Collection: Roberts, John G.: Files
Folder Title: Williamsburg Summit
Box: 57

Wmsburg Summitt

Summit:
P.S. coop effort
help us, but help industry

Int'l Food Center free of charge
to press. Format
Mike McNamara contact
- how much
- trad own sustain
- all invited to dinner

6000 / 3 days / 10-12 hrs. per day
Dairy bar, bread bar, etc.

Deaver: will get coverage
— commercialism allowed — Deaver

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 18, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS JGR

SUBJECT: Food Fair Proposal for Williamsburg Summit

At a meeting held March 9 in the Roosevelt Room, Michael Deaver described to assembled food and drink trade association representatives (see attached list) a proposal whereby the associations would establish and operate food and drink booths to provide free sustenance to reporters covering the Economic Summit. The Office of Legal Counsel was looking into the proposal at our request, and has now advised that it sees no legal impediments. OLC suggests, however, that the proposal move forward under the auspices of the State Department and/or USIA, to minify any possible conflicts problems, and because those agencies have gift acceptance authority. In particular, OLC recommends that meetings take place at State or USIA offices, and that direct contact with trade association representatives in implementing the proposal be through State or USIA officials.

Michael McManus is coordinating preparations for the Summit, and was described at the March 9 meeting as the individual to whom trade association representatives should convey their interests in pursuing the proposal. I have prepared a memorandum from you to McManus, advising that if the project moves forward it should be under the auspices of the State Department and/or USIA -- not the White House. I have read the proposed memorandum to Robert Shanks, Deputy Assistant Attorney General at OLC, and he concurs.

Attachment

THE WHITE HOUSE

WASHINGTON

March 22, 1983

MEMORANDUM FOR MICHAEL A. MCMANUS
DEPUTY ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING Orig. signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Food Fair Proposal for Williamsburg Summit

Counsel's Office and the Office of Legal Counsel at the Department of Justice have considered the proposal that food and beverage trade associations establish and operate booths to provide free food and drink to reporters covering the upcoming Economic Summit. While we see no legal impediments to the proposal, it should move forward under the auspices of the State Department and/or the United States Information Agency, not the White House. This will avoid involving the White House in any potential appearance of conflict of interest situations. In particular, any future meetings on the proposal should take place in State Department or USIA offices, and any necessary contact with trade association representatives to implement the proposal should be through State Department or USIA officials. In light of your White House position, you should not continue as the contact with the trade association representatives.

Please do not hesitate to contact us if you have any questions.

FFF:JGR:aw 3/22/83

cc: FFFielding
✓JGRoberts
Subj.
Chron

United States Department of State

Washington, D.C. 20520

March 28, 1983

MEMORANDUM

TO : M - Ms. Nancy Boshoven

FROM : L/M - K. E. Malmborg

SUBJECT: Gift from Philip Morris for Economic Summit

The White House has discussed with Philip Morris, Inc. its being a possible contributor to the food service at the Economic Summit and asked me if there would be any conflict of interest in the Department accepting such a gift.

I have looked at PM's product list, and they put out nothing that we are into big in procurement. I checked with EB and the substantive agenda for the Summit is so broad and general that no particular matter in which PM may be interested is likely to come up.

So if the gift, if offered, could be accepted and used.

cc: White House - Mr. Fielding's Office

L/M:KEMalmborg:ad

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 29, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS JGR

SUBJECT: Economic Summit State Dinner

Michael McManus has asked for your views on a proposal whereby the Philip Morris Company would pay for the cost (exclusive of food) of the Economic Summit State Dinner. The dinner would be held by the State Department, which has statutory authority to accept gifts to carry out its functions:

> The Secretary of State may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the Department of State (including the Foreign Service) or for the carrying out of any of its functions. Conditional gifts may be so accepted at the discretion of the Secretary, and the principal of and income from any such conditional gift shall be held, invested, reinvested, and used in accordance with its conditions, except that no gift shall be accepted which is conditioned upon any expenditure which will not be met by the gift or the income from the gift unless such expenditure has been approved by Act of Congress. 22 U.S.C. § 2697(a)(Supp. IV 1980).

This provision carries forward, with only minor stylistic changes, § 1201 of the Foreign Service Act of 1946, Pub. L. No. 79-724, 60 Stat. 999.

The State Department could, accordingly, accept the Philip Morris gift, provided that Philip Morris neither does business with nor is regulated by the State Department, and agrees not to use the fact of its contribution to commercial advantage, through advertising or any promotional campaign. Pursuant to 22 U.S.C. § 2697(a), the gift should be unconditional, although a desired use may be expressed, and may not result in the incurment of additional expenses not covered by the gift.

I discussed the question with Gene Malmborg of David Robinson's office. He saw no problems with the proposal, other than the caveats noted above. He remarked that private donations paid for the State dinner held for Queen Elizabeth during her recent visit, although in that instance the donors were a diffuse group rather than one company.

In light of the concerns you have raised about the "Food Fair" project for reporters covering the Summit, I called McManus to discuss the Philip Morris proposal. McManus assured me that the offer from Philip Morris was totally unsolicited and that it was not in response to any government suggestion or inquiry. According to McManus, Philip Morris employs many people in the Williamsburg area and its representatives simply approached Summit officials stating that they wanted to help and in particular would like to pay for the State dinner. McManus was uncertain of the potential cost but gave a rough estimate of $40,000 - $50,000.

I think this proposal is more problematic than either the "Food Fair" proposal or the Queen Elizabeth dinner, because a single corporation is involved. In light of the statutory authority in 22 U.S.C. § 2697(a), and McManus' adamant assertion that the offer from Philip Morris was unsolicited, I do not think we can opine that the proposal is legally impermissible. We can, however, highlight the appearance problems for the decision-maker, and I have done so in the attached draft memorandum.

Attachment

THE WHITE HOUSE

WASHINGTON

March 29, 1983

MEMORANDUM FOR MICHAEL A. McMANUS
DEPUTY ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING Orig. signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Economic Summit State Dinner

You have asked for our views on a proposal whereby the Philip Morris Company would donate the cost (exclusive of food) of the upcoming Economic Summit State Dinner. You have advised this office that the proposal was entirely unsolicited by the government and originated with Philip Morris representatives. We view this as a necessary condition to consideration of the proposal.

The State Department has statutory authority to accept gifts to carry out its functions, 22 U.S.C. § 2697(a). There is, accordingly, no purely legal bar to the proposal, provided that:

- Philip Morris neither does business with nor is regulated by the State Department;
- Philip Morris agrees to take no commercial advantage from its contribution, through advertising or any type of promotional campaign;
- Any discussions concerning the proposal are held with State Department and not White House personnel; and
- The gift complies with the requirements of 22 U.S.C. § 2697(a) (e.g., it does not result in the incurment of additional expenses not covered by the gift).

Apart from the foregoing purely legal considerations, there is an appearance problem with one company making such a sizable contribution to a highly visable government function. This proposal is significantly different from the "Food Fair" proposal, involving trade groups representing many companies, or even the recent Queen Elizabeth state dinner, which was funded by several different donors. The appearance that Philip Morris is buying favor with the government through its contribution seems well-nigh unavoidable, and those planning the Summit should give careful consideration to this problem and the potential adverse public reaction it might engender.

FFF:JGR:aw 3/29/83
cc: FFFielding/JGRoberts/Subj./Chron

Roberts

ID # 131088 CU

F0006

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) / /

Name of Correspondent: Michael A. McManus, Jr.

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: Economic Summit State Dinner

ROUTE TO: Office/Agency (Staff Name)	ACTION: Action Code	ACTION: Tracking Date YY/MM/DD	DISPOSITION: Type of Response	DISPOSITION: Code	DISPOSITION: Completion Date YY/MM/DD
CWHolland	ORIGINATOR	83/03/02			/ /
Referral Note:					
CWAT18	D	83/03/22		S	83/03/30
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

ACTION CODES:
- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:
- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:
- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments:

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

5/81

MAR 22

131088, CU

THE WHITE HOUSE

WASHINGTON

March 22, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: MICHAEL A. McMANUS, JR.

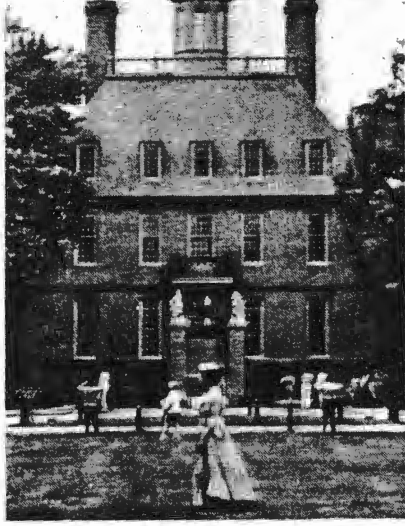
SUBJECT: Economic Summit State Dinner

Please let me know if you would have a problem with the Philip Morris Company paying for the cost of the State Dinner, not including food, in Williamsburg during the 1983 Summit of Industrialized Nations. The contribution would include tents, electricity, flowers, entertainment, etc. for the Dinner. I would appreciate your thoughts.

To State

A Pot-Luck Summit

How do you host a three-day summit conference for seven heads of state, their entourages and 6,000 hungry journalists while spending only $8 million? [redacted] So when the leaders of Britain, West Germany, Japan, Canada, France and Italy descend on Colonial Williamsburg, Va., for their eighth annual economic summit on Memorial Day weekend, they will dine on donated delicacies, have their papers copied on machines contributed by IBM and Xerox and shuttle about in a fleet of vehicles largely provided by GM, Chrysler and Ford. The Chesapeake & Potomac Telephone Co. has already laid 25 miles of telephone lines and installed 600 phones at reduced rates. [redacted] "Fast food is an American innovation," says White House aide Michael Deaver. "It's a great marketing device for them."



Susan Ackerman

Williamsburg: Stretching $8 million

Summit planners picked $8 million as their benchmark because that's what the Ottawa meeting cost the Canadians two years ago. A special 30-member task force has been working to coordinate the tax-deductible contributions—and response has been so great that some would-be donors have been turned down for lack of space. The care and feeding of the Fourth Estate is by far the biggest expense. (Last year at Versailles, the press corps ate four times more than the French had expected.) It will cost $1 million alone to install air conditioning and electrical wiring and lower the ceilings in the basketball court of the College of William and Mary gymnasium to transform it into a press center—even though the construction company has agreed to work at cost. "Even for a rock concert, you don't have to produce the kind of power you have to have for an international press center," says chief summit planner Michael McManus.

White House aides say not to expect too much substance from the summit. The traditional communiqué summing up the meeting has been scrapped, at Ronald Reagan's initiative, to promote open dialogue, and aides have been reluctant even to set a formal agenda. "We have purposefully downplayed any expectations," said one White House hand. Their more immediate concern was negotiating with Williamsburg town fathers for permits to allow the Japanese to ride motor bikes around the site. "That's one of those unusual requests we hadn't thought of," said one harried aide. "We thought everyone could walk."

---

gan when he was governor of California, close ties to Meese, Deaver and Clark, h may give him the best of sources in the an White House. Weisman chats fre-ly with Gergen—so frequently, Baker that Gergen's title should be "assist-The New York Times for communica-" Plante is close to Deaver, a relation-hat dates to the 1980 campaign; Stahl arman are longtime personal friends. mson seems to confide in syndicated nist Robert Novak. "Forget [Rea-nti-leaks] policy," suggests one sen-e. "Just tell Gergen he can't talk to an and the networks, tell Meese and they can't talk to Cannon, tell Wil-n he can't talk to Novak, tell Deaver t talk to Plante and tell Darman he lk to Stahl."

orbidding these aides to speak with s wouldn't work, as everyone in the louse knows. The journalistic appe-eaks is virtually insatiable—and not exclusive news, but also for anec-d bits of colorful detail that lend life tories and impress both editors and with the sense that they are getting r's view of what goes on in high iven the full-time attention of doz-talented, competitive reporters powerful communications weap-ield—no group of public officials leakage for long. Presidents crave the way ordinary mortals need h means the presidential keister, ibility, will be tingling again soon.

ANTHAU with THOMAS M. DeFRANK and ELEANOR CLIFT in Washington

A Family's Nightmare In Posh Palos Verdes

Roy D. Miller's life seemed like the American Dream come true. He was raised in southern California, married the girl next door and eventually became a respected tax specialist and a senior partner in a well-known Los Angeles law firm. He had represented Ronald Reagan since his days as governor of California, and in 1981 he became the president's personal attorney. Miller and his wife, Marguerite, raised two sons in the sun-splashed exclusivity of Palos Verdes Estates, a posh Los Angeles suburb of million-dollar homes overlooking the Pacific Ocean. The elder, Jeff, went to Dartmouth and the younger, Michael, evolved into something of a hybrid of the southern California culture—an unemployed health-food enthusiast who loved to play the violin.

Marguerite Miller with son Michael: Why?

UPI

But then the dream began to sour. Jeff suffered a nervous breakdown while away at college, and in 1981 he committed suicide by taking an overdose of aspirin in a Los Angeles clinic that specializes in the treatment of schizophrenia. It was a crushing blow to the religious close-knit family, but Mike seemed to suffer the most. The death of his older brother, says a friend of the family, "left a big void in Mike's life." He began to get into trouble—he has been convicted of numerous traffic violations since 1980, and was arrested for reckless driving last fall—moved back home and eventually underwent psychiatric treatment for depression.

Emotional Embrace: One night last week the Miller's dream turned to nightmare. Roy Miller, returning home late at night, saw his wife's bloody eyeglasses in the living room and called her name. When he received no response, Miller ran to a neighbor's home and called the police. Marguerite Miller's nude, battered body was found sprawled in the master bedroom; she had been killed by a blow to the head by a 17-inch wooden club that the police recovered from the home. Mike Miller, 20, apparently the last person to see his mother, later underwent questioning and made what Los Angeles County Sheriff's deputy Ward Finch called "a full and complete confession." After an emotional embrace with his distraught father, Mike Miller was taken into custody and booked for investigation of murder.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

April 1, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS JGR

SUBJECT: Protection of Williamsburg Summit Logo

Michael McManus has asked for your thoughts regarding the possibility of copyrighting the logo of the Williamsburg Summit, to prevent its commercialization. Copyright protection is not available for any work of the United States government, 17 U.S.C. § 105, nor would trademark protection appear available, since the logo is not to be used in commerce, see 15 U.S.C. § 1051.

If it is necessary to protect the logo, the best approach would seem to be to establish the logo as an official seal. The logo would then be protected by 18 U.S.C. § 506, which provides:

> Whoever falsely makes, forges, counterfeits, mutilates, or alters the seal of any department or agency of the United States; or
>
> Whoever knowingly uses, affixes, or impresses any such fraudulently made, forged, counterfeited, mutilated, or altered seal to or upon any certificate, instrument, commission, document, or paper, of any description; or
>
> Whoever, with fraudulent intent, possesses any such seal, knowing the same to have been so falsely made, forged, counterfeited, mutilated, or altered --
>
> Shall be fined not more than $5,000 or imprisoned not more than five years, or both.

The term "agency" as used in 18 U.S.C. § 506 is defined broadly in 18 U.S.C. § 6 to include "any department, independent establishment, commission, administration, authority, board or bureau of the United States," which would seem to embrace the Economic Summit office.

The logo could be established as a seal by executive order. Seals have been so established, to cite a few examples, for the Office of Administration of the Executive Office of the

President, E.O. 12112; OMB, E.O. 11600; and NASA, E.O. 10849.

Those agencies, and most agencies with a seal, are "permanent" entities, unlike the ephemeral Economic Summit, which will be of only historic interest after Memorial Day. I can, however, think of no way to protect the logo other than establishing it as a seal. As an initial matter, I would question whether such protection is really necessary. It is hard for me to imagine commercialization of the logo. The Summit is not a tourist event, and I think any concern about Economic Summit T-shirts, pennants, and caps is probably exaggerated.

I have prepared a memorandum to McManus advising him that no copyright protection is available. The draft memorandum notes the possibility of establishing the logo as a protected seal, but questions the need to do so.

Attachment

THE WHITE HOUSE

WASHINGTON

April 6, 1983

MEMORANDUM FOR MICHAEL A. McMANUS
DEPUTY ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING Orig. signed by FFF
COUNSEL TO THE PRESIDENT

SUBJECT: Protection of Williamsburg Summit Logo

You have asked for our thoughts on the possibility of copyrighting the 1983 Summit of Industrialized Nations logo in order to prevent its commercialization. Under 17 U.S.C. § 105, "[c]opyright protection . . . is not available for any work of the United States Government . . . ." This precludes copyrighting the Summit logo.

If it is really necessary to protect the Summit logo, it may be possible to establish the logo as the official seal of the Economic Summit office. As a seal the logo would be protected by 18 U.S.C. § 506. This provision imposes criminal penalties on anyone who falsely makes, forges, or counterfeits an agency seal, or uses or possesses such a falsely made seal. Unfortunately, there is no established "agency" known as the "Economic Summit".

Designating the logo as an official seal would be highly unusual for a temporary, ad hoc office such as the Summit office. In light of these facts you should consider how serious the threat of commercialization of the logo actually is. There are, of course, criminal and civil penalties for any person or organization that attempts to promote any article if it fraudulently misleads the public to believe it is connected with, or sanctioned by, the Federal government. But you can imagine the problems of proof in that!

In short, our best bet for control is to strongly discourage inquiries, and to be quite free in our statements that no one is "authorized". Given the article in the NYT we discussed, the press may help in that effort.

Sorry . . .

FFF:JGR:FFF:dgh 4/6/83

cc: FFFielding
JGRoberts
Subj
Chron

ID # 118889 CU
F0006

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

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

Name of Correspondent: Michael A. McManus, Jr.

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: Possibility of copyrighting the 1983 Summit of Industrialized Nations logo

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

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CU Holland	ORIGINATOR	83/03/29			/ /
Referral Note:					
CUAT18	D	83/03/29		S	83/04/07
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

ACTION CODES:
A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet to be used as Enclosure
I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:
A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:
Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
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THE WHITE HOUSE

WASHINGTON

Roberts (No USG copyright — does this apply?)

118889 CU

March 28, 1983

MEMORANDUM FOR FRED F. FIELDING

FROM: MICHAEL, A. McMANUS, JR. WMDC for

I would appreciate your thoughts regarding the possibility of copyrighting the 1983 Summit of Industrialized Nations logo in order to prevent the commercialization of it. If this is feasible, please let me know what steps need to be taken to accomplish obtaining the copyright.

Thank you.

4/12/83

THE WHITE HOUSE

WASHINGTON

TO: John Roberts

FROM: *Richard A. Hauser*
Deputy Counsel to the President

FYI: __________

COMMENT: __________

ACTION: __________

For your Williamsburg file

Tracking a Trend

Business Outlays Rise Faster Than Economy Over the Decades, Despite Worries They Lag

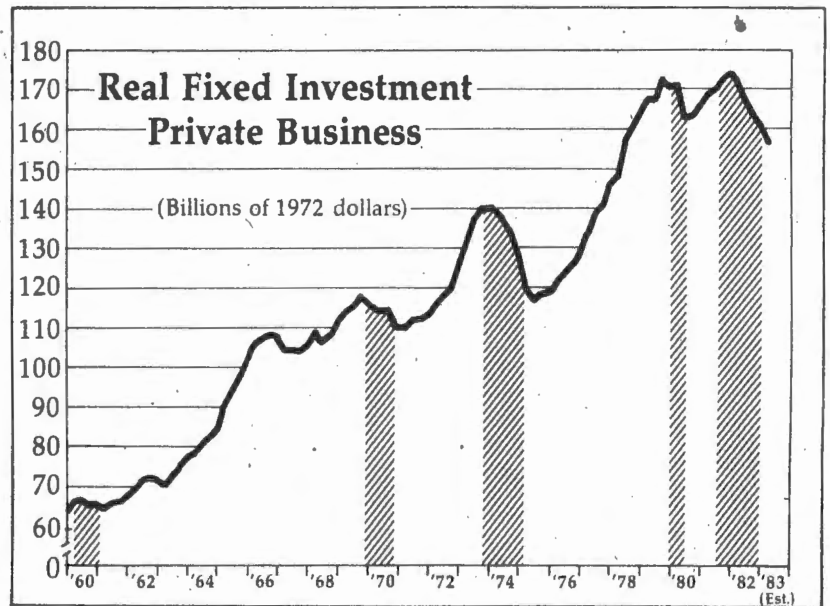
By ALFRED L. MALABRE JR.
Staff Reporter of THE WALL STREET JOURNAL

"If the government continues to borrow large amounts to finance its deficits, the real interest rate will remain high and discourage private investment. This process of 'crowding out' will tend to depress private investment in the years ahead unless the budget deficit is progressively reduced."

Sounded by President Reagan in his Economic Report to Congress in early February, the warning is not new. Through much of the quarter-century covered in the adjacent chart, concern has been expressed in and out of Washington about the ability of private business to invest adequately in new plant and equipment in an era of multibillion-dollar budget deficits. Only the intensity of worry has deepened, along with the deficits, during the Reagan administration.

The question surely merits attention, particularly when the economy still is struggling to recover from the longest recession since the 1930s. It's troubling that budgetary red ink has risen to record levels and seems certain to keep climbing in coming months. Deficits span all but two of the chart's two dozen years, and all since the 1960s.

Is it also a fact, however, that the capital outlays of private business have been eroding as the red ink has swelled?



Source: Commerce Department Plotted quarterly at seasonally adjusted annual rate Recessions shaded

Breaks Along the Way

The answer is surprising. Stripped of false growth reflecting rising prices, private investment in the various "fixed" items of capital—from machinery to factories to office buildings—has expanded remarkably in the last quarter-century. There have been recessionary breaks along the way, as the chart indicates; the latest is still apparently in progress, even though the economy in general hit bottom late last year. There seems little question, however, about the longer-term trend.

Consider a few statistics. In 1960, at the beginning of the chart, the investment figure approximated $67 billion, in terms of the dollar's 1972 buying power. Near the end of 1981, before the 1981-82 recession began to bite hard into capital spending programs, the comparable investment figure reached a record annual rate of more than $174 billion. Since then, with the recession, the rate has diminished to just under $160 billion. Still, the climb in "real" outlays since 1960 comes to about 140%; the increase until the latest recession hit exceeds 160%.

Such gains easily outstrip the economy's overall rate of expansion in the period. Since 1960, inflation-adjusted gross national product—the broadest economic gauge available—has merely doubled. The upshot is that, as a share of overall economic activity, business investment, for all the worry about red ink and crowding out, has been on the increase. Such spending constitutes about 11% of real GNP now, up from 9% in 1960.

Noting this long-term increase in the share of business activity devoted to capital formation, a recent study by Argus Research Corp., a New York investment concern, comments, "It's surprising that business fixed investment has held up as well as it has." The rise is particularly remarkable, the study notes, "when one considers all the negative factors hindering capital formation."

More Than Crowding Out

These include, according to Argus, not only the matter of crowding out but also such additional deterrents to spending as low factory operating rates—the industrywide average at present is only about 70% of capacity—and a continuing "funding problem" for many companies whose profits and balance sheets have been severely strained by the long recession.

The rise in investment outlays since 1960 is all the more noteworthy when matched against the earlier post-World War II trend. As long ago as 1948, when the first of eight postwar recessions set in, the investment total came to 10.4% of real GNP, appreciably above the 1960 percentage.

At a glance, the chart suggests that the investment decline in the 1981-82 recession was particularly severe. In percentage terms, however, the latest drop remains far shallower than those in the 1973-75 slump or the 1957-58 recession, which predates the chart. The table pinpoints the degree of each recessionary decline in real outlays over the last 30 years.

Recession	*Decline in Real Investment*
1953-54	3.9%
1957-58	14.4
1960-61	3.8
1969-70	6.9
1973-75	16.3
1980	6.1
1981-82	7.6

As the chart indicates, investment outlays usually keep falling for a brief while after the economy in general has hit bottom in a recession. Accordingly, the latest investment drop may ultimately prove somewhat deeper than the table shows. However, it seems unlikely to approach the severity of, say, the 1973-75 investment falloff, particularly in light of widespread forecasts of a sustained economic recovery stretching through the rest of this year and beyond.

One reason that investment outlays have been generating wider concern than the record seems to warrant involves the rising role of imports. The exceptional long-term spending rise depicted in the chart masks a sharp climb in the share of capital goods sold in the U.S. but made abroad. For instance, imports accounted for some 28% of machine-tool outlays last year, up from only about 10% a decade before. And the import share seems likely to reach 34% this year, according to the National Machine Tool Builders' Association, a McLean, Va., trade group.

A Changing Composition

The changing makeup of investment expenditures also is a factor in their deceptive resilience over the years. Talk of investment spending typically brings to mind images of production-line machinery, from cutting tools to forming presses. Demand for many such items has indeed lagged badly, especially in industries such as the auto business that have been hit hard of late. However, investment spending also embraces a broad range of so-called high-technology equipment, including computers. Surging outlays in this wide category have offset the investment lag elsewhere.

As recently as 1965, spending for high-technology equipment amounted to less than 1% of real GNP. Now, such outlays approximate 4%. In the same period, investment in more familiar nontechnological equipment has fallen from nearly 6% of real GNP to about 4%. As a result, investment in equipment of both sorts, high-technology and traditional, has risen since the mid-1960s from about 6% of the GNP figure to roughly 8%.

"Increased spending on equipment embodying new technologies is one structural change (in the economy) holding up capital spending," observes an analysis by Goldman, Sachs & Co. in New York. "The rapid growth of investment in high technology equipment implies a generally higher level of equipment purchases at any stage of the business cycle," the report adds, and this "moderates the overall capital-spending decline" during recessions.

Investment outlays, of course, embrace business structures as well as various forms of equipment. In recent years, this investment category—spanning factories, wholesale and retail outlets, hotels, motels, sports arenas and office buildings—has also shown a pronounced resilience. It made up nearly 5% of real GNP in the mid-1960s, but this share shrank to about 3% in the course of the next decade. Since the mid-1970s, however, the rate has slowly risen again, nearing the 4% mark in recent months.

Goldman, Sachs attributes this revival partly to "accelerating shifts in the geographical location of business, which require facilities in different parts of the country from where they already exist." The report cites as well "obsolete and otherwise inefficient or inadequate capital, which means that existing facilities must be upgraded or replaced." A further spur to such expenditures, it states, is the Economic Recovery Tax Act of 1981. Although the measure "increased depreciation for tax purposes in all types of business capital spending," the report continues, the act "was particularly generous for new structures, where depreciation was at least doubled."

Looking ahead, the chart makes clear that investment outlays invariably climb briskly once an economic recovery is solidly under way. The pattern is expected to prevail once again in the current recovery, in the consensus view. A recent Federal Reserve Board study, for example, predicts that "as overall activity follows a path of sustained recovery, the demand for new capital goods should increase more rapidly." Noteworthy, in this regard, is a recent survey of newly approved capital appropriations of 1,000 major manufacturers. In business planning, such appropriations precede actual spending and thus serve as a precursor of investment trends. Conducted by New York's nonprofit Conference Board, the survey found that appropriations rose some 16% in the fourth quarter of 1982. The increase ended a succession of quarterly decline.

Tempering any future investment upturn, many economists caution, will be a continuing large amount of excess production capacity in such troubled industries as steel. In addition, an analyst at Data Resources Inc. in Lexington, Mass., maintains that "the very strained condition of business balance sheets" seems likely to persist in coming months, even if the recovery strengthens. This, she says, will "restrict investment spending."

THE WHITE HOUSE

Office of the Press Secretary

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PRESS BRIEFING
BY
SECRETARY OF STATE, GEORGE P. SHULTZ,
AND
SECRETARY OF THE TREASURY, DONALD T. REGAN
ON
THE ECONOMIC SUMMIT AT WILLIAMSBURG

Room 450
The Old Executive Office Building

11:35 A.M. EDT

SECRETARY SHULTZ: I think the Economic Summit puts the heads of state of the leading industrial democracies in a position with an opportunity and a responsibility to give leadership in what I think is a very promising direction. Clearly, what the world needs right now in an economic sense is economic growth with low and moderating inflation. And we have an opportunity for that and a much more positive one than has been around now for several years.

In order to capitalize on that opportunity, of course, we must have policies that support that objective in each country, one by one. But far more than that, the growth that is there and can be there needs to be linked and be mutually reinforcing through the system of open trade. I think, on the whole, given all the pressures, that these leading countries have done a pretty good job through this recession period of keeping the lines of trade open. And that instinct and drive needs to be supported in every way that can be thought of.

Simultaneously, we need, on the one hand, to recognize that the so-called Third World has really come of age economically in the sense that it is truly the case that we do have one world economy, we all do have interdependence with each other, and so we need to recognize and work on those policies that will help promote growth in the Third World. And among the things that I think is outstanding in that regard is the importance of keeping track of the debt problems that are not general, but there are important debt problems. Again, it seems to me, an excellent job has been done by Secretary Regan and his colleagues in the Finance Ministries around the world, by the IMF, the World Bank, and that effort needs to be supported and worked on so that it continues to support the very important, desirable, necessary goal of economic growth with moderating rates of inflation.

So that's the theme song of the Summit -- jobs, and what supports that objective of jobs is national policies, on the one hand, and on the other, those things that link countries together and make a jobs policy in any one country supportive of the same thing in other countries.

SECRETARY REGAN: With four days remaining until the Summit, I think this is a good opportunity to review our objectives. From the outset, I'd like to make clear that these policy meetings of this nature shouldn't strive to produce specific proposals. Rather, they should serve as an opportunity for the participants to discuss general provisions and strategy.

Now that our economy is in recovery, we'll be looking as to how to make that

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recovery sustainable, and how to achieve recovery worldwide through non-inflationary growth. This is the only way to establish durable economies and permanent jobs.

Specifically, we will be looking at inflation, interest rates and unemployment. Now, due to our steadily improving economy, the United States will be able to make a strong contribution to this discussion. We have been able to get inflation down. And interest rates, while they are still too high, are also much lower. Our major challenge now is unemployment. And this problem exists for all of the Summit countries. We must create more jobs and new jobs if the recovery is to be long-term. I am sure there will be considerable discussion of just how to achieve that.

East-West trade and, of course, protectionism -- either through barriers or subsidies -- is an issue of concern to all of the Summit nations. The United States, since World War II, has been a leader in reducing trade barriers, and recognizing the importance of trade to a healthy world economy. We will continue to put our trust in a free-market system.

The world's monetary system, debt restructuring, and the role of the International Monetary Fund are of immediate importance not only for the countries in financial trouble, but also for the economies of the industrialized nations. And although this issue has received considerable attention, continued vigilance is required. Worldwide economic growth can only take place through cooperative and joint action on the parts of the major, free-world producers. At the Summit, we will have the opportunity to discuss specific economic strategies, reinforce our commitment to the free-market system and, hopefully, arrive at an agreement that is suitable not only to our immediate economic needs, but those of the future as well.

Thank you.

Q Mr. Secretary, could you possibly --

SECRETARY REGAN: Since we are both Secretaries, would you mind -- (laughter).

SECRETARY SHULTZ: I did not have any doubt in my mind who he was talking about. (Laughter.)

Q I guess this might be addressed to either one of you. (Laughter.)

Secretary Shultz, the one thing you failed to mention when you mentioned jobs and the problem of jobs is the controversy over fixed exchange rates and government intervention, which certainly the French and some other Europeans regard as the other side of that coin with 32 million unemployed in the seven nations that will be there. Could you tell us whether you expect some concrete movement toward intervention in the currency markets to come out of the Williamsburg Summit? I know the President said, last Friday, that he would study the Bretton Woods idea. Would anything more concrete than that come out of the Summit?

SECRETARY SHULTZ: I have thoughts on that. But this is really in the Treasury's domain. So I think Secretary Regan should respond.

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SECRETARY REGAN: Thank you, George.

President Mitterrand first surfaced this idea in addressing the OECD Ministers in Paris last week. We will be interested to hear what views he presents at the Summit. We have drawn no conclusions as to what we should do about his ideas until after we have heard the presentation by him, and have had a chance to discuss it with him.

In my judgment, at this time, a call for an immediate conference would be premature. I am not sure that that is what President Mitterrand meant. I think he thinks that that is some time in the future. I notice that Minister Cheysson has said that preparation will be needed.

It might be of interest to you to know that at Treasury, in going back over the record, it has been found that in preparation for the original Bretton Woods of 1944 it took over three years to arrange that conference, and over 150 different drafts before the final one was arrived at. So any kind of an international monetary conference requires a great deal of preparation and the like.

So I would not know, at this moment, just what President Mitterrand will suggest that we do, or how the rest of the world leaders will react to his idea.

SECRETARY SHULTZ: Let me just add one note on that. Everyone would like to see stability in exchange partners. And I think, with the consultative and collaborative arrangements that have been in place now for some time, there is a pretty good opportunity to see more stable exchange markets,

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because it may very well be that underlying conditions will be more stable -- as you have, routed by recent standards, low rates of inflation in leading countries, and you have the beginnings of economic expansion, and so you see a kind of a parallel movement. And it's not underlying parallelism in stability that will give stability to exchange markets. So we have the possibility of entering something of a new area.

Q Secretary Shultz, what political goals do you expect to achieve at the Summit? And what will be the points of conflict and harmony?

SECRETARY SHULTZ: Well, there will be discussions, no doubt, and exchanges of views. I think that the basic objectives that I outlined here are widely shared. Ways to get at them will be discussed by the heads of state. And I think that from a broad leadership standpoint, leadership by the leading countries in the free world, to make our system work well -- that a strong collaborative pattern that will emerge, I think, is going to be a good thing. And that's a political goal.

Q I'm speaking of arms control, the Middle East, the whole NATO range and so forth, will these be coming up?

SECRETARY SHULTZ: I'm sure those subjects will be discussed in the various meetings, but the focus of attention in these summits is economic matters.

Q Secretary Shultz, you mentioned the East-West issue. Wasn't that pretty well settled by your breakfast with your counterparts in Paris? And, second question --

SECRETARY SHULTZ: As a matter of fact, I didn't mention the East-West issue.

Q Well, Secretary Regan did.

SECRETARY SHULTZ: I do think that we had a lot of discussion of it in the OECD meeting, and prior to that, in the COCOM meetings. And we look forward to some discussion of it in the NATO foreign ministers' meeting that's coming up in Paris. So, to a very considerable extent, I think that issue has been dealt with. And, no doubt, the heads of state will want to take note of it in one fashion or another. But it has received a lot of attention.

Q And second question, is it now planned that there will be a communique or a functional equivalent of a communique?

SECRETARY SHULTZ: Well, there will be discussions. There isn't -- as I understand it, unless the Sherpas are deceiving me, there isn't any prearranged communique, and that's somewhat by design or is deliberately by design, since it's thought that the communique, if there is one, should reflect what was discussed rather than the other way around. And that's the big innovation in this summit.

Q Secretary Shultz, is the United States at a disadvantage here, despite our recovery and our better inflation and interest rate postures, because of the big deficits? I mean, how do we respond to Mitterrand on the out year deficits, given the President's opposition to tax increases and the little likelihood of any real congressional action on entitlements and big spending cuts?

SECRETARY SHULTZ: Every country has problems, including us. And the big deficits, particularly in the out years, the President has labeled as a major problem. Others think so, too. We'd like to see our real rate of interest be lower. And that would, no doubt, have some impact on exchange markets. So these are all fair subjects of discussion. We certainly discuss them here, and we're quite prepared to discuss them at a summit meeting.

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Since the U.S. economy is so large, it therefore has a certain centrality and comes to bear a proportionate -- therefore a large proportionate share of the discussion. But there are problems everywhere. We're not -- and as a matter of fact, things are not going too badly in the U.S. right now in our economy.

Q What would be the American response, though, on the subject of deficits?

SECRETARY SHULTZ: Well, we have to explain our problem and agree that the deficits as projected are too large. The President has said that and said that. And we're struggling politically to come to grips with it.

SECRETARY REGAN: If I might add --

SECRETARY SHULTZ: I have a feeling we're going to get there one of these fine days, and a beginning of that process in the United States is always the realization and kind of it gets to be like inhaling, that these deficits in those out years are too big. And gradually the political process gets around to it, and I'm sure we will.

Q Secretary Regan, I wonder if I can ask you and Secretary Shultz the same question. You both mentioned the need for non-inflationary growth. And

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I wonder if it's weakening your hand and undercutting your position, in view of the fact that there was a big turnaround in the inflation picture in the statistics released today -- the Consumer Price Index --

SECRETARY REGAN: Well, I don't think that today's one-month statistic is indicative of what the entire year will be. I think you have to look at what the rate of inflation has been over the past 12 months here and what the rate of inflation might be over the next 12 months.

April was the month in which we raised the gasoline tax by 5¢ a gallon and, on top of that, the producers raised their own prices on gasoline. So, naturally, there was an effect on the CPI for the month.

I think that our record at getting inflation down is equal that or better than that of most of the other industrialized nations. I think that we are determined to keep that inflation rate down. And we will be because it looks as though energy prices will remain now down for the rest of the year, our wage settlements have been coming in at very modest increases and productivity, as would be expected, coming out of a recession, is up. So the combination is making unit labor costs very low by the previous decade's standards. And, accordingly, I think we can look forward to reduced inflation over the next several years.

Q Secretary Shultz --

SECRETARY SHULTZ: I agree with Secretary Regan.

Q Secretary Regan, you said that you thought it was premature now to have a conference on the world monetary system. Do you think it might be appropriate somewhere down the road? And would this be a good time to begin making the preparations you said would be necessary?

SECRETARY REGAN: Well, you know, you can't forecast what will be happening two or three years from now in the world's economy and the like. I think you have to take a look at the world's financial system as it changes, as we get into the recovery phase worldwide, to see what happens to exchange rates.

As Secretary Shultz said, if we converge our economies, that is all of our economies are going in the same direction, which, hopefully, is sustained growth in a non-inflationary fashion, then we think that exchange rates will stabilize and there won't be a need for fixed rates or, indeed, any tampering with the world's economic system.

So I think you just have to play that one by ear to see how the economic scenario is going to unfold as time goes on.

Q Well, could I just follow up?

You say that if we ever do need a conference, we may need two or three years of preparation. So, at what point do we know to begin making the preparations?

SECRETARY REGAN: Well, I think part of all of this discussion that's going on, the fact that this is being discussed by various people and in various types of forum, not only in the United States but in Europe and elsewhere, is all part of the process of discussing what's going on in the international monetary system.

Q Secretary Shultz, going back to the political question, would the U.S. like to see a statement of support of U.S. Middle East policy and INF policy come out of the summit? And are we prepared in advance of Chancellor Kohl's visit to the Soviet Union to give him some message about flexibility to give Andropov?

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SECRETARY SHULTZ: Well, these are the kinds of topics that will be discussed; but the focus of attention in these summits has historically been, and in this case, is on the economic side. And that will be where the focus of any statements are concerned.

We are in touch with our allies, for instance, about the Middle East independently of the summit and I no doubt will discuss it in our Foreign Ministers' meetings. There's a continuous and extensive process of consultation on the INF and relationships with the Soviet Union that goes on. And so that will take place.

Q -- if I could follow up, would you like to see statements of support come out of the summit?

SECRETARY SHULTZ: I don't know that it's especially geared to that. We're always interested in support and we have been getting support and it's not an issue.

Q Secretary Shultz, on the East-West issue, after a year of discussions and some stresses and strains in the alliance on those set of issues, you now say that that appears to have been dealt with.

Can you give us a general sense of how satisfied you are and President Reagan is that all of the difficulties of the last year have been worth it, given what's been agreed to now? Have the allies come round to the President's point of view on this? In a general sense.

SECRETARY SHULTZ: Yes. Well, these are -- in the nature of these issues, they've never dealt with, and perhaps I misspoke in the sense that you

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build a bridge, and there it is, and then you go away and you don't have to worry about it any more.

There are, in the nature of these issues, there are things that -- you have to have a process that engages them. And, a point of view toward that process that's supportive of it. And, from what I can see, in the discussions that I've taken part in and heard about, what has happened is, that all of the leading countries have come to have a view that the strategic and military and security dimensions of East-West economic relations are a legitimate and important point of concern. And, thereby, the workings of COCOM have been strengthened and are being continually strengthened. The concerns about energy dependence have been addressed, and there's been an outcome to a study on that, that I think is very constructive and thoughtful.

The importance of conducting the non-strategic trade with the Soviet Union -- basically according to market principles -- so we don't engage in a process of subsidization. I almost hate to use that word because it means different things in different places and always causes trouble, so I'll just stand on the market principles.

All of these things have been taken in, and people have subscribed to them, and they are in things like the OECD communique and, the overall picture is emerging in a NATO study, so I think there's been a pretty good outcome and I don't think it's particularly a victory of anybody over anybody else. It's the emergence out of a discussion of a point of view that has become widely shared.

Q Secretary Shultz, Norman Bailey of the National Security Council staff -- I believe it was about a week ago in Brussels -- spoke on the role that the developing of military technologies have historically played in economic recovery. And, he pointed to President Reagan's strategic missile defense doctrine as possibly playing an important role in this recovery. Are you planning to take the opportunity at Williamsburg of discussing the economic impact of this ballistic missile defense program?

SECRETARY SHULTZ: I don't think that our economies depend, at all, on military programs. Our economies work well -- with or without -- a military program. As has been seen by the adjustments that our economies have very successfully made in the aftermath of World War II and in the aftermath of the Korean War, we don't need to -- in other words, crank up military programs to support our economy.

Now, having said that, I think it is obviously the case that procurement programs of a hardware sort do have an economic dimension, and they replace, in a sense, other kinds of economic activity that would take place. But, nevertheless, they're not a drag, and they are a contribution to the Gross National Product. But, I don't buy the notion that somehow or other we need these programs to fuel our economy. We don't.

Q Secretary Shultz --

Q Mr. Secretary --

MR. SPEAKES: One more question per Secretary, please. -- Tod. -- Secretary Shultz, Secretary Regan. -- You're last.

Q Secretary Regan and Secretary Shultz, please. Do you think that any steps can be taken during this short summit to alleviate the agriculture trade, war-surplus-subsidy situation, and do you have any thoughts on the subject?

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SECRETARY REGAN: Well, certainly subsidies and barriers to markets in international trade, whether agricultural, manufacturing service industries, will be discussed at the Summit. As to whether specific things will be arrived at, I'm not sure. But definitely it is a subject we want to press because -- as I said in my remarks, and Secretary Shultz has said -- we believe in the free market system and we think that in order to have a world-wide recovery, you've got to have open markets for produce as well as products. And certainly the agricultural barriers among our various nations are impeding this progress.

Q Secretary Shultz?

SECRETARY SHULTZ: A plus. (Laughter.)

MR. SPEAKES: We have one more here --

Q Secretary Shultz, Europeans have sent several communications consistently to this government complaining about this administration's planned strengthening of East-West trade control. But you did say -- that East-West relations, economic relations, are fairly settled. Do you see any reason why the Europeans won't bring this up? Do you think that this really indicates that East-West economic relations are settled?

SECRETARY SHULTZ: Well, I think that it's a subject that everybody will, no doubt, want to bring up and talk about a little bit. But it's been discussed, wrestled with, argued about, and out of all of that, in a very good way, has emerged a point of view and set of decisions and a process -- that I tried to outline a few minutes ago -- and I think on the whole it's on a pretty good track. And that doesn't mean everything is just right or there aren't further arguments, but basically, alot of headway has been made.

Q I'm talking specifically about the administration's legislative proposal that has the Europeans upset. Do you think --

SECRETARY SHULTZ: The Export Administration Act.

Q Yes.

SECRETARY SHULTZ: Well, that's a matter of our internal legislation and they have raised questions about the administration's proposals, and they have made their views known to members of Congress. Nobody wants us to interfere in their internal affairs, but, as is traditional, everybody interferes in ours. So, they're doing that, and, so be it. We'll work out what we think is the right thing for our country through our political processes.

Q Will they try to interfere -- will they bring it up at the summit?

SECRETARY SHULTZ: I don't know. You'll have to ask them.

Q Are you prepared for them to?

SECRETARY SHULTZ: Sure. (Laughter.)

THE PRESS: Thank you.

END 12:04 P.M. EDT