English, Richard

DEPARTMENT OF STATE

Washington, D.C. 20520

May 11, 1983

Dear Mr. Baker:

Now that I am at the State Department, I wanted to thank you again for calling Secretary Shultz to recommend me.

I am very pleased with this position and know that my service here will bring me deep personal satisfaction.

I will always deeply appreciate your support for my selection.

Cordially,

Richard

Richard D. English
Deputy Assistant Secretary
for Refugee Admissions
Bureau for Refugee Programs

P.S. Technically, I am detailed from ACTION into this position until OPM can award State the requisite non-career SES position -- but I am on the job.

The Honorable
James A. Baker III,
Chief of Staff,
The White House.

REQUESTS A MEETING W/JAB

FITTS, george

CICCONI DO

PER JAB 2/15

2-6-83

65 VAN REYPEN ST

JERSEY CITY, N.J.

07306

MR JAMES BAKER

CHIEF OF STAFF

THE WHITE HOUSE

WASHINGTON D.C.

JAB IS NOT GOING TO EVER SEE him BUT WANTS TO GIVE MAN A CHANCE TO SEE SOMEONE - IF HE WANTS TO COME HERE JUST TO SEE YOU NOT JAB

DEAR MR. BAKER,

IN REFERENCE TO PRESIDENT REAGAN MAPPING DRIVE TO CUT UNEMPLOYMENT, AND YOUR EMERGENCY ~~[illegible]~~ TASK FORCE, TO TRY TO FIND SOME ANSWEARS TO THIS PROBLEM.

met him 3/8/83 JC

REMINDS ~~OF~~ ME OF A BUNCH OF PEOPLE SITTING AT THE TABLE AND TRYING TO GUESS WHAT'S IN THE SOUP. WHEN ALL THEY WOULD HAVE TO DO IS ASK THE COOK. BUT IT SEEMS THEY THINK THEY ARE MUCH TO ~~GOOD~~ BETTER THAN THE COOK. SO THEY ~~KEEP~~ ON GUESSING

MR. BAKER I AM A SIXTY-FOUR YEAR OLD CONSTRUCTION WORKER. WHO HAS WORKED ALL OVER THE UNITED STATES

I AM NOW WORKING IN NEW YORK BUT MY HOME IS IN S.C.

I HAVE BEEN TRYING FOR FIFTEEN YEARS TO GET SOMEBODY IN WASHINGTON TO TALK WITH ME. I HAVE MADE TRIPS TO WASHINGTON AT MY EXPENSE BUT TO NO AVAIL. EVERYBODY SEEMS TO THINK IF YOU'RE NOT ~~A~~ POLITICIAN OR SOME KIND OF ~~AN~~ EXPERT. THEN YOU'RE JUST DUMB STUPID.

I'M GOING TO ASK YOU TO LET ME COME TO WASHINGTON "AT MY EXPENSE." AND TALK WITH YOU OR MEET WITH THIS TASK FORCE YOU HAVE PUT TO-GETHER.

I AM SURE THAT I CAN TELL YOU MORE ABOUT THE JOBS IN THIS COUNTRY OR LACK OF THEM

THAN ANY TASK FORCE THAT YOU CAN PUT TO-GETHER.

MR BAKER JUST THINK OF ME AS THE COOK.

HOPING TO HEAR FROM YOU SOON, GIVING ME THIS APPOINTMENT.

I AM ENCLOSING MY PHONE NUMBER IN N.J. YOU CAN CALL ME COLLECT IF YOU WISH. I'M HOME EVERY EVENING FROM 5:00 201-333-0658

PLEASE LET A WORKING MAN HAVE HIS SAY.

SINCERLY YOURS

George H. Fitts

GEORGE H. FITTS

35 VAN REYPEN ST.
JERSEY CITY, N.J.
07306

JERSEY CITY N.J. FEB 7 '83

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WHITE HOUSE MAIL
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FEB 9 1983

MR JAMES BAKER
CHIEF OF STAFF
THE WHITE HOUSE
WASHINGTON, D.C.
20082

HANDGUN CONTROL

Handgun Control, Inc.

810 18th Street, N.W. • Washington, D.C. 20006 • (202) 638-4723

f GC (sent other to DOJ for resp)

March 7, 1983

Mr. James A. Baker III
Chief of Staff and
Assistant to the President
The White House
Washington, D.C. 20500

Dear Mr. Baker:

It was a pleasure seeing you in Chicago a few weeks ago at the fundraiser for Senator Charles Percy.

Since then, the bill to ban "cop-killer bullets" which I mentioned to you has been introduced in the 98th Congress by Senator Daniel P. Moynihan and Congressman Mario Biaggi. We are actively working for passage of this legislation and are hopeful that the administration will support it as well.

Enclosed is some background information about the bill. As you suggested, I am letting James Cicconi of your staff know of our interest in this legislation. I hope that we will be able to work together for its passage.

With best wishes,

Sincerely yours,

Donald Fraher

Donald E. Fraher
Legislative Director

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 98th CONGRESS, FIRST SESSION

Vol. 129 WASHINGTON, THURSDAY, JANUARY 27, 1983 No. 5

SAVE POLICE LIVES—BAN COP-KILLER BULLETS

HON. MARIO BIAGGI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 27, 1983

● Mr. BIAGGI. Mr. Speaker, yesterday I reintroduced a bill, H.R. 953, to outlaw cop-killer bullets—armor-piercing handgun ammunition that can penetrate the bullet-resistant vests worn by police.

My bill would ban the future manufacture, importation, and sale of armor-piercing handgun ammunition, except when needed for law enforcement or military use. It would also provide a mandatory 1-to-10-year prison sentence for any person using these bullets in a crime.

The need for this legislation is clear. Today, approximately 250,000 American law enforcement officers wear bullet resistant vests on a daily basis, and that figure is steadily growing. The Justice Department reports that some 400 police lives have been saved by these vests. However, these same vests are totally useless against a small class of handgun bullets that are specially made to pierce metal.

Tests have shown that the most powerful of these bullets can penetrate the equivalent of four bulletproof vests in a single shot. A Federal Bureau of Investigation report issued last year identified eight different handgun bullets capable of penetrating the most popular police vest.

These bullets are not used for legitimate purposes, but they have been used by criminals to shoot and kill police officers. My bill would outlaw these bullets, but would in no way limit the availability of ammunition used by law-abiding citizens.

Let me emphasize that H.R. 953 would apply only to armor-piercing handgun bullets, and not to rifle ammunition, which soft body armor was never designed to stop in the first place.

Significantly different from other handgun ammunition, the armor-piercing handgun bullets are made of extremely hard metals, usually steel or brass, and they travel at exceptionally high speeds. Conventional handgun bullets are slower and they flatten out on impact due to their hollow point and/or soft metal composition, most notably lead.

Ironically, armor-piercing handgun ammunition was originally designed to help police, particularly when shooting at automobiles. However, police departments do not us the bullets because they are too dangerous—not only because of their awesome penetration capacity, but also because they pose greater recochet hazards than the more conventional ammunition that usually stops at the first object it strikes. Nevertheless, these bullets continue to be made and sold.

One highly respected police organization, the International Association of Chiefs of Police, told the House Subcommittee on Crime last year that,

> We can find no legitimate use for such (armor-piercing handgun) ammunition, either in or out of law enforcement.

My bill was first introduced at the request of the New York City Patrolmens Benevolent Association, and has been endorsed by police departments across the country. In addition, it has received strong words of support from such leading police organizations as the Fraternal Order of Police, the International Brotherhood of Police Officers, the International Union of Police Associations, and, as mentioned earlier, the International Association of Chiefs of Police.

Since I first authored this bill a year ago, seven States—Alabama, California, Illinois, Kansas, Minnesota, Oklahoma, and Rhode Island—have adopted their own laws against these high-powered handgun bullets. A number of localities, including Alexandria, Va., Brookhaven, N.Y., Broward County, Fla., Dade County, Fla., and Louisville, Ky., have taken similar action.

Further, a number of companies, including Winchester—one of our Nation's largest ammunition manufacturers, have stopped making and selling armor-piercing handgun bullets.

I am encouraged by these responsible actions. However, as one who was wounded 10 times during my 23 years with the New York City Police Department, I strongly believe that the only effective long-term protection for our Nation's 528,000 law enforcement officers is a Federal ban on armor-piercing handgun bullets.

Mr. Speaker, every police officer knows there are certain risks associated with the difficult task of fighting crime. However, those risks can be minimized. The advent of soft body armor in the mid-1970's was a major step in that direction. Now we can do more—by stopping the bullets that soft body armor cannot.

I urge my colleagues to join me in working for the prompt and favorable consideration of this important measure, the Law Enforcement Officers Protection Act of 1983. The lives of our Nation's law enforcement officers may depend on it.●

Vol. 129 WASHINGTON, TUESDAY, FEBRUARY 22, 1983 No. 18

By Mr. MOYNIHAN (for himself, Mr. BIDEN, Mr. HEINZ, Mr. KENNEDY, Mr. INOUYE, Mr. PELL, Mr. BRADLEY, and Mr. METZENBAUM):

S. 555. A bill to stop the proliferation of "cop killer" bullets; to the Committee on the Judiciary.

LAW ENFORCEMENT OFFICERS PROTECTION ACT OF 1983

● Mr. MOYNIHAN. Mr. President, I rise today to introduce legislation, on behalf of myself and seven distinguished colleagues, that is designed to address one of the most serious and potentially dangerous problems facing our Nation's 528,000 law enforcement officers—the proliferation of so-called cop-killer bullets. It would do so by limiting the availability and use of armor-piercing handgun ammunition

(2) "handgun" means a firearm originally designed to be fired by the use of a single hand; and

(3) "restricted handgun bullet" means a bullet that, as determined by the Secretary of the Treasury, when fired from a handgun with a barrel five inches or less in length, is capable of penetrating body armor.

BULLET THREATS TO PROTECTIVE BODY ARMOR

(By William C. Boesman, Specialist in Science and Technology, Science Policy Research Division, Congressional Research Service, Mar. 25, 1982)

INTRODUCTION AND SUMMARY

Introduction

Since about 1975, law enforcement officers have been using protective body armor of the "soft" or "lightweight" variety to an increasing extent. This type of body armor, unlike the heavy flak jackets worn by the military and by special police units on dangerous tactical assignments, is designed to be lightweight and soft enough to be worn comfortably under law enforcement officers' uniforms or under plain clothes officers' outer garments.

This type of soft or lightweight body armor has been developed to the extent that it quite effectively "defeats" (stops the penetration of) many types of handgun bullets and some rifle bullets. It is the purpose of this report to analyze the characteristics of bullets which are most likely to defeat soft, lightweight body armor. The following section discusses various types of bullets and the purposes for which bullets are designed. The third section discusses recent law enforcement officer fatalities and the related use of soft body armor. The fourth section discusses recent developments in, and characteristics of, soft body armor. The last section presents a brief analysis of bullet characteristics, particularly those that can defeat currently available soft body armor.

Summary

Existing, commercially available soft, lightweight body armor apparently can effectively stop most of the handgun bullets which pose a threat to law enforcement officers today. However, there is a class of handgun and rifle bullets—often called armor- or metal-piercing—that can penetrate such armor. These types of bullets are: generally constructed of steel-jacketed lead or hard metal alloys; often pointed in shape rather than being flat, rounded, or hollow-pointed; and generally high velocity. Smaller handgun and rifle bullets (for example, .22 caliber) with the above characteristics are generally more effective in penetrating soft body armor than larger bullets (for example, .45 caliber) with the same characteristics.

BULLETS

Types

There are many ways to classify the various types of bullets that have been or are in use.[1] For purposes of this analysis, bullets will be discussed according to the following characteristics:

For use mainly in handguns, rifles, or machine guns, or in more than one type of weapon;

Velocity (low, for example, 730 feet per second, to high, for example, 1,800 feet per second);

Caliber (small, for example, .22 caliber, to large, for example, .45 caliber);

"Hardness" (soft nosed lead bullet, or partically jacketed, to full metal jacketed (with copper or steel) to hard metal alloy bullet); and

Shape (round or hollow point to pointed nose).

Sometimes bullets are classified according to either their "stopping power"—their ability to knock down or disable a human being—or their "armor- or metal-piercing" ability. These two types of characteristics, however, may be somewhat mutually exclusive. For example, one bullet designed for high "stopping power" is the .357 caliber Magnum hollow point bullet. Upon impact, this bullet expands (because of its hollow point) and converts a large percentage of its (high) velocity to kinetic energy within the wounded body—thus knocking down, stopping, or disabling the person. This type of bullet, however, may be effectively stopped by soft body armor without body penetration and hence without wounding, except for "blunt trauma".[1a] On the other hand, an armor-piercing bullet which will penetrate soft body armor may, because it is hard and retains its shape, pass through a body with relatively little damage if it does not hit a bone, other hard substance, or vital organ. Obviously, bullet wounding capabilities are not completely predictable because of the exceedingly complex structure of the human body, and even the relatively less devastating bullets can and often do kill. In fact, more law enforcement officers were killed with .38 caliber weapons in 1976 through 1980[2] than with any other weapon, mainly because these weapons are in more common use than other, more devastating bullets like the various magnum and armor-piercing bullets.

Purposes

It can be seen from the above discussion that many, if not most, bullet characteristics derive from the purpose or purposes which the ammunition designers had in mind. Thus, expanding bullets, particularly hollow point bullets, were designed for the purpose of more effectively transmitting kinetic energy to the wounded body than do ordinary bullets. Protective body armor, including the soft or lightweight variety, has been and is being designed to defeat many types of bullets, including many of the relatively more devastating (high velocity, hollow point) bullets. However, certain types of high velocity bullets made entirely of hard metal alloys, or which are fully covered with steel jackets, can defeat the currently available soft body armor. Thus, certain bullets of the armor- or metal-piercing variety, whether or not designated as such by bullet manufacturers, pose a threat to existing body armor which can effectively defeat most "ordinary" bullet threats.

LAW ENFORCEMENT OFFICER FATALITIES

current statistics

A number of law enforcement officers are killed and wounded each year by handguns, rifles, shotguns, and other weapons. Recent statistics from the Federal Bureau of Investigation (FBI) indicate that this number, while still large, has decreased rather significantly from 1974 and 1975 to 1978. The following table shows statistics for law enforcement officers killed by firearms and other weapons for this period:

LAW ENFORCEMENT OFFICERS KILLED, BY TYPE OF WEAPON

Weapon used	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Total
Handgun	97	77	93	95	93	66	59	67	76	69	792
Rifle	16	16	21	12	21	12	13	13	18	13	155
Shotgun	11	18	13	21	13	16	11	11	6	13	133
Total firearms	124	111	127	128	127	94	83	91	100	95	1,080
Knife	2	3	2	1	—	5	—	—	4	3	20
Bomb	—	1	—	—	—	4	—	—	1	—	6
Personal weapons	2						1	1			4
Other (clubs, etc.)	1	1	5	3	2	8	9	1	1	6	37
Grand total	129	116	134	132	129	111	93	93	106	104	1,147

Source: Federal Bureau of Investigation. Law Enforcement Officers Killed 1980. Washington, D.C. Department of Justice, 1980. p. 11.

There reportedly is a consensus that at least 400 U.S. law enforcement officers have been protected from death or injury through the use of bulletproof vests from 1975 to the present.[1] Although such a consensus cannot be confirmed with existing data, it is interesting that the approximately 20 percent decrease in firearm-related deaths indicated in the above table since 1974 could be accounted for partially by increased use of soft body armor by law enforcement officers.

The following table shows the size of bullets and types of firearms which caused the deaths of the 95 law enforcement officers in 1980. The handgun bullets shown in that table are all of a class which can be defeated by existing soft body armor unless they are of the hard metal alloy or steel-jacketed, armor-piercing variety. Soft body armor cannot defeat high velocity, metal jacketed rifle bullets either, some of which may be represented in the "rifle" column of the table.

---

[1] There may be as many as 10,000 different bullets that have been manufactured since the development of the bullet cartridge around the time of the U.S. Civil War.

[1a] Blunt trauma is injury caused by bullets which do not penetrate armor. It is injury caused by the force of the blow itself, as when a person is hit in the chest by a hard swung baseball bat.

[2] Federal Bureau of Investigation. Law Enforcement Officers Killed 1976. Washington, U.S. Department of Justice, 1976, p. 24. Also for 1977, p. 13; 1978, p. 13; 1979, p. 13; and 1980, p. 12.

Shape and hardness

Bullets are produced in several shapes—including round or ball nosed, flat-nosed, pointed, and hollow pointed. Round, flat-nosed (some of which are called wadcutters or semi-wadcutters), and hollow point bullets are often constructed as lead or semi-jacketed bullets which expand upon contact. The hollow point bullets are generally the most effective of these "expanding" bullets. Pointed bullets generally are constructed of lead with metal jackets, which are usually of copper. If such bullets are jacketed with steel, they generally have armor- or metal-piercing capabilities. Another class of bullets is constructed of hard metal alloys and are also armor- or metal-piercing bullets.

Thus, the harder and more pointed a bullet is, the more likely it is to penetrate commercially available body armor, other bullet characteristics remaining constant.

Summary of bullet threat characteristics

Given the characteristics of the most successful, currently available soft body armor, bullet threat characteristics can be summarized in the following way:

Bullet characteristics	Lowest level of threat	Highest level of threat
Velocity	Low velocity	High velocity.
Caliber, weight	Large caliber, heavy	Small caliber, light.
Shape	Round or flat nose, hollow point.	Pointed.
"Hardness"	Lead, or copper semijacketed lead.	Full steel jacketed lead, or hard metal alloy bullet.

Thus, the bullet type with the highest probability of penetrating soft body armor, and with a proven capability of penetrating many layers of existing soft body armor, is a high velocity, small caliber, pointed, steel jacketed lead or metal alloy bullet. Such bullets may be handgun bullets, rifle bullets, or bullets which can be used in either handguns or rifles.

Possible ramifications of "perfect" body armor

Commercially available soft body armor is not perfect, that is, it can be defeated by certain bullets of the hard metal alloy or steel-jacketed armor- or metal-piercing types. Assuming that "perfect" body armor could be developed to meet current threat conditions, there is at least one positive and one negative ramification of such a development:

Possible Positive Ramification

Decreased wounding and death of law enforcement officers under current conditions, that is, continued use by criminals of existing types of bullets which, to a considerable extent, can be defeated by existing soft, light-weight body armor.

Possible Negative Ramification

An "arms and ammunition race" by the criminal segment of society for even more powerful bullets and other weapons to defeat existing armor, and increased use by criminals of such armor. This possible negative ramification could be precluded to some extent by controlling, by law and enforcement, the manufacture, distribution, sale, possession, and international trade of all bullets of the armor- or metal-piercing type and, perhaps body armor.●

THE WHITE HOUSE
WASHINGTON

February 11, 1982

TO: JAB III

RE: Goldwater Letter on Tomato Imports

I made sure that counsel for the Trade Policy Committee (Brock's office) and for CCFA are aware of the issue and of Sen. Goldwater's concerns. Brock's office said they agree with Goldwater's position.

This issue has not formally come up, though, and is not pending in the system.

RESPONSE FOR YOUR OK AND SIGNATURE ATT'D.

per your note on letter.

JC

Goldwater, Barry

February 11, 1982

Dear Barry:

I appreciate your recent letter concerning new efforts to restrict the importation of Mexican tomatoes.

It is good to have the benefit of your views on this issue (especially with thirty years of familiarity behind them), and I will make certain that the appropriate people are apprised.

I have also forwarded a copy of your letter to Bill Brock so that he might give you a more detailed response, particularly with regard to the litigation.

Sincerely,

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Barry Goldwater
United States Senate
Washington, D. C. 20510

cc:
Bill Brock

BARRY GOLDWATER
ARIZONA

COMMITTEES:
INTELLIGENCE, CHAIRMAN
ARMED SERVICES
TACTICAL WARFARE, CHAIRMAN
PREPAREDNESS
STRATEGIC AND THEATRE NUCLEAR FORCES
COMMERCE, SCIENCE, AND TRANSPORTATION
COMMUNICATIONS, CHAIRMAN
AVIATION
SCIENCE, TECHNOLOGY, AND SPACE
INDIAN AFFAIRS

United States Senate
WASHINGTON, D.C. 20510

January 29, 1982

JAB - who do you want to answer this? Cicconi 2/1/82 MDT

2/1 How handle? R.F.? DOC is handling case, but urges us to keep out of (as Goldwater recommends)

Mr. James Baker
Chief of Staff
The White House
Washington, D.C. 20500

Dear Jim:

MDT: To Goldwater - Just an acknowledgement.

Information has reached me that Florida tomato growers are again mounting an attack on Mexican tomatoes, and this time are seeking to make an end run around a court case already filed by asking for White House intervention. Just in case the report is true, let me urge that nothing be done to disturb the ongoing litigation.

There is a long background on this and I am getting sick and tired at the repeated attempts by some Florida growers to keep out Mexican produce that American consumers prefer to buy. You might not know this, but one of the first matters I dealt with in my first term as a Senator some thirty years ago was Florida's scheme to block competition by erecting discriminatory import standards. Carl Hayden and I defeated that tactic by putting an amendment on the books specifically allowing continued shipments from Mexico.

Ask J.C. to sug anyone in W.H. is raising this w/getting into it. Thanks JAB

The Florida people have never stopped trying. They have used so-called health standards, packing and size specifications, and now dumping charges, in their openly protectionist campaign.

What this whole argument gets down to is that the Mexican tomato is a far, far better quality tomato than the Florida grown one. This causes the Florida grower concern because he knows that he can't compete directly with the vine-ripened tomato as compared to Florida's gas-ripened one.

There is an automatic need for imports because Florida could not possibly produce enough to supply much more than half the domestic market. Mexico's primary season is in the coldest months of the winter. Her major market is normally in the Western states, while Florida generally supplies most of the Eastern markets.

The battle against Mexican tomatoes is anti-consumer and inflationary. In 1969, when restrictions were temporarily slapped on tomato imports, U.S. prices were driven up by thirty percent. The Florida effort is also working great damage to our relations with Mexico.

That frankly, Jim, is as simple as I can put it and it's the honest truth.

With best wishes,

Barry

Barry Goldwater

f G.C. (Greenstein)

Princeton University DEPARTMENT OF POLITICS
PRINCETON, NEW JERSEY 08544

October 29, 1982

Mr. James Baker III
The White House
Washington, DC 20500

Dear Mr. Baker:

I write to express my appreciation to the various members of the administration who have put time aside to participate in the November 19-20 Princeton conference "The Reagan Presidency at Mid-Term." (Enclosed find our most recent working schedule.) If there is anything we can do to facilitate your visit for the session the evening of the 19th, let us know.

Sincerely,

Fred Greenstein

Fred Greenstein
Director, Presidency Studies Program

FG/bjk
Enclosure

BEVERLY KIDDER
609-452-4838

The Reagan Presidency at Mid-Term

Thursday, November 18

8:30 p.m. Reception, Nassau Inn

Friday, November 19 Woodrow Wilson School

8:30 a.m. Introduction: Fred I. Greenstein, Princeton University

9:00-10:30 a.m. **Economic Policy**

Presentation: Hugh Heclo, Harvard University
Rudolph G. Penner, American Enterprise Institute

Discussants: Barry Bosworth, The Brookings Institution
Roger Porter, The White House

11:00-12:30 p.m. **Domestic Policy**

Presentation: Richard P. Nathan, Princeton University

Discussants: Patricia Roberts Harris, Attorney at Law
Richard S. Williamson, The White House

12:30-1:30 p.m. Buffet Lunch

1:30-3:00 p.m. **Defense Policy**

Presentation: Samuel P. Huntington, Harvard University

Discussants: Paul Warnke, Clifford and Warnke
Caspar Weinberger, Secretary of Defense (to be confirmed)

3:30-5:00 p.m. **Foreign Policy**

Presentation: I.M. Destler, Carnegie Endowment for International Peace

Discussants: William Bundy, Editor, *Foreign Affairs*
Jeane Kirkpatrick, U.S. Representative to the United Nations

6:00 p.m. Reception and Dinner, Prince William Room, Nassau Inn

Speaker: James A. Baker, III, Chief of Staff, The White House

Saturday, November 20

9:00-12:00 a.m. **Roundtable of Presidency Scholars**

Opening Comments:

Richard Cheney, U.S. House of Rep.
Betty Glad, Univ. of Illinois
Stephen Hess, The Brookings Institution
Richard Neustadt, Harvard University
Nelson Polsby, Roosevelt Center

Discussants:

Harry Bailey
Richard Beal
Larry Berman
George Edwards
James Fesler
Dorothy James
John Kessel
Harvey Mansfield, Sr.
Joseph Pika
Norman Thomas
Jeffrey Tulis
Stephen Wayne

(o) 609/452-4748 or * 609/452-4760

9/21/82 DONE mg

Princeton University DEPARTMENT OF POLITICS
PRINCETON, NEW JERSEY 08544

(h) 609/921-6858

August 24, 1982

Accept

Mr. James A. Baker, III
Assistant to the President
and Chief of Staff
The White House
Washington, D.C.

Dear Mr. Baker:

I fully understand that your commitments may keep you from taking part in our conference on "The Reagan Presidency at Mid-term." Would you think it reasonable to sign on for a tentative question-and-answer session the evening of November 19 after dinner? Our understanding would be that we would take your advice on who to turn to as an alternative, if it turned out that you could not make it.

We appreciate the generousity of the many members of the Administration who have been helping us identify conference participants and get the necessary information to write the conference papers.

Sincerely,

Fred I. Greenstein

Fred I. Greenstein
Professor of Politics and
Director, Presidency Studies
Program

cc: President Bowen
FIG:jsc

9/18/82 Left wd - he is to return call upon

M-G - please accept with understanding that if JAB cannot he (JAB) understands from this letter that he would be able to send a substitute - Thanks - MDT 9/18

Princeton University WOODROW WILSON SCHOOL
OF PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON, NEW JERSEY 08544

September 24, 1982

Ms. Margaret Glasscock
The White House
Washington, DC 20500

Dear Ms. Glasscock:

Following up your phone call to him on September 21, Professor Greenstein has asked me to add my telephone number (609-452-4838) to his, should he be unavailable at a time when you want to get in touch with us in connection with Mr. Baker's planned appearance November 19 at the Princeton conference "The Reagan Presidency at Mid-Term." In addition, as conference coordinator, I have been asked by everyone concerned here to say how much we appreciate Mr. Baker's offer to participate in the conference, barring scheduling conflicts.

I will fill you in on conference arrangements, see that you get copies of the conference papers, and give you further information as your plans become more firm. Meanwhile, here is a draft schedule, listing the paper givers and Mr. Baker.

Sincerely,

Beverly Kidder

Beverly Kidder
Coordinator, Princeton Conference
on the Reagan Presidency at Mid-Term

Conference
on
"The Reagan Presidency at Mid-Term"

Thursday evening, November 18-Saturday morning, November 20

Thursday, November 18

8:30 p.m.	Hospitality room at the Nassau Inn. Registration materials will be available.

Friday, November ~~19 Woodrow Wilson School~~

8:30 a.m.	Introduction to Conference: Fred I. Greenstein, Professor of Politics and Director, Presidency Studies Program
9:00-10:30 a.m.	Economic Policy: Hugh Heclo, Professor of Government, Harvard University; Rudolph G. Penner, Director of Tax Policy Studies, American Enterprise Institute
10:30-11:30 a.m.	Break
11:00-12:30 p.m.	Domestic Policy: Richard P. Nathan, Professor of Public and International Affairs, Woodrow Wilson School, Princeton University
12:30-1:30 p.m.	Buffet lunch, Woodrow Wilson School cafeteria
1:30-3:00 p.m.	Defense Policy: Samuel P. Huntington, Professor of International Affairs, Harvard University
3:30-4:00 p.m.	Break
4:00-4:30 p.m.	Foreign Policy: I. M. Destler, Senior Associate and Director, Project on Executive-Congressional Relations in Foreign Policy, Carnegie Endowment for International Peace
5:30 p.m.	Reception and Dinner, Prince William Room, Nassau Inn Speaker: James Baker III, Assistant to the President (scheduling permitting)

Saturday, November 20

9:00-12:00	Roundtable of scholars of the presidency and the four paper presenters.

WOODROW WILSON SCHOOL
of
Public and International Affairs

October 18, 1982
(DATE)

TO: Ms. Glasscock

FROM: Beverly Kidder

Enclosed is a corrected schedule for the conference on "The Reagan Presidency at Mid-Term".

Princeton University WOODROW WILSON SCHOOL
OF PUBLIC AND INTERNATIONAL AFFAIRS
PRINCETON, NEW JERSEY 08544

Conference on

"The Reagan Presidency at Mid-Term"

Thursday evening, November 18-Saturday morning, November 20

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1:30-3:00 p.m.	Defense Policy: Samuel P. Huntington, Professor of International Affairs, Harvard University
3:00-3:30 p.m.	Break
3:30-5:00 p.m.	Foreign Policy: I. M. Destler, Senior Associate and Director, Project on Executive-Congressional Relations in Foreign Policy, Carnegie Endowment for International Peace
6:00 p.m.	Reception and Dinner, Prince William Room, Nassau Inn Speaker: James Baker III, Assistant to the President (schedule permitting)
Saturday, November 20	
9:00-12:00	Roundtable of scholars of the presidency and the four paper presenters
12:30-1:30	Buffet lunch

Grisham, Wayne

February 2, 1982

Dear Wayne:

I appreciate your letter of January 20 concerning excise taxes on wine and beer.

This response has, of course, been overtaken by events: namely, the President's State of the Union address in which he rejected the idea of increasing such excise taxes. I can assure you that the views expressed by yourself and others were carefully considered and undoubtedly played a role in the President's decision.

As the President indicated, we will go forward with a proposed budget that will further reduce the rate of federal spending and the deficit without increasing taxes (an approach for which your letter indicated a preference). I know the President appreciates your support of his Economic Recovery Program, and we look forward to your support of the budget proposals we will soon submit.

Sincerely,

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Wayne Grisham
U.S. House of Representatives
Washington, D. C. 20515

Hatch, Orrin G.

February 2, 1982

Dear Orrin:

I appreciate your letter of January 26 on the Title X regulation changes proposed by Secretary Schweiker.

I can certainly understand your concerns, especially the need to encourage family involvement in Title X programs, and know that many of those same concerns are shared by the President.

Secretary Schweiker may soon be in a position to announce the regulation changes he proposes, and I am confident those proposals will reflect a full, and sympathetic, consideration of your views.

Sincerely,

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Orrin G. Hatch
United States Senate
Washington, D. C. 20510

Hawkins, Paula

February 11, 1982

Dear Paula:

I appreciate receiving a copy of administrative actions you have proposed to address South Florida's serious drug-related crime problem.

As you know, this is a matter of utmost concern to the President, and has led him to establish a Task Force chaired by the Vice President to deal with the problem. I have forwarded a copy of your well-reasoned proposals to Admiral Daniel Murphy, the Vice President's Chief of Staff, with a request that they be considered by the Task Force as soon as possible.

If you have other thoughts or suggestions, please pass them on to us. We are aware of the seriousness of the problem and are determined to do what we can to combat it.

Sincerely,

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Paula Hawkins
United States Senate
Washington, D. C. 20510

cc:

Admiral Daniel Murphy

PAULA HAWKINS
FLORIDA

United States Senate

WASHINGTON, D.C. 20510

January 22, 1982

TO CICCONI 1/23

JAB SAYS TO PLEASE "GET ON THIS" MDT

The Honorable
James Baker, III
Chief of Staff and
Assistant to the President
The White House
Washington, D.C. 20500

Dear Jim:

I want to inform you that I have prepared a package consisting of eight Administrative proposals designed to concentrate the resources of several Federal agencies and the Federal judiciary on the acute drug-related crime crisis in South Florida. Enclosed you will find summaries of these Administrative actions along with explanations of the authority under which they can be taken.

The combination of uncontrolled immigration, uncontrollable drug trafficking and unprecedented criminal activity in Florida in the last two years has created a situation which is far beyond the capabilities of the local law enforcement agencies and judicial authorities. With crime statistics soaring and public morale at an all-time low, the damage being done to this region is tremendous. If left unchecked, the damage caused by this crisis will surely not be limited to Florida. The drugs being funnelled through Florida inevitably find their way to cities and towns all over the country. This is now a problem with national dimensions.

I ask that you give this package your serious consideration. Should you have any questions about the program, please do not hesitate to call me.

With warmest regards,

Sincerely,

Paula Hawkins

Paula Hawkins
United States Senator

PH:dg/nc

THE WHITE HOUSE

WASHINGTON

March 16, 1982

Dear John:

I appreciate your letter of March 9, 1982, further explaining your request that the President participate in a spring fundraiser.

As I mentioned to you in our last phone conversation, we are actively discussing your request and will be in touch with you as soon as possible.

Sincerely,

Jim

James A. Baker, III
Chief of Staff and
Assistant to the
President

The Honorable John Heinz
United States Senate
Washington, D. C. 20510

JOHN HEINZ
PENNSYLVANIA

United States Senate
WASHINGTON, D. C. 20510

March 9, 1982

BY RIDING PAGE

Mr. James Baker
Chief of Staff
The White House
Washington, D. C.

Dear Jim:

As a follow-up of our two conversations today, I wanted to put in writing some of the points we discussed as to why it is important to have the President participate in a Heinz fundraiser this spring.

This will be my largest and most important fundraiser of the year. As I will discuss more fully below, it needs to be in the Philadelphia area and it must be this spring, and at the latest before the May 18 Primary day.

At the outset, I must again point out that, quite frankly, when your name is HEINZ people simply don't think you need any campaign money. Most people have no experience with this "problem," and my 1976 campaign debt is evidence of this dilemma. It is a unique, major fundraising problem I will always have to confront, and I need all the help I can in overcoming it.

My campaign budget is, as far as I know, the largest budget any incumbent will have to raise this year, California excepted. This is because of Pennsylvania's large population (12 million), its large rural population (3-1/4 million - the largest in the U.S. - hard to reach) and the problem that the largest media market, Philadelphia (which accounts for about 40% of the Pennsylvania vote) is both expensive (cost per thousand homes) and inefficient (nearly half of the viewing audience you pay for is in Delaware and New Jersey). We estimate that our "bare bones" is $3.3 million. This includes fundraising costs.

This fundraiser is especially important to developing my financial base in the Philadelphia metropolitan area. This region accounts for nearly half the vote and about 60% of Republican fundraising. In contrast, I am from Pittsburgh, 250 miles to the West, and lost the City of Philadelphia by 320,000 votes in 1976, (an all time record, I'm sorry to say!). To raise anything close to our budget, I have to do a really good job of Philadelphia area fundraising. Consequently, I need the biggest possible event to get the "break-through" I need to succeed. A major fundraiser early this year, as I see it, is the only way to achieve this goal.

The reason it is important to have this fundraiser before the May 18 Pennsylvania Primary is because of the Federal Election Law which prohibits people from giving more than $1000 per election. An earlier fundraiser would allow us to go back in the fall to solicit another contribution. As you know, unlike those under State election laws, I am severely limited in the amount of money I can raise per contributor. My Governor, Dick Thornburgh, has no such limitation to contend with, nor do any of the other Statehouse candidates. Further, I would like to get my fundraiser early and "clear" of the Congressional, County and State Party that reach a crescendo in September and October.

I am, as you may know, unopposed by any Republican for renomination.

Jim, if you could find your way to help me out for such an event, I would deeply appreciate it. I fully understand the President's time constraints and realize we cannot expect to have him participate for more than one or two hours. Please get back to me as soon as possible as to what dates might be a variable so that we can finalize our plans. Thank you for your consideration.

Sincerely,

John Heinz
United States Senate

JH/tml

THE WHITE HOUSE

WASHINGTON

April 14, 1982

Dear Jesse:

I want to thank you for your March 2, 1982, letter forwarding Gene Price's thoughts on waste in certain departments of the government.

We have been in touch with Mr. Price and have assured him that we will look into it. I agree with you that it is not insignificant.

As always, I appreciate the benefit of your views.

Sincerely,

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Jesse Helms
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE

WASHINGTON

April 14, 1982

MEMORANDUM FOR DAVID STOCKMAN

FROM: James A. Baker, III

SUBJECT: Letter from Jesse Helms

I would appreciate it if you would review the attached letter from Jesse Helms. I have assured him we would look into the matter.

Thank you.

JESSE HELMS
NORTH CAROLINA

United States Senate

WASHINGTON, D.C. 20510

March 2, 1982

The Honorable James A. Baker
Chief of Staff
and Assistant to the President
The White House
Washington, D.C. 20500

Dear Jim:

I enclose a note from my friend, Gene Price. Take a look at it.

I know this may seem insignificant, but it's not. I think a simple directive ought to go out to all departments and agencies to stop this waste.

Ever so often, the media pick up on this, and justifiably so. In any case, a one paragraph memorandum would save several million dollars. I hope you'll do it.

Sincerely,

Jesse

JESSE HELMS:pd
Enclosure

Jim: If someone would call Gene Price, it would result in some good press for R.R.

JC call Price - Done
JAB letter to Helms
"we'll get on it"

[Go]ldsboro News-Argus

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ESTABLISHED 1885

February 17,1982

Senator Jesse Helms
4213 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Helms:

For a time it appeared government agencies were getting away from mailing one and two page "news releases" in 11 x 14 inch Manilla envelopes.

In recent weeks, I have noticed that the Department of Energy and NASA routinely do this.

I figured up once where this costs the taxpayer millions of dollars a year in additional postage and over-sized envelopes.

Sincerely,

[signature]

Eugene Price

/as

cc: U.S. Department of Energy
NASA - Lewis Research Center

Likely response: it will cost more to use smaller envelopes since they are set up for the larger ones.

~~called, left message,~~
talked w/ Price; told him we were getting into this

8/2
R.F. +/or to Cicconi
to handle?

R.F. — ✓
To Cicconi To
handle if he has not
Already —
not
8/4
8/6 Done?
(JAO had not seen)

KC
~~Red Cavaney~~
said he'd send
the info; I gave
him the address.
You might check
w/ his secretary, though,
since it should've
been rec'd.
Jim
7/26/13

Hernandez, Richard (JAB)

California Republican Hispanic Council

4002 BURBANK BLVD. - BURBANK, CA 91505 - (213) 841-5210

July 22,1982

Mr. James Baker
Chief of Staff
White House
Washington, D.C.

Dear Jim:

Please accept my apologies for having to cut short our meeting - but as it worked out, I was the last one on the plane back to Los Angeles.

I'm looking forward to the information from Jim Cicconi regarding the Hispanic appointments. As you mentioned, while the Hispanic appointments in Texas and Florida may indeed be numerous, I suspect that the Mexican-American appointments from California, the most populous Hispanic state in the United States, have not been as significant nor as numerous as they could be. Frankly, we've been so busy we may be partly to blame!

The Party in California has been so preoccupied in dealing successfully with the reapportionment issues and a critical statewide campaign that, perhaps, the Hispanic pipeline could have been better. I hope that our meeting and future communications will start to change that.

The Council was created to assist the Party in transferring the conservative cultural philosophy of the Hispanic to the conservative political philosophy of our Party. Our over 2,000 members are in the political trenches doing the "soldiering" that is so essential to bringing the Mexican American support to our President and that vote to our candidates, like John Rousselot. With Party financial help and our people help, he can and will win!

But you were right when you noted that we may need some help in enlarging the flock. We do. Appointments to important full time positions are critical and so are those to commissions and advisory boards. The Council can be the main clearing house for Hispanic appointments in California - we have thirteen chapters throughout the state with a resume membership bank. We are very aware of the Hispanics in California who have been responsive to and in agreement with the political philosophy of our President.

Thank you for the meeting on such short notice. I will be back in about six weeks. If I may, I will call to set up a meeting in advance so that some concrete political suggestions can be discussed in detail.

Sincerely,

Richard A. Hernandez

RICHARD A. HERNANDEZ
Chairman

California Republican Hispanic Council

NEWS

APRIL 1982

FIRST ANNUAL CONVENTION

On January 9 and 10, 1982 nearly 1,000 Hispanics from throughout the State of California met at the Biltmore Hotel in Los Angeles for the First Annual Convention of the California Republican Hispanic Council. Following opening remarks by Victor Blanco, Chairman Pro Tem of the Council and keynote speaker Tirso del Junco, M.D. Chairman of the California Republican Party, the highest ranking Hispanic Appointees of the Reagan Administration addressed the Convention.

WASHINGTON, D.C. HISPANIC SPEAKERS

Jose Sorzano, U.S. Representative to the Economical & Social Council of the United Nations
Jose Casanova, U.S. Executive Director of Inter-American Development Bank
Victor Rivera, Director of the Minority Business Development Agency
Michael Cardenas, Administrator of the Small Business Administration

VIP DISCUSSION OF HISPANIC ISSUES

An address by U.S. Senator from California S.I. Hayakawa concluded the First General Session.

Before the luncheon, there was a reception with live mariachi music providing the background for serious political exchanges among U.S. and California Representatives, State candidates and members of the Hispanic Council.

The luncheon was highlighted by the Honorable Alan K. Simpson, U.S. Senator from Wyoming, and the highest ranking member of the Judiciary Committee. He gave a frank and candid discussion on the innovative Immigration Program to be initiated by President Reagan.

Continued on page 3

CHAIRMAN'S MESSAGE

In this first report to you, the membership of the California Republican Hispanic Council, I would like to let you know some of the things I've been doing since the election in Los Angeles and talk to you, if I may, about a couple of things that I consider to be absolutely essential to the success of our Council.

Although our historic First Annual Convention was followed almost immediately by our resounding success at the Republican State Convention in Monterey, California, the political reality of continuing the mobilization of our exciting organization now rests upon you and upon me.

Richard A. Hernandez, Chairman, C.R.H.C.

As your State Chairman, I have initiated a program of Party Public Relations coupled with the creation of Regional Chapters of the Council throughout California. To continue in the positive spirit of unity which dominated our Convention, I have personally met with many of the candidates who ran for State offices of the Council to share their ideas and insure their help in successfully making our mark in the Party.

I have met collectively and individually with all of our State Officers to get to know each other better and to let each of them know that there is an open line of communication directly to me.

On January 27, 1982 my wife Annette and I went to San Pedro where I was the guest speaker at a fund raiser for John Adler, Candidate for the 32nd Congressional District. Mr. Adler led an active group from the South Bay that participated in all activities at our recent Convention.

Continued on page 2

OFFICERS - 1982
CALIFORNIA REPUBLICAN HISPANIC COUNCIL

Chairman:
Richard A. Hernandez
4002 W. Burbank Blvd.
Burbank, CA 91505
213-841-5210, 213-995-3030

Vice Chairman:
Uvaldo Martinez
3048 Laurel St.
San Diego, CA 92104
714-284-8816

Regional Vice Chairman, North:
Mark Guerra
490 Sunnyoaks Ave.
Campbell, CA 95008
408-378-4414

Regional Vice Chairwoman, Central
Virginia Leon
1060 Fulton Mall #1101
Fresno, CA 93721
209-378-4414

Regional Vice Chairman, South
David Romero
16624 Circle Hill Lane
Hacienda Heights, CA 91745
213-961-4789

Secretary:
Dolores Cisneros
1739 Turnbull Canyon Rd.
Hacienda Heights, CA 91745
213-333-7653

Treasurer:
Jose Deetjen
556 Sierrra Madre Blvd.
San Marino, CA 91108
213-684-1575

OBJECTIVES

TO CREATE a grass-roots organization for Republicans of Hispanic origin that, working with the Party organization, is able to become an influential political force for constructive action on behalf of the Party and the Hispanic community.

TO IDENTIFY qualified Hispanic Republican candidates for public office.

TO HELP Republican candidates by fund-raising and selective financial support; and by serving as officers, committee members, delegates and group leaders in other community organizations.

TO INCREASE Hispanic registration in the Republican Party and to encourage a 100% voter turnout of Hispanic Republicans.

TO PROVIDE visibility of the Hispanic Republican leadership to encourage their participation in public service.

TO START headquarters in all major Hispanic areas in the state to establish two-way communication and provide community services.

TO PROMOTE the Republican principles and philosophy through the Hispanic media.

TO JOIN together with all other Republicans in friendship and harmony to promote the Republican form of government.

CHAIRMAN'S MESSAGE continued from page 1

The 25th Anniversary of the Mexican Chamber of Commerce brought Annette and me to San Bernadino on January 29, 1982, where thanks to friends Richard Solozano, Gil Fernandez and Chamber of Commerce President Ernie Vasquez, a Latino-Republican addressed their Annual Banquet for the first time in 25 years!! It was quite a breakthrough and speaks well for the future of our Council and the future of our Party in the Hispanic Community!!

At 4:30 a.m. the following morning we were up catching the first of three planes that finally got us into Monterey by 11:00 a.m. Saturday, January 31, 1982 for the California Republican Party State Convention.

Through the efforts of Al Guilin on Wednesday, February 3, 1982, I met with a group of politically active Latinos in Ventura County. The result...there is a Ventura County Chapter of the California Republican Hispanic Council. It was a good meeting and well worth the trip!!

Led by the Manny Quevedos, Julio Gonzalez's, Cruz Sandovals and Rudy Castro our most active Chapter, Orange County, has already put together a finely-tuned organization. I have met several times with these leaders and their cooperation is surpassed only by their enthusiasm! The result - the first fund-raiser of the C.R.H.C. will be April 3, 1982, sponsored by the Orange County Chapter.

The morning of February 20, 1982 I was interviewed by CBS Channel 2 in Los Angeles where I discussed our goals and our critical role in the future of the Republican Party. That evening the Council received a Certificate of Merit from the Asian-American Republican National Association at their organization's convention at Universal Studios.

Continued on page 3

IMMEDIATE GOALS - In this election year the immediate goals of the C.R.H.C. must be as pragmatic as they are political, these include: 1. Becoming as visible as possible in the formal structure of the C.R.P.; 2. The organization of active area Chapters of the C.R.H.C. throughout the entire State; 3. Initiate various fund raising activities to assist in financing two critical political activities for this year: The utilization of the Council's regional and area organizational structure to begin statewide Voter Registration Drive and the targeting of Hispanic Republican candidates so that we may offer financial as well as volunteer assistance.

CHAIRMAN'S MESSAGE continued from page 2

February ended with Annette and me travelling to San Diego on Saturday the 27th, where, as guests of the Republican Associates of San Diego County, we attended a private reception with former President Jerry Ford and later shared the head table with President Ford at a gala banquet with over 500 in attendance.

Taking advantage of our visit, Uvaldo Martinez, your State Vice Chairman, and I met with the nucleus of our soon-to-be San Diego Chapter of the C.R.H.C. Their fund raiser is scheduled within 45 days!

When not travelling I have been fortunate enough to be interviewed on behalf of the Council by the Los Angeles Times, the San Francisco Examiner and various radio and T.V. commentators.

The calendar for the immediate future is even busier with planned organizational meetings throughout the entire State.

MEMBERSHIP & RESUMES

With your permission, I would like to talk to you about what we know is the foundation of modern politics; people and money. And with us, it is no different. It is difficult to show our political muscle without our members taking an active part in a Voter Registration Drive, walking precincts for Republican candidates, and providing meaningful volunteer "people power" to the Party.

Our Membership Fee will allow us to become financially independent as soon as possible, as well as give us the opportunity to provide financial assistance to Republican Hispanic candidates throughout the State. That really, is what politics is all about.

In our Newsletter is a Membership Application form. The success of this Council will depend on the regular Membership paying their nominal dues and being more than nominally involved! Please fill out the forms and return them to our Republican Headquarters today.

You will notice that the Membership Application has a Resume form attached. Being active Hispanics in the Republican Party is an exciting adventure! But, like any other successful relationship, there must be benefits going in both directions. Moreover, to crystalize our political presence in California as well as in Washington, D.C. we must be available for meaningful National, State and Local appointments.

Therefore, I have created a Resume Data Bank at the California Republican Headquarters where Resumes of our members will be on file to respond to the call of our Party when certain positions become available. I can assure you the Republican Party is eager to make significant appointments and we should make it as easy as possible for the Party to do just that!! Please, even if you are not immediately interested in a position, take a moment to complete the form and return it along with your Membership Application and fee to our State Party Headquarters. It's important. Very important!!

GENERAL MEETING IN APRIL

Please note that I have called the next General Membership Meeting for Saturday, April 10, 1982 at 1:00 p.m. I hope that it will make it easier for many of our people up and down the State to attend. A model chapter and suggestions on a "how to do it" level will be presented to make it a little easier for your area councils to be in full operation as soon as possible.

Thank you for your trust and support. I promise to remember that I am here to serve you.

Richard A. Hernandez, State Chairman

FIRST ANNUAL CONVENTION continued from page 1

The afternoon session was a panel discussion focusing on the Enterprise Zone Program of the Reagan Administration. It was chaired by Shirley Chilton, President of the California Chamber of Commerce, together with the acknowledged experts from across the country including Tom Hazlett, Professor, Dept. of Economics, C.S.U.F.; Stuart Butler, American Heritage Foundation, Washington, D.C.; Peter Ferrara, Dept. of Housing & Urban Development, Washington, D.C.; and Edgar Vash, American Legislative Exchange Council, Washington, D.C.

GUBERNATORIAL CANDIDATES APPEAR

Highlight of the afternoon session was the attendance of the Republican Gubernatorial candidates: Lt. Governor Mike Curb and State Attorney General George Deukmejian, as they addressed the Delegates to the Convention in a no-holds-barred expression of their views. One could almost see the political perculator of the Convention Delegates starting to boil!! It was exciting!

Late afternoon activities included Hospitality Suites hosted by the major

Continued on page 5

MEMBERSHIP APPLICATION

NAME____

SPOUSE NAME__________________________________

RESIDENCE____________________________________

____

TELEPHONE____________________________________

COUNTY WHERE YOU RESIDE__________________________

ASSEMBLY DISTRICT_______________________________

SENATE DISTRICT________________________________

CONGRESSIONAL DISTRICT___________________________

REGISTRATION: REPUBLICAN__________ OTHER__________

POLITICAL INTERESTS_____________________________

____

____

TYPE OF MEMBERSHIP:

____VOTING MEMBER	$ 10.00
____ASSOCIATE MEMBER (non-voting)	5.00
____STUDENT MEMBER	5.00
____SPONSOR MEMBER	50.00
____CORPORATE MEMBER	100.00

Please make check payable to:
California Republican Hispanic Council

RESUME DATA BANK

NAME________________________ DATE OF BIRTH________

RESIDENCE_______________________ TELEPHONE__________

________________________________ ZIP__________

BUSINESS ADDRESS__________________ TELEPHONE__________

________________________________ ZIP__________

OCCUPATION____________________________________

Please indicate below your particular area(s) of personal job interest:

___Legal	___Advisory	___Business
___Educational	___Military	___Banking
___Law Enforcement	___Medical	___Commerce
___Labor/Management	___Civil Service	

Education/Experience of Personal Interest or Professional Specialization

____

____

____

Membership & Participation in Republican Political & Service Organizations

____

____

Willing to relocate____________ Salary Range________

Republican Political References:

NAME________________________ TELEPHONE__________

ADDRESS______________________ CITY____________

NAME________________________ TELEPHONE__________

ADDRESS______________________ CITY____________

Please feel free to attach a more detailed Resume.

Please return to:

CALIFORNIA REPUBLICAN HISPANIC COUNCIL · 4002 Burbank Blvd. · Burbank, CA · 91505

FIRST ANNUAL CONVENTION continued from page 3

State political candidates. Other candi- appearing included Senatorial candidates Congressman Pete McCloskey and State Senator John Schmitz. Candidate Pete Wilson sent regrets from Washington, D.C.

Saturday activities were concluded by a gala reception and banquet honoring the Honorable John Gavin, U.S. Ambassador to Mexico, who detailed the diplomatic relationship between the U.S. and Mexico.

U.S. Senatorial candidates in attendance included Representatives Robert K. Dornan and Barry M. Goldwater, as well as Maureen Reagan and Ted Bruinsma.

The perfect touch to a very successful day was provided by "Grease" star Annette Cardona, wife of the new State Chairman, as she sang and danced the banquet audience into a musical frenzy.

STATE CANDIDATES SHOW HISPANIC SUPPORT

Republican candidates for Lt. Governor Marz Garcia and Carol Hallett, as well as candidates for State Attorney General George Nicholson and David Stirling also spoke to the Convention seeking Hispanic support for the upcoming primary election.

The morning session concluded with Alex Hurtado who related several potent experiences when he was the Director of Politics for the R.N.C. in Washington, D.C.

The final General Session provided the first duly-elected statewide officers of the C.R.H.C. Throughout the entire Convention a vigorous campaign for the State Chairman provided the internal political highlight of the entire Convention. The important aspect of this Convention was a solid expression of unity, and after the elections the unity prevailed as all candidates and elected officers offered their assistance to the newly elected Chairman.

Front row: from left, Mark Guerra, Jose Deetjen, Virginia Leon, Alex Hurtado, Richard A. Hernandez, Back row: David Romero, Uvaldo Martinez and Victor Blanco.

The First Annual Convention of the C.R.H.C. was concluded as the Bylaw's Committee Chairman Manny Quevedo succeeded in the formal adoption of the new Bylaws. The Resolution Committee successfully passed Resolutions concerning: Enterprise Zones, English Language Classes, Veteran's Rights, Housing, the Republican Referendum and Reapportionment, plus a special Resolution commending Victor Blanco.

The National importance of our First Annual Convention is clear when one realizes that attendees included Latinos from Florida, Texas, New York, New Jersey, Wyoming, Utah and Illinois. They came to see how California put it all together with plans to develop similar programs in their home states. ■

Richard A. Hernandez, Chairman, C.R.H.C., Vice President George Bush and Annette Cardona Hernandez discuss Hispanic issues at the C.R.P. Convention in Monterey, California.

THE STATE REPUBLICAN CONVENTION - MONTEREY, CALIFORNIA

Perhaps the most significant report in this Newsletter is what happened at the Republican Party Convention in Monterey. With the intention of immediately setting in motion the immediate goals of the Council, State Chairman Richard A. Hernandez led the Hispanic Council Delegation to Monterey, California on January 30 and 31, 1982.

The Delegates to the C.R.P. Convention unanimously approved the State Charter of the C.R.H.C. on Sunday morning, January 31, 1982.

Chairman Richard A. Hernandez then addressed the entire State Convention outlining the political basis and goals of the Hispanic Council in a speech that can be conservatively described as one of the most moving and exciting of the entire Convention. Not only was the Chairman interrupted several times by spontaneous applause, but the Delegates stood as one as Chairman Hernandez received a standing ovation from the Convention floor at the termination of his speech! It was truly an historic and memorable occasion and those of us who were fortunate enough to be there felt very proud. ■

CALENDAR

DATE	EVENT	PLACE	CONTACT
APRIL 1, 1982 Thursday 7:30 p.m.	South Bay C.R.H.C. Meeting	Club Cubanacan 1450 W. 228th St. Torrance, CA	Tony 213-831-8996 833-4700
APRIL 3, 1982 Saturday 6:30 p.m. Cocktails 8:00 p.m. Dinner	Orange County Republican Hispanic Council Installation Dinner/Fundraiser $15.00 per person	Griswold's Inn 1500 S. Raymond Ave. Fullerton, CA	714-551-0286 535-0477 213-722-5555 841-5210
APRIL 10, 1982 Saturday 1 - 4 p.m.	General Membership Meeting All members and guests invited. (Officers meeting: 11:00 a.m.)	Verdugo Hills Boy Scout Council Hdqts. 1325 Grandview Ave. Glendale, CA	Joyce 213-841-5210
APRIL 16, 1982 Friday 6:30 p.m.	P.A.L. & California Republican Hispanic Council of Ventura Co. Western Round-up Dinner/Fundraiser	Ventura Co. Fairgrounds Ventura, CA	Al Guilin 805-525-5541
JULY 9 - 11, 1982 Friday - Sunday	R.N.C. Outreach Campaign Training Seminar $25.00 per person, includes some meals.	New Otani Hotel Los Angeles, CA	Joyce 213-841-5210

California Republican Hispanic Council
4002 Burbank Boulevard, Burbank, CA 91505

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THE WHITE HOUSE

WASHINGTON

September 1, 1983

Dear Jeff:

Thank you for forwarding the material on injury compensation (or "toxic torts", as we refer to it).

I would be happy to get together with you sometime after Labor Day to discuss this issue. If you would have your assistant contact Andrea DesCoteaux in my office (456-2174), I am sure we can work out a mutually convenient time.

Sincerely,

James W. Cicconi
Special Assistant
to the President

Mr. Jeffrey H. Joseph
Vice President, Domestic Policy
Chamber of Commerce of the
United States of America
1615 H Street, N.W.
Washington, D.C. 20062

Joseph, Jeffrey H.

AA [redacted] 6-13

Pl chk on this ..
I never heard
back from Gergen.
~~Did KC perhaps
get it?~~ No.
thanks
J

6-13 [redacted]
Sent copy to Dibby w/
note to let you or me
know status.
Ai

DG will [redacted]
advise re
response.
Je 5/2

E.R.
Keller & Co.
Inc.

Member N.A.S.D. • S.I.P.C.

April 18, 1983

Mr. James A. Baker, III '52
2415 Foxhall Road, N.W.
Washington, D.C. 20007

Dear Mr. Baker:

Last Thursday I attended a small seminar conducted for Princeton students at the New York office of Tony Schwartz, the Democratic media consultant. As you know, Schwartz did the famous "daisy" commercial for Lyndon Johnson. As Schwartz noted in his book the Responsive Chord:

> "Probably the smartest thing Goldwater could have done at the time was to agree with the attitude of the commercial and offer to help pay for running it. This would have undercut the sensational effect of it and possibly won him many votes."

This is what lead me to write you. Schwartz told us that he had gotten the Pope to record an ad in opposition to nuclear arms, and was waiting for "the right groups to fund its use."

My wife's grandfather, George Gallup, told me that he advised the President to present himself as a "man of peace." I believe that it is important for the President to win the public opinion battle both here and in Europe. To the extent that the ad campaign developed by Schwartz excluded the President, it could work against the efforts of the Administration.

My purpose is to advise you of this, and offer to purchase the ad from Schwartz with the ultimate goal of using it in an ad which is designed to promote the President's position. At a minimum, the proposed ad should be stopped, as it is clear that Schwartz is not supportive of the Administration and its airing by nuclear freeze groups could be quite harmful.

During the summer of 1980 I worked for your predecessor, Jack Watson, and as head of the Princeton University Democrats I won the campus vote for Carter. But I am now a supporter of the President and would not like to see the short-sighted nuclear freeze proponents succeed .

If I can be of further assistance, please let me know. I have enclosed a copy of The Responsive Chord.

Sincerely yours,

Eric R. Keller

Eric R. Keller '81

ERK/dpt

Enclosure

1 GC

THE WHITE HOUSE

WASHINGTON

August 9, 1982

Dear Jack:

I want to thank you for forwarding a copy of Alan Reynolds' article, "Monetarism on Trial." While I have not yet had a chance to read it, I intend to do so as soon as time permits--it looks quite interesting. I have also sent a copy of the piece to some of our staff experts for their review.

I look forward to discussing the article with you soon.

Sincerely,

Jim

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Jack Kemp
U. S. House of Representatives
Washington, D. C. 20515

P.S. When do you & Joanne want to play some tennis with Susan & me? How about next weekend?

THE WHITE HOUSE

WASHINGTON

August 9, 1982

MEMORANDUM FOR ERIC HEMEL

FROM: Jim Cicconi

SUBJECT: Article "Monetarism on Trial" (attached)

The attached article by Alan Reynolds was forwarded to Jim Baker by Jack Kemp, along with a request for Baker's views on it. An interim response is being sent, a copy of which is also attached.

We would appreciate it if CEA could come up with a short analysis of the article that Baker could use as talking points in a conversation with Kemp.

Thank you.

JACK KEMP

The interest rate recession, how to solve it

There has been a great deal of debate and confusion about why the expected economic recovery has not yet taken place. I believe that until the Congress and the administration put the spotlight on our monetary authorities, there will be little hope for achieving the real growth and high employment necessary for our nation's people, and, incidentally, balancing the budget.

In October 1979, the Federal Reserve Board began a radical experiment in directly regulating the money supply. This is the first time in our history this policy has been attempted, and we have had a series of credit crunches, sky-high interest rates and, for the first time in the history of the business cycle, two back-to-back recessions in 1980-1981.

In 1980 President Carter increased taxes, increased government regulations and increased spending. In 1981 President Reagan decreased taxes, regulations and spending — yet both years we had credit crunches and interest rate recessions.

I believe we have to look for a constant in the two approaches to economic policy and that constant can be found in the monetarist experiment being pursued by the Fed.

The main thing to realize is that there is nothing that arcane or bewildering about what the Fed is doing to the dollar or the U.S. economy. The monetarist experiment is simply an extreme attempt at government regulation.

The Fed's governors are trying, on a week-to-week and month-to-month basis, to determine how much money you and I and each individual American needs in his or her pocket to conduct normal business transactions. Of course, no man or group of men or even computer can really do this.

What they are doing, however, is crunching down on the money supply when they deem it too loose, and gunning the money supply when they deem it too tight. The result? Gyrating interest rates, alternating inflation deflation and contraction. In fact, the worst bankruptcy and unemployment rates since the Great Depression.

I don't know how Chairman Volcker or anyone else can say this policy is working. It has been an utter failure, and it is time to put monetarism in the museum, once and for all.

Yet few in Washington want to discuss the Fed, much less take action, because of the questions of Congressional jurisdiction, the "independence" of the Fed, and the arcane language that seeps out of its marbled hallways. It is time to realize that the future of our economy rests on our response to this unmitigated economic disaster.

It's no great leap forward to propose a reform of the monetary system along a price rule line. Throughout our history we conducted monetary policy, with brief exceptions during the Revolutionary and Civil Wars, by working to stabilize the value of the dollar. Not until 1971, when President Nixon closed the gold window, did we abandon a price rule policy and begin conducting monetary policy by government fiat.

We must once again raise the axiom that we will not attempt to alter production, consumer demand, employment, incentive or any other short or long-term objective by manipulating the currency. The goal of monetary policy is once again to maintain the value of of the dollar — a real, honest dollar — so that it once again can serve as a stable store of value and a reliable medium of exchange.

Our goal is stability of the purchasing power of the dollar. Nothing more, nothing less. No more elusive visions of a steady growth in the money supply, no more bumping or lowering interest rates at will.

Strong stuff? As difficult as it is to believe, this has historically been the goal of monetary policy. But somewhere along the line modern economists and policy makers reversed a simple truth. No longer was monetary policy conducted under the assumption that the people and the marketplace determine what is money; instead it was decided that paper dollars are wealth, in and of themselves, as determined by the government.

This one simple reversal led to a whole host of scientific experiments with the dollar, from the closing of the gold window in 1971 to the advent of floating exchange rates in 1973 to the monetarist revolution in 1979. This simple reversal led to the shriveling dollar and strangling interest rates that have become so ubiquitous that many young people today consider the present crisis to be normal.

Instead of having the philosopher-kings at the Fed and the Treasury Department guessing at the desired future supply of money, we should let the market itself find the equilibrium between the supply of money and the demand for it.

While commodity price indexes would be suitable for a target, the first choice should be the dollar price of gold, historically the most stable, sensitive commodity. If we use gold as the proxy it would mean arresting the fall in the price of gold, but it also would mean placing a ceiling above which the price may not rise.

The resulting price stabilization should be institutionalized by restoring dollar-gold convertibility. Convertibility just carries the prices rule one step further by defining the dollar as fixed weight of gold. A monetary "standard" would exist, guaranteeing holders of dollars that their currency would not inflate or deflate over time.

If the Fed is printing too much money, then individuals can come to the Fed to have their dollars redeemed in gold. If the Fed is deflating, then individuals can exchange their gold for paper dollars. This is the price rule, the reflection of the supply and demand for money in the marketplace, in its purest form.

The people themselves will signal the Fed their objections to the creation of money, or lack of it.

When do you print and when do you extinguish money? The people will let you know.

The present monetarist policies, the paper standard, are wreaking havoc with the greatest economy in history. And the Carter-Volcker experiment rapidly is becoming the Reagan experiment and the Republican experiment. We have the responsibility to work for a dramatic change in Fed policy, whether by calling Volcker or the president or by introducing legislation for monetary reform.

The private sector demand for sound, honest money will not be denied, and we Republicans better start moving before it is too late.

Jack Kemp is a Republican congressman from New York.

DOCUMENT NO. 085342 PD

OFFICE OF POLICY DEVELOPMENT

STAFFING MEMORANDUM

DATE: 7/29/82 ACTION/CONCURRENCE/COMMENT DUE BY: FYI

SUBJECT: Draft Response for letter from Jack Kemp

MDT

Who do you want to approve this draft? Ken D. wanted to see it. It will need to be re-typed w/ JAB's proper title.

				CTION	FYI
HA				☐	☐
PO				☐	☐
BA				☐	☐
BA				FORMATION	
BO				☐	☐
BR				☐	☐
CA				☐	☐
DE				☐	☐
FA				☐	☐
FERRARA	☐	☐	James Baker III	☐	X
GUNN	☐	☐		☐	☐
B. LEONARD	☐	☐		☐	☐
MALOLEY	☐	☐		☐	☐
MONTOYA	☐	☐		☐	☐
SMITH	☐	☐		☐	☐
UHLMANN	☐	☐		☐	☐
ADMINISTRATION	☐	☐		☐	☐

Remarks:

JAB NEEDS TO SIGN

Please return this tracking sheet with your response.

Edwin L. Harper
Assistant to the President
for Policy Development
(x6515)

THE WHITE HOUSE

WASHINGTON

July 28, 1982

Dear Jack:

Thank you for your recent letter enclosing Alan Reynolds' article, "Monetarism on Trial." I certainly share the desire expressed in your hand written note that "this president be the first conservative president in fifty years to succeed in stabilizing full employment and price stability." Accordingly, I approached Alan's article with heightened interest.

I was not disappointed, and found the article to be the most complete analysis of monetarism that I have seen recently. In particular, I thought Alan did an excellent job in detailing the problems in trying to measure the economic variables in the real world that are essential to implementing policy on a day-to-day basis. He makes quite clear the problems associated with measuring the appropriate money aggregate and keeping track of velocity in light of recent innovations in financial instruments and banking technology.

Alan's prescription for a price rule follows from his conclusion that monetarism has not been translated into adequate policies. Given the complexities associated with drawing conclusions from the economic data mentioned above, I am not convinced that a price rule could be implemented with a great deal more success. In any case, the article was both informative and thought provoking, and I appreciate your sharing it with me.

Sincerely,

James A. Baker III
Chief of Staff

The Honorable Jack Kemp
2235 Rayburn House Office Building
Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

7/28/82

TO: JAMES BAKER

FROM: ED HARPER

Attached is a draft response to Jack Kemp on his recent letter to you regarding Alan Reynold's article "Monetarism on Trial."

EDWIN L. HARPER

THE WHITE HOUSE
WASHINGTON

7/20/82

Emily:

Would you please have someone on Ed Harper's staff draft an appropriate response for Jim Baker to the attached letter from Jack Kemp? I'd appreciate it if you would run the response by Ken Duberstein before you return it to me.

JAB asked if this request could be expedited, please.

Thanks.

KC

KATHERINE J. CAMALIER
Office of James A. Baker III
456-6797

JACK KEMP
38TH DISTRICT, NEW YORK

COMMITTEES:
APPROPRIATIONS
SUBCOMMITTEE:
FOREIGN OPERATIONS
RANKING MEMBER

BUDGET
TASK FORCES ON:
NATIONAL SECURITY AND VETERANS
ECONOMIC POLICY AND PRODUCTIVITY
TAX POLICY

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
2235 RAYBURN HOUSE OFFICE BUILDING
AREA CODE 202: 225-5265

DISTRICT OFFICE:
1101 FEDERAL BUILDING
111 WEST HURON STREET
BUFFALO, NEW YORK 14202
AREA CODE 716: 846-4123

July 12, 1982

Mr. James A. Baker, III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Jim:

The persistence of high interest rates and the failure of monetary policy are unquestionably the most pressing unresolved problems facing our economy. And since the failure of monetarism to work as advertised in lowering interest rates is causing such vast economic problems, it has become the premier political issue in 1982 as well. Obviously, the first order of business must be to correct what's wrong with Federal Reserve Policy.

I hope you will read the enclosed article by economist Alan Reynolds, a former monetarist who explains exactly what monetarism tried to accomplish and why it has failed. Reynolds also points to the only viable alternative for monetary policy: a "price rule."

The future of the American economy depends on an understanding of the monetary issue by those who are responsible for our nation's economic policy. Therefore I urge you to read this lucid and important article. And I'd like to hear what you think about it.

Very truly yours,

Jack Kemp
Member of Congress

Jimmy — this is must reading for that of us who want this President to be the 1st Conservative President in 50 years to succeed in establishing full employment & price stability. JK

THE WHITE HOUSE

WASHINGTON

July 28, 1982

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Thank you for your recent letter enclosing Alan Reynolds' article, "Monetarism on Trial." I certainly share the desire expressed in your hand written note that "this president be the first conservative president in fifty years to succeed in stabilizing full employment and price stability." Accordingly, I approached Alan's article with heightened interest.

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Sincerely,

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Chief of Staff

The Honorable Jack Kemp
2235 Rayburn House Office Building
Washington, D.C. 20515

DOCUMENT NO. 085342 PD

OFFICE OF POLICY DEVELOPMENT

STAFFING MEMORANDUM

DATE: 7/21/82 **ACTION/CONCURRENCE/COMMENT DUE BY:** 7/23/82

SUBJECT: Draft response for James Baker (letter from Jack Kemp)

	ACTION	FYI		ACTION	FYI
HARPER	☐	☐	DRUG POLICY	☐	☐
PORTER	☐	☐	TURNER	☐	☐
BARR	☐	☐	D. LEONARD	☐	☐
BAUER	☐	☐	OFFICE OF POLICY INFORMATION		
BOGGS	☐	☐	GRAY	☐	☐
BRADLEY	☐	☐	HOPKINS	☐	☐
CARLESON	☐	☐	PROPERTY REVIEW BOARD	☐	☐
DENEND	☐	☐	OTHER	☐	☐
FAIRBANKS	☐	☐		☐	☐
FERRARA	☐	☐	______	☐	☐
GUNN	☐	☐	______	☐	☐
B. LEONARD	☐	☐	______	☐	☐
MALOLEY	☐	☐	______	☐	☐
MONTOYA	☐	☐	______	☐	☐
SMITH	☐	☐	______	☐	☐
UHLMANN	☐	☐	______	☐	☐
ADMINISTRATION	☐	☐	______	☐	☐

Remarks:

See attached.

Please return this tracking sheet with your response.

Edwin L. Harper
Assistant to the President
for Policy Development
(x6515)

JACK KEMP
38TH DISTRICT, NEW YORK

COMMITTEES:
APPROPRIATIONS
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ECONOMIC POLICY AND PRODUCTIVITY
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Chief of Staff
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Washington, D.C. 20500

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The future of the American economy depends on an understanding of the monetary issue by those who are responsible for our nation's economic policy. Therefore I urge you to read this lucid and important article. And [redacted]

Very truly yours,

Jack Kemp
Member of Congress

Jimmy— this is must reading for that of us who want this President to be the 1st Conservative President in 50 years to succeed in establishing full employment & price stab. ok

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, SECOND SESSION

Vol. 128 WASHINGTON, TUESDAY, JUNE 15, 1982 *No. 75*

House of Representatives

WHY TODAY'S MONETARY POLICY IS A FAILURE

ALAN REYNOLDS—THE FAILURES OF MONETARISM

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. KEMP) is recognized for 40 minutes.

Mr. KEMP. Mr. Speaker, as Alan Reynolds argues in a forthcoming article in Policy Review, monetarism is on trial. U.S. monetary policy has been unsatisfactory at least since the United States effectively suspended the postwar Bretton Woods system in 1971. Yet Keynesians and monetarists alike had argued that this would free the Federal Reserve to pursue the goal of domestic employment without causing inflation. Obviously, that did not happen. After a decade of inconvertible currency, the United States experienced higher unemployment, inflation, and interest rates than at any time since the Great Depression.

In the final analysis, monetary policy can target only one of three things: The nominal interest rate, the supply of money, or the value of money. The monetarists argued that our problems stem primarily from the Keynesian plan of targeting interest rates, which resulted in inflation. So in October 1979, the Federal Reserve changed its official policy from an emphasis on targeting interest rates, to targeting certain measures of the quantity of money—especially the one we now know, after four definitions, as M_1. While the rate of inflation has declined, there is a growing doubt among many economists that monetarism is a useful policy on a continuing basis. Never before have we experienced interest rates of more than 20 percent under both a Democratic and a Republican President, each following vastly different fiscal policies. Never in the history of the business cycle have we suffered two back-to-back recessions in 2 consecutive years. Never have we seen such volatility in interest rates as we have seen since the current policy began in October 1979.

As I have argued before, the trouble with monetarism is that if the central bank targets the supply of money, it must permit the value of money and interest rates to fluctuate with every change in the demand for money. Leaving aside the question whether such a policy is technically possible, monetarism forces the real economy rather than the banking system to bear the burden of adjustment to every change in demand. The burden of adjustment falls on employment, production, and investment. One result of this increased instability and uncertainty is permanently higher real interest rates. Obviously, this is not a problem that can be addressed by fiscal policy.

I believe we should return to the classical monetary policy of targeting the value or "price" of the dollar and letting the quantity fluctuate. For most of the period from 1792 to 1971, the dollar was defined as a precise weight of gold, and was convertible into gold. Only since 1971 have we experienced such severe chronic peacetime inflation and high interest rates. The record is clear that only restoring such a price rule can restore the conditions necessary for the fullest possible employment of resources at stable prices.

Alan Reynolds' article is the best effort I have seen to explain what monetarism tried to accomplish, why it has failed in every country where it has been tried, and why it can't provide a practical monetary policy. I think his article is especially effective because, having been a monetarist himself, Reynolds knows the movement thoroughly, and can speak with a combination of sympathy for its goals and a firm confidence about its shortcomings. I commend this excellent article to my colleagues:

MONETARISM ON TRIAL

(By Alan Reynolds)

In the entire history of this country, before 1968, long-term interest rates were never above 5-6 percent. Since then, however, interest rates have tripled. Young people now think it is perfectly normal that mortgage rates can only go up—as they have in every single year since 1972.

Something terrible happened to the economy after 1968, got even worse after 1972, and deteriorated into acute stagnation after 1979. There has been virtually no increase in real output per employee for nearly a decade. World trade grew by 7 percent a year for 25 years before 1973, but was cut in half since then (actually falling 1 percent last year).

It is time to retrace our steps, to find out what went wrong.

Advice from the familiar economic experts will not be better than it has been. A Keynesian adviser to J.F.K. now argues that budget deficits force the Federal Reserve to print less money; a founder of the rational expectations schools says deficits force the Fed to print more. The head of a huge forecasting empire, built upon the idea that deficits stimulate investment, now casually argues the exact opposite. The monetarist economist for a New York investment bank says the Fed is doing such a great job, that inflation and interest rates must be due to fiscal policy after all. An Ivy League professor, who has always argued that any inflation was a trivial price to pay for the low unemployment that would surely result, is now solemnly interviewed about what to do about inflation. The fiscal expert at a conservative think tank says deficits will be inflationary unless inflation shrinks them. A prominent monetarist who has always emphasized long-run trends in M_2 now worries only about 10-week wiggles in M_1.

To uncover the source of change, it is useful to look at what has stayed the same. Federal tax revenues rose by 15.8% in 1981—far more than the incomes of taxpayers. Marginal tax rates are still going up, not down.[1] Does anyone really believe that the economy would have performed better if the tax collector had grabbed an even larger share? Nondefense spending will be at least 17.4 percent of GNP in fiscal 1982, up from 15.9 percent in 1979. Would anyone seriously argue that recession could have been avoided if the O.M.B. had only let federal spending drift even higher?

No, the problem is monetary, not fiscal. For all practical purposes, "Reaganomics" means whatever the Federal Reserve is doing. If interest rates were remotely close to historical normality (namely, 3-5 percent), the budget would be in surplus. In fact, there is substantial evidence that expected inflation causes budget deficits rather than the other way around.[2]

The media would have us believe that "Wall Street" is not concerned about monetary policy, but only about deficits. Polls of dozens of institutional investors by Oppenheimer and Polyconomics, however, indicate that this is overwhelmingly untrue. Fortune's poll of executives says the same.

Barton Biggs, the managing director of Morgan Stanley, recently described monetarism as "the God that failed." He reprinted a February 22 letter from Peter Vermilye, Chief Investment Officer at Citibank, saying "the level of interest rates is a better barometer of tightness than the growth of the money supply in this era of conflicting monetary currents." The economists at Morgan Stanley and Citibank are staunchly monetarist, but those responsible for investments are not.

Many other Wall Street traders and economists have long been extremely critical of meontarism, including Henry Kaufman of Salomon Brothers, George McKinney of Irving Trust, Peter Ganelo of Merrill Lynch, and Edward Yardeni of E. F. Hutton. The widely-read Morgan Guaranty Survey (of February 1981) wrote the the nation "would be ill-served by rigid mechanical monetarism."

The widely-cited budget deficit problem," says Maury Harris of Paine Weber, "is due importantly to Federal Reserve policies that keep interest rates high." "Until such time as the Fed abandons monetarism," says David Levine of Sanford Bernstein, "our financial markets will be in disarray."[3] These are not uncommon views on Wall Street, though the media decided that this news is not fit to print. Instead, we hear the same tired voices agonizing over the budgetary consequences of monetary disorder.

This is not the first time that the United States has contemplated a fiscal cure for a monetary crisis. The huge tax increases of 1932 and 1968 demonstrated that it does not work.

Today's monetary crisis is not new, but it has escalated into risky territory. The entire dollar economy worldwide is dangerously illiquid, precariously dependent on short-term debt. Long-term financial markets are moribund. People, and the institutions entrusted with their savings, are unwilling to commit funds for long-term uses. Nobody trusts the money. Interest rates are held up by the rising risk of default right now, and by the risk of renewed inflation in the future.

We have the worst of two worlds: Much of the nation is experiencing deflation while expecting an inflationary "solution." By April 1982, most indexes of commodity prices were at least 15-20 percent lower than a year before. Cotton was down about 2.5 percent—the same as in 1932—aluminum prices were down even more. Even the broad indexes of producer and consumer prices had posted some monthly declines. Even as

Footnotes at end.

the old guard was chanting that budget deficits cause inflation, inflation again went way down as the deficit went up—just as in 1975, or 1933.

Yet even falling prices fail to persuade bond buyers that they will not be exploited once again by future inflation. Indeed, the more that current price indexes are squeezed by forcing producers into bankruptcy, the more likely an inflationary bailout becomes. Existing monetary techniques can thus depress measured inflation for even a year to two without making a serious dent in expected inflation. Trouble in long-term markets requires a long-term solution, a credible set of monetary institutions to protect the purchasing power of the dollar.

Selling what exists at falling prices does not necessarily make it easier to produce more at stable prices. Liquidation of inventories, commodities, assets and real estate has depressed current price indexes, but it has also raised the cost of living in the future. The value of lifetime savings has fallen so people will have to work harder in the future to attain any expected standard of living. That makes the future look relatively grim, causing people to prefer present consumption. In this situation, providing added tax incentives to save will not finance future productive capacity, because any added savings remains in the short-term money market.

The problem is that the United States has no long-term monetary policy at all—nothing that inspires confidence. Instead, the nation alternates between robbing lenders with inflation and bankrupting borrowers with deflation. There is no way of knowing which is coming next, so activities requiring long-term financial contracts are severely restricted. There is no unit of account that is expected to hold its value over decades, and therefore little possibility of building for the future by borrowing against expected future earnings.

No indexing scheme gets around the problem of unpredictable money. A household cannot budget for the future, for example, if monthly mortgage payments can vary in ways that income may not.

Monetarism was fun when it simply involved second-guessing the Fed. The self-appointed "Shadows Open Market Committee" would solemnly announce that there was too much or too little money, without assuming any genuine responsibility.

Things are different now that prominent monetarists are in positions of great authority. Monetarists can and do influence the Fed now, and are even in a position to propose sweeping monetary reform, legislation or international conferences. Instead, we still get the habitual second-guessing. The Republican section of the latest Joint Economic Report, for example writes: "Looking back, it would have been better if money had grown closer to 5 or even 6 percent per year in the second and third quarters of 1981 instead of at annual rates of 3.6 and 2.9 percent." Such retroactive fine-tuning serves no useful purpose. The bond and mortgage markets did not collapse over the past decade because money growth was one or two percentage points too slow for six months.

FOUNDERS OF MONETARISM

It can, of course, be argued that what we are experiencing is not genuine monetarism. When reality fails to live up to the promise of theory, it is always the fault of reality. Since October 1979, when the Fed did most of what the monetarists advised, interest rates, M_1 and the economy have gyrated wildly. The monetarist response is that the problem originated with lagged reserve requirements in 1968, or the Fed should have stepped even harder and faster on monthly ups and downs of M_1 (e.g., pushed the Fed funds rate higher in January 1982, when M_1 surged).

Is there any example of monetarism anywhere that ever worked? Some point to Switzerland, where M_1 rose 23 percent in 1978, fell 7 percent last year, and has been far more erratic over short periods than in the U.S. Switzerland has a gold cover on its currency. Others point to Chile, where they stopped hyperinflation by using fixed exchange rates. France tried a quantity rule from 1919 to 1925, but it blew up with a 50 percent inflation rate.

But the fault runs deeper than the Utopian nature of monetarism. The fault lies in the deliberate demolition of proven monetary institutions (of the sort now used in Switzerland and Chile) for the sake of hypothetical quantity rule that has never been put into practice.

This requires a brief digression into the development of monetarist policy proposals. The early "Chicago School" of economics, around 1927-74, may have been more favorably inclined toward free markets than Harvard, but not much. Like most academics, the early Chicagoans were intimidated by the intellectual consensus of the day. It was thus conceded that industrial and labor markets were largely monopolized and rigid, so the influential Chicagoite Henry Simons redefined "laissez-faire" as strict legal limits on the size of corporations and power unions.

To Simons, the "utter inadequacy of the old gold standard . . . seems beyond intelligent dispute." The experts would simply "design and establish with greatest intelligence" a "define mechanical set of rules" for money. Simons' modest proposal involved "above all, the abolition of banking, that is, of all special institutional arrangements for financing at short-term . . . If such reforms seem fantastic, it may be pointed out that, in practice, they would require merely drastic limitation upon the powers of corporations (which is eminently desirable on other, and equally important, grounds as well)."[4]

The idea of a fixed rate of growth of the money supply originated in 1927 with the even more interventionist left-wing of the "Chicago School", namely Paul Douglas. Douglas (later a Senator) was then quite excited about a "planned economy" and "public ownership", and even called himself a socialist.[5]

"The obvious weakness of fixed quantity," responded Simons, "as a sole rule of monetary policy, lies in the danger of sharp changes on the velocity side." Moreover, "the abundance of what we may call 'near moneys'," Simons wisely added, creates a "difficulty of defining money in such manner as to give practical significance to the conception of quantity." Just as Simons' solution to big business was to make it illegal, his solution to free financial markets was to make them illegal too. Then a quantity rule might work.

By 1948, Keynes had infected even Chicago, as shown by Milton Friedman's "Monetary and Fiscal Framework for Economic Stability." That proposal was to run budget deficits in recessions and "the monetary authority would have to adopt the rule that the quantity of money should be increased only when the government has a deficit, and then by the amount of the deficit." The budget could be balanced over the cycle, or lead to " a deficit sufficient to provide some specified secular increase in the quantity of money."

Some might worry, said Professor Friedman, that "explicit control of the quantity of money by government and explicit creation of money to meet actual government deficits may establish a climate favorable to irresponsible government action and to inflation." "This danger," he added, "can probably be avoided only by moving in a completely different direction, namely, toward an entirely metallic currency, elimination of any governmental control of the quantity of money, and the re-enthronement of the principle of a balanced budget."[6] By implication, that was still beyond "intelligent dispute". Needless to say, the nation did not move in the latter direction, nor did Friedman ever really advise it to do so.

By 1962, in the magnificent Capitalism and Freedom, budget deficits no longer worked to stabilize demand. The task had become one of steering between the Scylla of a gold standard and the Charybdis of wide discretionary powers. Professor Friedman initiated the caricature of an "honest-to-goodness gold standard in which 100 percent of the money consisted literally of gold." Since that sort of standard is indeed ridiculous, Friedman instead suggested raising M_2 by 3-5 percent every year. With practice, however, "we might be able to devise still better rules, which would achieve even better results."[7] This was a return to Paul Douglas, neglecting the doubts of Henry Simons and Frank Knight.

On January 1, 1968, Milton Friedman wrote "We should at once stop pegging the price of gold. We should today as we should have yesterday and a year ago and ten years ago and in 1934—announce that the U.S. will no longer buy or sell gold at any fixed price—That would have no adverse economic effects—domestically or internationally."[8] The advice was taken that March.

Friedman later acknowledged "direct links" between his views and those of Jacob Viner, quoting Viner as saying, "if the mere cessation of gold payments did not suffice to lower substantially the international purchasing power of the dollar I would recommend its accompaniment by increased government expenditures financed by the printing press."[9]

When the term "monetarism" was coined by Karl Brunner in 1968, it represented a healthy backlash against the excesses of fiscal fine tuning. Yet monetarism too was part of the Keynesian tradition of demand management. The tools would be different, but the objective was still to manage the rate of growth of aggregate demand, whether over short or longer periods of time.

Early monetarists were often quite activist demand-siders. John Culbertson, in 1964, argued that the U.S. should "give up our self-imposed constraints" and "make an end of monetary restriction." By breaking all links with gold, said Culbertson, we could safely pursue a "moderately expansive" policy of increasing the money supply "something like 6 to 8 percent." As unemployment came down to 4 percent we might then print a bit less.[10]

Some monetarists still cannot resist offering advice for fine-tuning the growth of money to achieve some cyclical smoothing. Robert Hall (who joined me as a member of President Reagan's inflation task force before the election) wanted to increase the money supply at a 20 percent rate for at least six months in late 1976.[11]

"The year 1973," notes Robert Gordon, "represented the high-water mark of monetarism."[12] By then, all of the old-fashioned obstacles to scientific demand management had been toppled. The U.S. took the silver out of coins in 1964, lifted the gold cover on Federal Reserve notes in 1965, set the gold price free in March 1968, reneged on converting foreign dollars into gold on August 15, 1971, and officially embraced floating exchange rates in March 1973.

The monetarists cheered. They had provided the intellectual rationale for the demolition of all institutional constraints on monetary policy. There was a promise to replace the old rules with new rules, but it has not happened. What happened is that rules were replaced by random whim.

Henry Simons was right in 1936 to prefer rules to discretion, but wrong to propose an alternative that could only work if flows of money and credit could somehow be tightly regulated.

"The defects of monetarism," writes Samuel Brittain, "are that it concedes too much power to official intervention, underrates the influence of competition in providing money substitutes, and takes official statistics far too much at their face value. Friedmanites are often very good at analyzing how controls and regulations in the economy generally will be avoided or will produce unintended effects quite different from those their sponsors desire. But too often they evince a touching faith in government in their own special sphere."[13]

• MEANINGLESS MONEY

Monetarism is properly a mentod of analysis or prediction, not a policy. No particular policy necessarily follows from a monetarist view of the world. Monetarists have favored a wide variety of policies, including some sort of commodity standard.

The meteoric rise of monetarism had much to do with its simplicity, and to the persuasive talents and personal charm of its major salesmen.

Monetarism begins with a seductive tautology: The rate of growth of spending or "demand" (nominal GNP) depends on the rate of growth of money (M) plus velocity (V). Converting the old quantity equation into annual percentage increases, then $M \pm V = GNP$.

If we could count and control M, and if we could predict velocity, then we would reach the Keynesian heaven of managing "aggregate demand." And if we could also predict how much of that rise in GNP would be real growth and how much would be inflation, then we could use all this to "control" inflation. The only trouble is that nobody can do any of those things. Even if anyone could, there is no reason to suppose that these devices would actually be used to avoid inflation or deflation.

Basically, the goal of managed money is to control $3 trillion in annual spending through periodic adjustments in about $45 billion of bank reserves. Not an easy task.

First of all, what is money? In March 1979, the Shadow Open Market Committee noticed that "there is now a large and rapidly growing volume of financial assets not subject to ceiling rates on deposits . . . and in some cases not subject to reserve requirements." By February 12, 1982, one member of the Shadow Committee, Erich Heinemann of Morgan Stanley, was showing more concern: "The improvements in the monetary definitions are unfortunately minor in comparison with the more fundamental conceptual problems associated with measuring money. To what extent are household money market mutual fund shares transaction or savings balances? Are institutional holdings of overnight RPs or overnight Eurodollars transaction balances since they are available each morning for spending? Are institutional holdings of marketable and highly liquid short-term credit instruments such as Treasury bills, certificates of deposit, and banker's acceptances so easily convertible into transaction balances that they should be so treated? If we exclude them from transaction measures, such as M_1, are we missing a large and important source of corporate liquidity? And why should holdings of Treasury bills, which are more liquid than CDs, be included in L, while CDs are included in M_2? The questions go on and on, and few of them can be answered unambiguously. The questions linger, and the quality of virtually any definition of money remains uncertain. In this context, the redefinitions are minor refinements in the hopelessly difficult task of measuring money."

These sorts of doubts have often marked the beginning of the end of confidence that controlling some arbitrary measure of money is a practical way to ensure its value. At the end of 1975, I wrote a paper for Argus Research on "The Increasing Irrelevance of M_1." In 1979, when some prominent monetarists were saying that money growth was too slow, I wrote (with Jeffrey Leeds) that failure to count money market funds and repurchase agreements was understating the six-month rate of money growth by more than seven percentage points.[14]

Peter Canelo, a top bond analyst at Merill Lynch, likewise became disillusioned about monetarism through his enormously detailed weekly reports on what the various Ms really mean. Lately, Phillip Cagan of Columbia, one of Friedman's first and best proteges, has expressed similar doubts.[15]

On October 6, 1979, the Fed essentially announced that it would let interest rates approach infinity, if necessary, to slow the growth of bank reserves and M_1. The C. J. Lawrence survey of bond managers' forecasts for long-term government bond yields went from 9 percent on September 14, 1979 to 12.3 percent in five months.

Now, there is no question that high interest rates can drive money out of M_1 and bank reserves, but that also raises velocity. At high interest rates there is a powerful incentive to keep as little money as possible in M_1 deposits, which pay little or no interest. Banks have an equally powerful incentive to use "liability management" to make the most loans with the least required reserves, since reserves at the Fed earn no interest.[16]

Money-market funds have been more than doubling in size each year and, at about $160 billion, are much larger than the entire stock of currency. You can write checks on most of these funds, or transfer to a checking account with a phone call. Overnight repurchase agreements and Eurodollars usually exceed $40 billion, and are curiously lumped together with 8-year certificates in M_3. Such cash management devices have only been significant for two or three years, making the old historical relationships (such as postwar velocity "trends") quite suspect.[17]

MasterCard plans of offer a "sweep account" for small depositors, where check balances are kept within a desired range, and any excess or shortage is moved around from money market funds or other near-monies. If the Fed counts demand deposits at the wrong time of the day, they might not find much. There are other devices on the horizon like CDs with check-writing privileges, checks on Visa cards, retail repurchase agreements, etc. The whole idea of measuring M is growing more obsolete by the day.

The Fed makes the rules of the monetarist game, because the Fed defines the Ms. The definition has changed four times since late 1978. How could any long-term rule be formulated in terms of a quantity of money when the definition of money is necessarily subject to continuous change?

Money numbers are also constantly revised. In early 1982, we finally learned that a 5.4 percent rate of decline in M_1 in the previous May was really a 10.8 percent rate of decline; a 14.5 percent increase in November turned out to be 10.1 percent. How could the Fed possibly stabilize M_1 before anyone knows how much it rose or fell?

High interest rates drive money out of M_1 into interest-earning, highly-liquid devices that have little or no reserve requirements. So neither M_1 nor reserve aggregates (the base) have the same meaning as they did when interest rates were much lower. Most of the financial innovations are roughly counted in M_2 or M_3, but those measures also contain much larger amounts of longer-term savings.

A fall in interest rates might well induce people to keep more of their income in M_1, but that shift from M_2 into M_1 might not be inflationary. An increase in real output would raise the need for cash to finance more transactions, but supplying that demand would not be inflationary. A rise in the savings would probably increase M_2, but that too would not be inflationary. It depends on real growth and velocity.

In the fourth quarter of 1981, the interest rate on 3-month T-bills fell from 15 percent to 11.8 percent. The growth rate of M_2, which is dominated by interest-sensitive instruments, slowed from 11.2 percent to 9.2 percent. The growth of M_1, which is discouraged by high rates, rose from zero to 5.7 percent. The monetary base slowed down. What does all this mean? Not much.

Monetarists still can't decide on a meaningful and controllable measure of money. Phillip Cagan of Columbia and David Laidler, of Western Ontario strongly favor M_2. The St. Louis Fed and Robert Weintraub of the Joint Economic Committee are sticking with Mr. Allan Meltzer of Carnegie-Mellon seems to be leaning toward the monetary base. Milton Friedman used M_2 last year to show that money growth had not slowed down, but uses M_1 this year to show that money growth has not been steady.

It makes a lot of difference. It should be obvious that high interest rates artificially depress M_1 and raise its velocity, that the monetary base shows almost no predictable relationship to anything in the past two years, and that broader aggregates are not controllable by the Fed.[18] Besides, the broader aggregates (M_2 and M_3) have been speeding-up in the last year or two, so the traditional Friedmanite long lag with M_2 points to more inflation ahead while M_1 or the base does not.

Not all of the confusion, however, suggests that money is undercounted. Most of the monetary base and a big chunk of M_1 is simply currency. David Whitehead of the Atlanta Fed estimates that most of the big bills (and 69 percent of all currency) are hoarded.[19]

In a period of great financial uncertainty and insolvency, the prospect of a major surge in the demand for currency should not be ruled out, despite the lost interest. In this case, the monetary base would be particularly misleading, as it was throughout the Great Depression. A lot of "currency in circulation" would not really be in circulation.

• VOLATILE VELOCITY

Monetarists have a double standard when it comes to judging the stability of the money supply or velocity. Comparing percentage changes between fourth quarters, velocity fell in 1967 and 1970, yet rose by 5-6 percent in 1965, 1966, 1973, 1975 and 1978. Robert Weintraub complains that this is "selective and myopic . . . terribly shortsighted and gives very misleading signals."[20] He insists that velocity data should be smoothed by comparing averages over the whole year with the year before, or better still, by comparing three-year averages.

When it comes to the money supply, however, monetarists certainly do not mind comparing changes between fourth quarters (this is the way Fed targets are set), or even changes between 8-10 week periods converted into compound annual rates of change.[21]

If quarterly changes in velocity are likewise expressed as an annual rate of change, as Friedman does for even shorter periods with M_1, then velocity swings far more wildly than money—up 13.2% in the first quarter of 1981, down 3.2% in the second, up 9.5% in the third, down 1.2% in the fourth, and down 11.7% in the first quarter of 1982. Monetarists are able to contract the "stability" of velocity with the instability of M_1 only by hiding the numbers.

Velocity was relatively predictable in the stable world of Bretton Woods, but all models to predict velocity broke down after 1972-73, when the U.S. suspended gold convertibility and endorsed floating exchange rates. Interest rates now move as much in a day as they used to in a year. Thus, a survey on the demand for money by David Laidler laments that "it was never possible completely to get away from the conclusion that the function has shifted after 1972." "After all," notes Laidler, "monetary policy is implemented over time, and unless the relationship it seeks to exploit can be relied upon to remain stable over time it cannot be used successfully."[22]

At the end of 1980, a rigorous study by Robert Weintraub said, "We expect the trend rate of rise of M_{1B}'s velocity to drop from 3.2% to about 2% per year, with the spread of NOW accounts. We would compensate for this by adjusting the long run target for yearly M_{1B} growth upward by 1 to 1½%."[23]

Velocity is officially classified as a coincident cyclical indicator, so it fell with the sharp fall in real output from last October through March. The only half-hearted expansion the U.S. has experienced lately was between the third quarters of 1980 and 1981. At that time, velocity did not rise by 2%, or by 3.2%, but by 6%. Is that the new "trend" for velocity if and when the economy recovers? Nobody has the slightest idea.

Whatever "stability" can be found in long-run trend of M_1 velocity is only because M_1 has been redefined. The old M_1 velocity showed an even clearer tendency to accelerate during each cyclical expansion, averaging 3.1% from 1961-69, 3.5% from 1970-73, and 4.9% from 1975-79. And the gyrations were becoming larger.

The unpredictability of velocity became even worse after the October 1979 emphasis on the Ms. "Erratic velocity behavior of the traditional monetary aggregates led the Federal Reserve to redefine the aggregates. However, the new monetary aggregates have also exhibited erratic velocity behavior. . . . Paradoxically, the regulatory framework necessary to control the growth of a given aggregate sets in motion forces that ultimately reduce the aggregate's usefulness in policy implementation."[24]

A popular new theory in Washington implies that the 10-year collapse of bond and mortgage markets is due to the 10-week wiggles in M_1 since October 1979. Since the Fed stopped stablizing interest rates, interest rates have of course been less stable. Ignoring what interest rates do to the velocity of M_1, monetarists say it is changes in M_1 that cause changes in short-term interest rates, rather than the other way around.

It isn't a very persuasive argument, so this is how to "prove" it: First, take a four-week moving average of the volume of bank reserves and calculate the percentage change from the same period a year before. Plot this on a scale from 1 Percent to 7 percent. Then put current interest rates on 3-month T-bills on a scale from 10 percent to 17 percent. For 1981, believe it or not, these two series do appear to move up and down together (though not in 1980 or 1982). [redacted] A simpler explanation is that the recession lowered both interest rates and reservable deposits last fall.

OUTPUT OR PRICES?

In his classic 1956 restatement, Milton Friedman wrote that "the quantity theory is in the first instance a theory of the demand for money. It is not a theory of output, or of money income, or of the price level."[25] But the elaborate efforts to predict the demand for money broke down with collapse of gold convertibility and pegged exchange rates in 1972-73.

The late Harry Johnson of the University of Chicago decided that monetarism was a passing fad, partly because of the monetarists' habit of "disclaiming the need for an analysis of whether monetary changes affected prices or quantities."[26] Allen Meltzer, for example, acknowledges that "none of our models predict changes in output reliably. "Few even try. Two leading Keynesians likewise admit that there models too "were demand-oriented, and paid almost no attention to the supply side of the economy."[27] Hence the supply-side counterrevolution.

But even if the growth of money plus velocity were under control, that is not enough. It is not a matter of indifference whether an 8 percent growth of nominal GNP consists of 8 percent inflation and zero growth or zero inflation and 8 percent real growth. "An increase in real activity raises the demand for real money, which, given nominal money and the rate of interest, is accommodated via a decline in the price level."[28] Real growth is anti-inflationary in fundamental and lasting ways. Yet growth may be stifled by a monetarist regime that cannot distinguish between a demand for cash to finance more real growth (or to guard against insolvency) and some sort of inflationary impulse.

When not openly applauding stagnation as a "Phillips Curve" cure for inflation, monetarists sometimes make slow money growth an end in itself. "A renewed economic expansion," said a prominent monetarist newsletter last July, "would not be prominet for inflation . . . or effective monetary control"[29] This is what the debate between monetarists and supply-siders is all about. Supply siders want a monetary policy conducive to increased output at stable prices, not a policy to stamp out each glimmer of economic growth in order to keep M_1 down. The supply of money is at best a tool, not a goal, and its value must be judget by results.

TIME LAGS

Monetarism has to postulate a time lag between changes in money and changes in nominal GNP or prices. Otherwise, the results are often perverse. From April through October last year, the monetary base grew at a 2.6% annual rate, consumer prices at 10.5%. From October to February, the base grew at a 10% rate, but consumer prices rose at only a 4.3% rate. Without a lag, the uninitiated might suppose that faster growth of the monetary base caused slower inflation, or that the two series are not closely related. [redacted] ."[30] At the St. Louis Fed, R. W. Hafer says" a 1.0 percentage point increase in the growth of M'B yields an identical increase in the growth of nominal GNP within one year."[31] The President of the St. Louis Fed, however, seems to be defending a zero time lag, since his table relates money growth to simultaneous changes in GNP.[32] an Atlanta Fed Conference on supply-side economics in April 1982 saw David Meiselman arguing for a lag of 7 quarters, Beryl Sprinkel for a few months. Pick one; something is bound to fit.

If the lag is unknown, there is no way to tell if monetarism is right or wrong. There will always be some past period of relatively faster or slower growth of some M to "explain", after the fact, why inflation or output went up or down. That sort of retrospective, ad hoc monetarism is inherently immune to serious testing.

If the lag is known, however, rational expectations would make it disappear. Knowing that more money now would cause more output in six months would make it profitable to build inventories right away, thus eliminating the six month lag. Knowing that more money would cause inflation in two years would make it profitable to speculate in commodity markets and generally buy before prices went up—thus eliminating the two year lag.

If the time lag were known, people would act on that information and eliminate the lag. If there is nonetheless an unknown lag, then there is no way of knowing whether or not which change in output or price was caused by which change in the volume of cash. Monetarism would then be of little value for predicting the future or even explaining the past. If there is no lag at all, then the causality between money and spending could easily be backwards. That is, decisions to spend more might cause an increase in the supply of money, as people sold assets to get cash.

On the face of it, one might suppose that decisions to spend are based on income, assets and credit conditions—not merely on how much one happens to keep in a checking account. The idea that total spending can be controlled by controlling the forms of wealth became popular largely because of the apparent discovery of lags between money and GNP.

The notion of money having a known effect on something in the future was thus crucial to plausibility of monetarism, but there is still no justification for it in theory or fact, nor any agreement on how long the lags are.

DO-IT-YOURSELF MONETARISM

The supply of money provides some information, even aside from velocity and price. Table 1 shows quarterly changes and annual trends in the monetary base, M_1, and in nominal and real GNP. Quarterly changes in M_1 appear to explain simultaneous changes in nominal GNP in a few periods, but that casuality could obviously be backwards (e.g., observe the generous rise in monetary base and falling M_1 during the sharp recession in the second quarter in 1980). And when sense can be made of the first and third quarters of last year, when GNP grew very rapidly as the base and M_1 slowed sharply? The task here is to discover the stability of velocity and the appropriate lag.

The older tradition is that longer-term trends are what matter. On such year-to-year comparisons, M_1 growth was unchanged between the third quarters of 1980 and 1981, though the base slowed significantly. With money growth unchanged or tightened, depending on definitions, what happened to the trend of nominal GNP? It rose 50 percent over the year. A few months later, Lawrence Roos wrote that "Both M1B growth and GNP growth have been decreasing steadily since 1979."[33]

Do either the quarter or annual changes in nominal GNP look "too slow" before the fourth quarter collapse? If so, then the recession after last July might be blamed on inadequate "aggregate demand," requiring bigger budget deficits or more M_1. If not, maybe it is time to discard demand management.

TABLE 1.—MONEY, SPENDING AND PRODUCTION

[Annual rates of change, rounded]

	Quarterly				Year-to-year			
	Base	M_1	GNP	Real GNP	Base	M_1	GNP	Real GNP
1980 I	8	7	13	3	8	8	10	2
1980 II	6	−3	−1	−10	8	4	8	−1
1980 III	10	15	12	2	8	6	8	−1
1980 IV	9	12	15	4	8	7	9	0
1981 I	5	5	19	9	7	7	11	1
1981 II	7	10	5	−2	8	10	13	3
1981 III	4	0	11	1	6	6	12	3
1981 IV	2	6	5	−5	4	5	10	−1
1982 I	10	11	1	−4	6	7	5	−2

Source: Federal Reserve Bank of St. Louis.

IT WON'T WORK

To summarize, rebuilding long-term financial markets requires a credible long-term to maintain reasonable stability in the purchasing power of the dollar. Such a rule cannot be expressed as a quantity of money because (1) the definition of money is rapidly changing, (2) velocity is increasingly unpredictable, (3) any lags between changes in money and GNP are implausible or at least unpredictable, (4) spending depends on more than cash balances and desired cash balances depend on more than planned spending, and (5) nobody can tell at the time if a rise in money and spending is financing more real output or rising prices (except by watching prices instead of money stocks).

But that isn't the end of it. If a quantity rule for money could somehow pass these hurdles, it still would not work.

If people without a quantity rule would work, they would expect inflation to average about zero decades. The rush to buy long-term bonds would quickly drop interest rates to around 3–6 percent. At such rates, the convenience of checking accounts and currency would make it a waste of time to employ complex cash management schemes. The demand for M_1 would surge, velocity would fall.

No fixed growth of M_1 or the monetary base could cope with such a sudden rise in the demand for cash. Real cash balances could only rise, as desired, if prices fell abruptly. Sudden deflation would surely prompt an equally sudden violation of the rule. Knowing that, people would not believe the rule in the first place.

If the move to slow growth of M_1 was done gradually, to minimize the risk of deflation, that 100 would not be believed. People would rightly reason that the next President or Fed Chairman would probably abandon the predecessor's long-term plan. Thus, long-term interest rates would remain high, and velocity might well speed up by more than M_1 was slowing down. With rates high, any temporary reduction of inflation would raise real interest rates, causing bankruptcies that would force abandoning the gradual rule.

Advocates of a quantity rule have had 14 years to agree on one or put it into action. Next time, it will not take that long for interest rates to triple again. Does that have to happen before anyone will admit that this experiment with managed money, like the Continental and Greenback dollars, is also a failure? How bad do things have to get before economists will admit that they made a mistake by endorsing the demolition of proven monetary rules from 1965 to 1973?

PRICE RULES

If monetary policy cannot effectively stabilize prices indirectly, by controlling quantities of M, then why not focus directly on some sensitive measure of price? [redacted] In 1962, this was still the dominant view. Professor Friedman then wrote, in "Capitalism and Freedom," that "the rule that has most frequently been suggested by people of a genuinely liberal persuasion is a price level rule; namely, a legislative directive to the monetary authorities that they maintain a stable price level."

If monetary policy had followed a price rule in 1928–31, the deflation could have been nipped in the bud. As Lauchlin Currie noted in 1934, "the three years that preceded the depression witnessed a considerable fall in prices not only in this country but throughout the world."[34] Another possible price rule—real interest rates—likewise showed that monetary policy was too tight in 1928–32. Alternatively the sizable inflow of gold into the U.S. in 1929–30 was an equally clear signal that the supply of dollars was inadequate. The Fed, as Milton Friedman observes, was "contracting the money supply when the gold standard rules called for expansion."[35]

A quantity approach to money, on the other hand, would have given ambiguous signals about deflation until it was too late. There was no significant decline in the money supply until March 1931, and the monetary base continued to rise throughout the 1930–33 deflation, as people held more currency and banks held more reserves. A policy of slowly increasing the monetary base, as some now propose, would not have prevented the Great Contraction. Any price rule or gold standard, however, would have worked.

Broader price indexes, such as the producer price index, are too sluggish, among other problems (they are revised months later, seasonal adjustments and weighting of items are dubious, discounts and quality changes are missed, etc.). Looking at broad price indexes makes it easier to wrongly blame inflation on the "oil shock" of 1974, though commodity prices began rising sharply in 1972. Instead, a price rule must work with instantly available spot commodity prices.

Money and commodity prices often move in roughly similar directions, so monetary policy at those times could just as well moderate big swings in either one. When the two diverge, however, commodity prices invariably give a more accurate picture of emerging trends in the economy. Growth of M_1 was essentially unchanged from 1973 to 1975, at 4.4–5.5 percent, but a price rule would have required a much tighter policy throughout 1972 and 1973, and a much easier policy from April 1974 to July 1975 (when spot commodity prices fell 28 percent).

Table 2 contrasts the monthly information provided by M_1 and commodity prices in 1980–81. Either series pointed in the correct direction in 1980, but commodity prices convey a much better picture of the liquidity squeeze from October 1981 into early 1982. The seemingly rapid growth of M_1 in the past few months was not sufficient to prevent massive liquidation. An easier policy would have been prudent and desirable, providing people understood that the process would be reversed as soon as commodity prices began to turn up. In other words, chasing the elusive Ms from week-to-week prevented the only sensible response to an unnecessarily wrenching deflationary experience.

TABLE 2.—SHOULD THE FED TARGET PRICES OR M_1?

	M_1	Commodity prices	Price rule
1980:			
Jan.	0.8	2.1	Loose.
Feb.	0.8	2.0	Do.
Mar.	0	−1.7	Tight.
Apr.	−1.3	−4.7	Do.
May	−0.2	−7.8	Do.
Jun.	1.2	−3.9	Do.
Jul.	1.1	3.8	Loose.
Aug.	1.8	5.2	Do.
Sep.	1.4	2.1	Do.
Oct.	1.2	0.8	Do.
Nov.	0.5	1.3	Do.
Dec.	−0.7	−2.1	Tight.
1981:			
Jan.	0.8	−2.3	Tight.
Feb.	0.4	−2.5	Do.
Mar.	1.2	2.0	Loose.
Apr.	2.1	1.1	Do.
May	−1.0	−1.4	Tight.
Jun.	−0.2	−2.1	Do.
Jul.	0.2	1.3	Loose.
Aug.	0.4	1.0	Do.
Sep.	0	−2.2	Tight.
Oct.	0.4	−2.0	Do.
Nov.	0.8	−2.4	Do.
Dec.	1.0	−2.3	Do.

Source: U.S. Department of Commerce, Business Conditions Digest, Series 85 and 23.

Other sorts of price targets have been proposed, but most are less direct ways of achieving similar results. Ronald McKinnon of Stanford proposes pegging exchange rates with countries that have a somewhat better track record of inflation, like Germany and Japan. Edward Jardeni of E. F. Hutton and Donald Hester of the University of Wisconsin suggest keeping real interest rates from drifting too high or too low. Stabilizing commodity prices would do all this and more.

If real interest rates are "too high," there is liquidation of commodities, inventories and assets in order to acquire cash. The dollar's exchange rate will likewise be artificially high, due to short-term capital inflows. Stabilizing the price of gold also stabilizes real interest rates, commodity prices, bond yields and exchange rates. Stabilizing any one of those things, if it could be done, would also tend to stabilize gold.

Since broader price indexes are too insensitive, what about narrowing the list to only one commodity—namely, gold—that is notoriously sensitive to every whiff of inflation or deflation? (including the inflationary prospect of war).

The London gold price dipped in February 1980 and fell 17 percent in March, correctly signaling the March–June decline in commodity prices. Gold rose 17 percent in June 1980, announcing the start of the July–November reflation. Gold prices have fallen since just before the Presidential election, stabilizing only during the spurt in both money growth and commodity prices in March–April 1981. Watching gold prices works well, and limiting the extremes would work even better. That is no more difficult than stabilizing wild gyrations in interest or exchange rates, which has often been successfully accomplished.

Participants in the gold market are not only concerned about current inflation, but about future inflation. Price movements thus tend to be exaggerated, when not on a gold standard, reflecting changing expectations about future inflation. This may be a useful characteristic, because it is the expectation of future inflation that destroyed the bond market.

In October 1979, when the Federal Reserve announced that it would henceforth pay more attention to quantities of money and less to results, the gold price went from $355 to $675 in only four months. Other factors may have been involved, but it looks like a vote of no confidence. Conversely, the gold price fell sharply ever since the election of President Reagan. No forecaster or monetary aggregate did as good a job as the gold market of predicting how abrupt the disinflation would really be. Money growth was not clearly slow until May–September of last year, and even then the Ms were throwing-off conflicting signals.

CONVERTIBILITY

Paying more attention to the consequences of monetary policy—prices, interest rates and exchange rates—would be a major improvement, but still remains a matter of discretionary management.

In order to institutionalize a price rule, it is necessary to convert dollars for gold, and vice-versa, on demand at a fixed price. The "right price" is that price at which we observe neither inflation nor deflation. The only way that foreigners or speculators could upset the fixed gold-dollar ratio would be by monopolizing the stock of gold or dollars, which is clearly impossible.

Stabilizing the value of dollars in terms of gold is not "price fixing" any more than stabilizing an index of prices would be called "price fixing." "Just as every commodity has a value in terms of the unit," wrote Ralph Hawtrey, "so the unit has a value in terms of each commodity."[36]

There has been a lot of misinformation spread around about the U.S. gold standard in the classical period (1879-1914) or the Bretton Woods era (1945-1973). When the period of managed and floating money since 1968 or 1973 is fairly compared with any sort of gold standard, gold systems show far more real growth, better stability of prices in the short and long run, longer expansions, more world trade, and long-term interest rates never above 5-6 percent.[37] In any case, we can improve upon historical performance by learning from the mistakes.

In 1978, Jurg Niehans of Johns Hopkins observed that "commodity money is the only type of money that . . . can be said to have passed the test of history," and wondered if "the present period will turn out to be just another interlude." "The analysis of commodity money," Niehans regretted, "has made hardly any progress in the last fifty years. Actually, more knowledge was forgotten than was newly acquired."[38]

In the past few years, however, there has been a gradual rediscovery of the value of commodity money in the work of such scholars as Robert Barro, Fischer Black, Benjamin Klein, Robert Mundell, Robert Hall, Thomas Sargent, Robert Genetski, Richard Zecher, Paul McGouldrick, Michael Bordo and others. This is just the beginning.

David Ricardo wrote about the central bank in England during 1816, a period of fiat money very much like the present. "In the present state of the law," wrote Ricardo, "they have the power, without any control whatever, of increasing or reducing the circulation in any degree they may think proper; a power which should neither be entrusted to the state itself, nor to anybody in it, as there can be no security for the uniformity in the value of the currency when its augmentation or diminution depends solely on the will of the issuers."

"The issue of paper money," said Ricardo, "ought to be under some check and control; and none seems so proper for that purpose as that of subjecting the issuers of paper money to the obligation of paying their notes either in gold coin or bullion."[39]

The Bullion Committee explained the task before Britain reinstated the gold standard in 1821: "the most detailed knowledge of the actual trade of the country, combined with the profound science in all principles of money and circulation, would not allow any man or set of men to adjust, and keep adjusted, the right proportions of circulating medium in a country to the wants of trade."

Britain took Ricardo's advice and enjoyed over a century of unprecedented monetary stability and economic achievement. Eventually, the United States will do the same. There is no viable alternative.

FOOTNOTES

[1] Stephen A. Meyer & Robert J. Rossana, "Did The Tax Cut Really Cut Taxes?" Federal Reserve Bank of Philadelphia Business Review (Jan.-Feb. 1982).

[2] Brian Horrigan and Avis Protopapadakis, "Federal Deficits: A Faulty Gauge . . ." Federal Reserve Bank of Philadelphia Business Review (Mar.-Apr. 1982). Also unpublished studies by Gerald Dwyer at Emóry and Roger Kormendi, University of Chicago.

[3] Dr. Harris' remark is from testimony before the Joint Economic Committee, April 22, 1982; David Levine's is from a speech to the New York Association of Business Economists, April 6, 1982.

[4] Henry C. Simons, "Rules Versus Authorities in Monetary Policy" (1936) in "Landmarks in Political Economy."

[5] J. Ascheim and G. S. Taulas, "On Monetarism and Ideology." Banca Nazionale del Lavoro Review (1979).

[6] Milton Friedman, "Essays in Positive Economics" (University of Chicago 19) pp. 133-5.

[7] Milton Friedman, "Capitalism and Freedom" (University of Chicago 1962) Ch. 3.

[8] Milton Friedman, "An Economist's Protest" (Thos. Morton 1972) pp. 98-99.

[9] R. J. Gordon (ed.) "Milton Friedman's Monetary Framework" (Univ. of Chicago 1970) p. 167.

[10] John M. Gulbenson, "Full Employment or Stagnation?" (McGraw Hill 1961) pp. 234-235.

[11] Business Week (November 15, 1976) p. 26.

[12] Robert J. Gordon "Postwar Macroeconomics" in Martin Feldstein (ed.) "The American Economy in Transition" (Univ. of Chicago, 1980) p. 146.

[13] Samuel Brittain, "How to End the Monetarist Controversy" (Institute for Economic Affairs 1981) p. 84.

[14] "Understating Monetary Growth," First Chicago World Report (Mar.-Apr. 1979).

[15] See James Grant's column, Barron's July 27, 1981, and Sanford Row's column, American Banker, Nov. 24, 1981.

[16] James Earley and Gary Evans, "The Problem Is Bank Liability Management,' Challenge (Jan.-Feb. 1982).

[17] M. Dorsey, et al., "Money Market Mutual Funds and Monetary Control," Federal Reserve Bank of New York Quarterly Review (Winter 1981-82).

[18] Nancy Kimelman, "Using Monetary Targets as Intermediate Targets Easier in Theory Than in Practice" Federal Reserve Bank of Dallas Voice (Dec. 1981). Patrick Lawler "The Large Monetary Aggregatees as Intermediate Policy Targets, "Federal Reserve Bank of Dallas Voice (Nov. 1981).

[19] "Money Supply Gauge May Be Inaccurate," Washington Report (April 20, 1982).

[20] Maxwell Newton published the exchange in New York Post, Jan. 15, 1982.

[21] Milton Friedman, "Monetary Instability," Newsweek (Dec. 21, 1981).

[22] David Laidler, "The Demand and Supply of Money Yet Again," paper presented to a Carnegie-Rochester conference, April 1970. See also Albert Friedberg, "Gold and Demand-Side Monetarism," —— (Nov. 9, 1981).

[23] House Subcommittee on Monetary Policy, "The Impact of the Federal Reserve System's Monetary Policies on the Nation's Economy (U.S. Government 1980) p. 18. In this model (p. 33) "it takes two to four years for changes in money growth to change the rate of inflation," so the slowdown in inflation in 1981 must have been due to slower money growth around 1977-79.

[24] Bryon Higgins and Jon Faust, "Velocity Behavior of the New Monetary Aggregates," Federal Reserve Bank of Kansas Economic Review (Sept.-Oct. 1981). Also John Wenninger, et al., "Recent Instability in the Demand for Money," Federal Reserve Bank of New York Quarterly Review (Summer 1981).

[25] Milton Friedman (ed.), "On Economics and Society" (University of Chicago 1956) p. 4.

[26] Harry G. Johnson, "On Economics and Society "(University of Chicago 1975).

[27] A. H. Meltzer, "The Great Depression," Journal of Monetary Economics (Nov. 1976); Alan Blinder and Robert Solow, "Does Fiscal Policy Still Matter Ibid.

[28] Eugene Fama, "Money and Inflation" (unpublished, August 1979).

[29] Morgan Stanley, "Money and the Economy," July 13, 1981. (Lindley Clark of the Wall Street Journal has also written of the virtues of anemic growth).

[30] Quoted in Antonio Martino, "Containing Inflationary Government (Heritage Foundation 1982) p. 34.

[31] R. W. Hafer, "Much Ado About M_2" Federal Reserve Bank of St. Louis Review (Oct. 1981). Hafer does not realize that critics of M_1 are not necessarily saying M_2 is any better.

[32] Lawrence K. Roos, "The Attack on Monetary Targets," The Wall Street Journal (February 3, 1982).

[33] Op cit.

[34] Lauchlin Currie "The Failure of Monetary Policy to Prevent the Depression of 1929-32" in "Landmarks in Political Economy" (Univ. of Chicago. 1962).

[35] H. G. Manne and R. L. Miller, "Gold, Money and the Law" (Aldine 1975), p. 75. Also M. Friedman and A. Schwartz, "A Monetary History of the United States," (Princeton 1963) p. 361.

[36] Ralph Hawtrey, "Currency and Credit" (Longmans Green 1919) Ch. 1.

[37] My Gold Commission testimony is condensed in "Economic Impact 1982/2" (U.S. Govt. Printing Office), and the Federal Reserve Bank of Atlanta will soon release my talk in the proceedings of an April conference on supply-side economics.

[38] Jurg Niehans, "The Theory of Money" (Johns Hopkins 1978) pp. 140-41.

[39] David Ricardo, "The Principles of Political Economy and Taxation."

Lindsay, Jon

THE WHITE HOUSE
WASHINGTON

February 2, 1983

MEMORANDUM FOR CHRIS DEMUTH

FROM: Jim Cicconi

SUBJECT: Attached

Would you please prepare a response to the attached telegram from Judge Jon Lindsay for JAB's signature at your earliest convenience.

Thank you.

Lindsay, Jon

Cicconi

WHB017(1452)(1-014724A028)PD 01/28/83 1450

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PMS WHITE HOUSE DC 20500

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PMS JAMES BAKER, CHIEF OF STAFF CARE OFFICE OF THE PRESIDENT RPT DLY

MGM, DLR, DLR

WHITE HOUSE

WASHINGTON DC 20500

DEAR JIM:

HARRIS COUNTY IS ON THE VERGE OF A SERIOUS ECONOMIC DISASTER UNLESS ANN GORSUCH AND THE EPA EMPLOYS SOME COMMON SENSE IN INTERPRETING SECTIONS OF THE CLEAN AIR ACT WHICH REQUIRE AUTOMOBILE EMISSIONS

INSPECTION AND MAINTENANCE.

AS OF TODAY WE FACE EPA REJECTION OF OUR PROPOSED INSPECTION AND MAINTENANCE PLAN AND RESULTING SANCTIONS ON INDUSTRIAL DEVELOPMENT PERMITS, AND POSSIBLY SANCTIONS ON FEDERAL HIGHWAY AND AIR POLLUTION CONTROL FUNDS.

WE BELIEVE THE EPA IS MISINTERPRETING THE CLEAN AIR ACT, WHICH SIMPLY REQUIRES AN "INSPECTION AND MAINTENANCE PROGRAM," IN ORDER TO FORCE CONGRESS TO RECONSIDER THEIR DEADLINE AND MANDATE FOR REDUCED VEHICLE EMISSIONS. EPA CLAIMS THAT THE I&M PROGRAM MUST INCLUDE A STANDARD TAIL PIPE EMISSIONS TEST AS OPPOSED TO OUR CURRENT PLANS FOR VISUAL INSPECTION OF AIR POLLUTION CONTROL EQUIPMENT. THIS INSPECTION PLAN BY THE STATE IS BY FAR THE MOST REASONABLE AND COST EFFECTIVE.

THE IRONY IS THAT MS GORSUCH AND THE EPA AGREE THAT OUR STATE PLAN IS AS EFFECTIVE AS TAIL PIPE INSPECTIONS. BUT THEY CLAIM THAT THEIR INTERPRETATION OF THE LAW ALLOWS NO VARIATION. I BELIEVE THAT CLAIM IS CLEARLY AN ERROR ACCORDING TO OUR ATTORNEYS.

THE CONSEQUENCES OF THIS ACTION BY THE EPA ARE INCREDIBLE. NOT ONLY WILL THEY DEAL A SHORT-TERM BLOW TO OUR ECONOMY, BUT THEY WILL ALSO FOREVER GIVE US A BLACK EYE IN THE FACE OF OUR EFFORTS TO SHORE UP THE LOCAL ECONOMY.

WE NEED YOUR PERSONAL ASSISTANCE TO STOP THIS UNJUSTIFIED AND DAMAGING ACTION. MS GORSUCH MUST BE CONVINCED TO POSTPONE HER PLANNED ANNOUNCEMENT OF SANCTIONS UNTIL SHE CAN BE BETTER INFORMED ABOUT THE REQUIREMENTS OF THE CLEAN AIR ACT AND OUR LEGITIMATE RESPONSE.

PLEASE TAKE ACTION NOW TO STOP THE EPA'S REJECTION OF OUR INSPECTION PROGRAM AND THEIR CRUEL ANNOUNCEMENT OF SANCTIONS AGAINST US ON FEBRUARY 31, 1983.

SINCERELY,

JON LINDSAY, COUNTY JUDGE
1001 PRESTON SUITE 911
HOUSTON TX 77002

1333 EST
NNNN

THE WHITE HOUSE

WASHINGTON

May 19, 1982

Dear Congressman Long:

I appreciate your letter of May 11, 1982, concerning possible location of an alien processing center in Allen Parish, Louisiana. I have taken the liberty of forwarding a copy of it to Mr. Stanley E. Morris, Associate Deputy Attorney General, who is coordinating the preliminary assessment of possible sites.

I am confident the Justice Department will give very careful consideration to the points you have made. In particular, it is good to know of the level of community support in Allen Parish for the site since such support will probably be a factor in any decision.

Sincerely,

James A. Baker III

James A. Baker, III
Chief of Staff and
Assistant to the President

The Honorable Gillis Long
U. S. House of Representatives
2311 Rayburn House Office Building
Washington, D. C. 20515

cc: Stanley Morris

GILLIS W. LONG
8TH DISTRICT, LOUISIANA

COMMITTEE ON RULES
CHAIRMAN
SUBCOMMITTEE ON THE LEGISLATIVE PROCESS
PATTI B. TYSON, COUNSEL
JOINT ECONOMIC COMMITTEE

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CARSON K. KILLEN
ADMINISTRATIVE ASSISTANT

May 11, 1982

Mr. James A. Baker III
Chief of Staff and Assistant
to the President
The White House
Washington, D.C. 20500

Dear Mr. Baker:

In the near future, the Department of Justice will reach a decision on the site location of a proposed Alien Processing Center. The decision is to be made by Attorney General William French Smith.

One of the sites under consideration is in Allen Parish, Louisiana. The unemployment rate in Allen Parish is 28%. The construction of the center, and its operations would provide jobs desperately needed in this area.

There is considerable question about the criteria to be used by the Department of Justice in arriving at this decision. I believe that the question of unemployment relief should be considered as a major criterion.

In addition, the Allen Parish site has overwhelming support in the community as well as the support of Senators Russell Long and J. Bennett Johnston, Congressman John Breaux and myself. I would hope that this receptive attitude might also be taken into consideration.

I strongly urge you to recommend to Justice that these factors be included in the decision making process.

With kindest personal regards, I remain

Sincerely,

GILLIS LONG
MEMBER OF CONGRESS

GWL/gs