimination in capital controls as well.

B. Exchange rate system itself involved.

- Really fixed rates "one world"

a. Not realistic - nobody wants a one world monetary policy.

b. If protected by controls outside

- Difference between floating and adjustable par value seems to me not so great. To some extent LDC's will have to choose - in either system.

C. Par value - facilitates international surveillance - strong ~~IMP~~ ^{IMP}, while floating rate "each for himself"

Conclusion - something to it, but overdrawn.

May not be true inherently, but

if people act that way, it can be

self-fulfilling prophecy.

4. Common Mkt.

A. Related - pushes EC toward unity - exacerbates "bloc" tendencies.

Probably more accurate to say it makes or breaks monetary unity. Tastes may vary in that respect. Fixed rate system, if it works, more benign + Lieserby route for EC.

B. Bloc tendencies exist in any event.

What about US protectionism.

US cannot hold fixed rate system together.

5. Adjustable pay valves

Something of a contradiction in
Terms - and inherent contradictions have
bred controls.

Political Issue seems to me surveillance.

Can it work.

6. Depends upon "adjustment process"

What kind of incentives & sanctions.

Assert:

1. Need them

2. Must be putty strong

3. Must be clear enough to avoid antagonism

Why we use indicators,

Danger in recent Talk. - says the structure & targets the price.

7. Pay valve system can be made to work.

But we have a viable alternative, & time
to do it right.

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