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3145 **C.F.**

THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
Sec. 3.14(b), E.O. 12958, as amended
White House, Memorandum, Sept. 11, 2008
BY NARA *ds* DATE 11/3/2020

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FO006-08
TR123-01
FG806-12

April 22, 1985

CONFIDENTIAL

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SUMMIT WHITE HOUSE GROUP

SUBJECT: Summit White House Group Luncheon Meeting
with the President on the Bonn Economic
Summit--Monday, April 29, 1985, 12:15 p.m. - 12:00 -
1:45 p.m., in the Family Dining Room (10) 1:15

Room. Rm

The Summit White House Group will meet with the President to review the economic issues to be discussed at the Bonn Economic Summit. The agenda and list of participants for the April 29 luncheon meeting are attached. *set*

for 
Robert C. McFarlane
Co-Chairman, Summit
White House Group

Attachments
TAB A Agenda
TAB B List of participants

Mr. Swahn attended per his schedule for April 29 85

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PRESIDENTIAL BRIEFING

BONN ECONOMIC SUMMIT

Monday, April 29, 1985
12:15 p.m. - 1:45 p.m.
Family Dining Room

DECLASSIFIED
Sec.34(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2008
BY NARA *da* DATE *1/3/2020*

AGENDA

I. Issue-by-Issue Review of Economic Agenda

A. Overview of Economic Aspects

Introduction:	Robert C. McFarlane
U.S. Objectives and Tactics:	Under Secretary Wallis
Positions of Other Heads of State:	Under Secretary Wallis
Discussion:	President, Cabinet Officers and Senior White House Staff

B. Economic Outlook (structural rigidities, fiscal policies and exchange rates)

Introduction:	Robert C. McFarlane
U.S. Objectives and Tactics:	Dr. Sprinkel
Positions of Other Heads of State:	Dr. Sprinkel
Discussion:	President, Cabinet Officers and Senior White House Staff

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C. Relations with Developing Countries (growth, debt debt and report of results of Interim Committee/ Development Committee meetings)

Introduction:	Robert C. McFarlane
U.S. Objectives and Tactics:	Dr. Sprinkel
Positions of Other Heads of State:	Dr. Sprinkel
Discussion:	President, Cabinet Officers and Senior White House Staff

D. Africa

Introduction:	Robert C. McFarlane
U.S. Objectives and Tactics:	Ambassador Morris
Positions of Other Heads of State:	Ambassador Morris
Discussion:	President, Cabinet Officers and Senior White House Staff

E. Trade

Introduction:	Robert C. McFarlane
U.S. Objectives and Tactics:	Mr. McMinn
Positions of Other Heads of State:	Mr. McMinn
Discussion:	President, Cabinet Officers and Senior White House Staff

F. Monetary Issues

Introduction: Robert C. McFarlane

U.S. Objectives
and Tactics: Dr. Sprinkel

Positions of Other
Heads of State: Dr. Sprinkel

Discussion: President, Cabinet
Officers and Senior
White House Staff

G. Environment and Energy

Introduction: Robert C. McFarlane

U.S. Objectives
and Tactics: Under Secretary
Wallis

Positions of Other
Heads of State: Under Secretary
Wallis

Discussion: President, Cabinet
Officers and Senior
White House Staff

H. Manned Space Station

Introduction: Robert C. McFarlane

U.S. Objectives
and Tactics: Under Secretary
Wallis

Positions of Other
Heads of State: Under Secretary
Wallis

Discussion: President, Cabinet
Officers and Senior
White House Staff

SUMMIT WHITE HOUSE GROUP MEETING
WITH THE PRESIDENT

Monday, April 29, 1985

LIST OF PARTICIPANTS

The Vice President

George P. Shultz, Secretary of State

James A. Baker, Secretary of the Treasury

William E. Brock, United States Trade Representative

Donald T. Regan, Chief of Staff and Assistant to the
President

Michael K. Deaver, Deputy Chief of Staff and Assistant to the
President

Robert C. McFarlane, Assistant to the President for National
Security Affairs

Larry M. Speakes, Assistant to the President and Principal
Deputy Press Secretary

John A. Svahn, Assistant to the President for Policy
Development

Richard G. Darman, Deputy Secretary of the Treasury

Beryl Sprinkel, Chairman-designate, Council of Economic
Advisers

W. Allen Wallis, Under Secretary of State for Economic
Affairs

David L. Chew, Deputy Assistant to the President and Staff
Secretary

William Henkel, Deputy Assistant to the President and
Director of Presidential Advance

Alfred H. Kingon, Deputy Assistant to the President and
Cabinet Secretary

Richard Burt, Assistant Secretary of State for European and
Canadian Affairs

James Rentschler, U.S. Ambassador to Malta

William F. Martin, Special Assistant to the President for
National Security Affairs and Senior Director for
Coordination

Douglas W. McMinn, Director for International Economic
Affairs, National Security Council

Robert J. Morris, Deputy to the Under Secretary of State for
Economic Affairs

DISTRIBUTION:

The Vice President
George P. Shultz
James A. Baker
William E. Brock
Donald T. Regan
Michael K. Deaver
Robert C. McFarlane
Larry M. Speakes
John A. Svahn
Richard G. Darman
Beryl Sprinkel
W. Allen Wallis
David L. Chew
William Henkel
Alfred H. Kingon
Richard Burt
James Rentschler
William F. Martin
Douglas W. McMinn
Robert J. Morris

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THE WHITE HOUSE
WASHINGTON

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Authority AA
BY AA NARA DATE AA

April 20, 1985

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MEMORANDUM FOR SUMMIT WHITE HOUSE GROUP MEMBERS

SUBJECT: Summit White House Group Meeting to Discuss Preparations for the Bonn Economic Summit--
Wednesday, April 24, 1985, at 3:00 p.m., in the Roosevelt Room *(W)*

Mike Deaver and I will co-chair a meeting of the Summit White House Group on Wednesday, April 24, 1985. The purpose of the meeting is to review final preparations for the Bonn Economic Summit. The agenda and list of participants for the session are attached. *(et)*

Bud

Robert C. McFarlane
Co-Chairman, Summit
White House Group

Attachments

- TAB A Agenda
- TAB B List of participants

*Mr. Suahn attended meeting
per his schedule for Apr 24 85*

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DISTRIBUTION:

Michael K. Deaver
Robert C. McFarlane
Patrick J. Buchanan
Craig L. Fuller
Larry M. Speakes
John A. Svahn
Richard G. Darman
W. Allen Wallis
Beryl W. Sprinkel
David L. Chew
Thomas C. Dawson
William Henkel
Donald R. Fortier
Robert M. Kimmitt
Alfred H. Kingon
Karna Small
James Rentschler
Rusty Brashear
William F. Martin
Robert B. Sims
James Dobbins
Roger W. Robinson
Douglas W. McMinn
Gilbert D. Rye
Robert J. Morris

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SUMMIT WHITE HOUSE GROUP MEETING

Wednesday, April 24, 1985

AGENDA

- I. Report on the Public Affairs Aspects of the European Trip Ambassador Rentschler
- II. Review of the Political Agenda for the Bonn Summit, including Results of the April 19 Political Directors Meeting Deputy Assistant Secretary Dobbins
- III. Report on Final Preparations on the Economic Agenda for the Summit, including Results of April 19 International Sherpa Meeting - Under Secretary Wallis

I.] 2 mini press mtgs before trip.

- menu for event is done this year
- speeches need some work - ch. Straussberg
- Press book -
- Bittling - look at total day - visit the base there; Don't talk about it - dying off
- SDI - prob. a good story. - this will be the SDI summit

II.] Kohl - not committed to SDI - UK, rest are more reserved.
 need terrorism discussion - 1st by foreign min then by H.O.S.
 sep. statement on Afghanistan/Cambodia
 statement endorsing Geneva
 Kohl - press conf. & statement at end
 - ONLY one political statement - end of war

III.] 2 Broad areas -

1. what each country should do on its own to get sustained growth
2. what should we do collectively
3. new trade round - early 86
4. monetary conf. mtg.

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SUMMIT WHITE HOUSE GROUP MEETING

Wednesday, April 24, 1985

LIST OF PARTICIPANTS

Michael K. Deaver, Deputy Chief of Staff and Assistant to the President

Robert C. McFarlane, Assistant to the President for National Security Affairs

Patrick J. Buchanan, Assistant to the President and Director of Communications

Craig L. Fuller, Assistant to the President

Larry M. Speakes, Assistant to the President and Principal Deputy Press Secretary

John A. Svahn, Assistant to the President for Policy Development

Richard G. Darman, Deputy Secretary of Treasury

W. Allen Wallis, Under Secretary of State for Economic Affairs

Beryl W. Sprinkel, Under Secretary of Treasury for Monetary Affairs

David L. Chew, Deputy Assistant to the President and Staff Secretary

Thomas C. Dawson, Deputy Assistant to the President and Executive Assistant to the Chief of Staff

William Henkel, Deputy Assistant to the President and Director of Presidential Advance

Donald R. Fortier, Deputy Assistant to the President for National Security Affairs

Robert M. Kimmitt, Deputy Assistant to the President for National Security Affairs and Executive Secretary, National Security Council

Alfred H. Kingon, Deputy Assistant to the President and Cabinet Secretary

Karna Small, Deputy Assistant to the President and Senior Director, Public Affairs, National Security Council

James Rentschler, U.S. Ambassador to Malta

Rusty Brashear, Special Assistant to the President and Deputy Press Secretary for Domestic Affairs

William F. Martin, Special Assistant to the President for
National Security Affairs and Senior Director for Coordination

Robert B. Sims, Special Assistant to the President and Deputy
Press Secretary for Foreign Affairs

James Dobbins, Deputy Assistant Secretary of State for
European and Canadian Affairs

Roger W. Robinson, Senior Director for International Economic
Affairs, National Security Council

Douglas W. McMinn, Director for International Economic Affairs,
National Security Council

Gilbert D. Rye, Director of Space Programs, National Security
Council

Robert J. Morris, Deputy to the Under Secretary of State for
Economic Affairs

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 29, 1985

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MEMORANDUM FOR DONALD T. REGAN

FROM:

Beryl W. Sprinkel

Beryl W. Sprinkel

SUBJECT:

Economic Briefing for the President

Since there was not sufficient time to provide an oral briefing on economic conditions, attached is a brief summary of recent U.S. economic developments for possible use at the Summit.

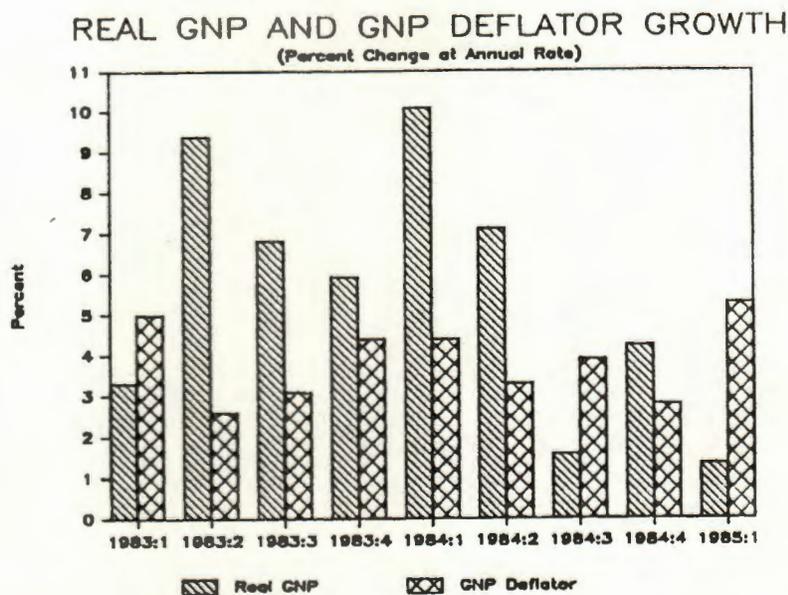
Attachment

I. State of the Domestic Economy

Many of the economic activity statistics for the first quarter have been weak. It is not unusual for some signs of weakness to emerge this far into an economic expansion; in many cases, such signs of weakness are only symptoms of a "pause" in what turns out to be continued expansion. Nevertheless, the recent data do reveal some areas of concern.

Signs of Weakness

Real GNP growth slowed to 1.3 percent in the first quarter and inflation, as measured by the GNP deflator, rose to 5.3 percent. This is illustrated in the chart below.



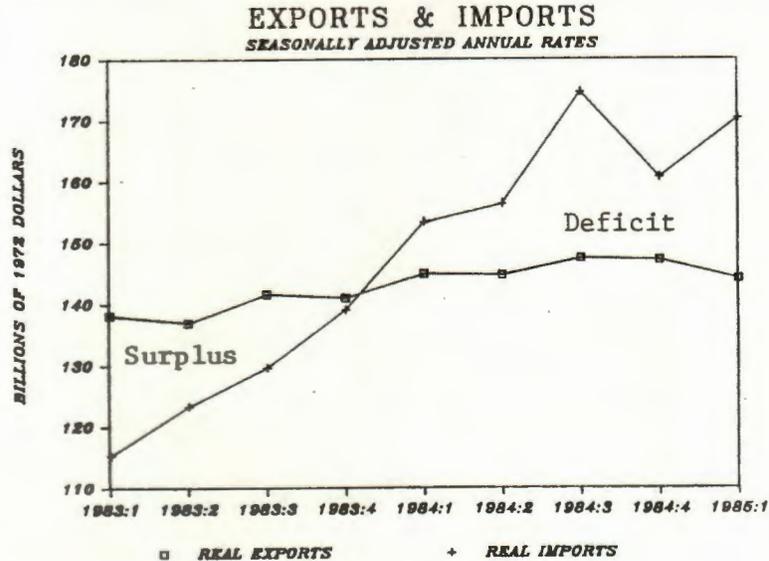
The change in real GNP in the first quarter can be broken down into the following component growth rates:

Personal consumption expenditure	4.7 percent
Nonresidential fixed investment	3.5 percent
Residential investment	-0.8 percent
Exports	-8.2 percent
Imports	26.1 percent
Federal purchases	-0.8 percent
State and local purchases	0.9 percent

The sharp slowdown in investment growth and the deterioration of the trade balance stand out as areas of greatest concern.

- ° While total investment rose, equipment investment fell 1.2 percent in the first quarter. The slowdown was concentrated in computer and communication equipment (40 percent of total equipment investment).

- The deterioration of the trade balance so far in this recovery has been due primarily to increased imports and not declining exports. The shift in the trade balance has not prevented rapid output growth in domestic goods producing industries.



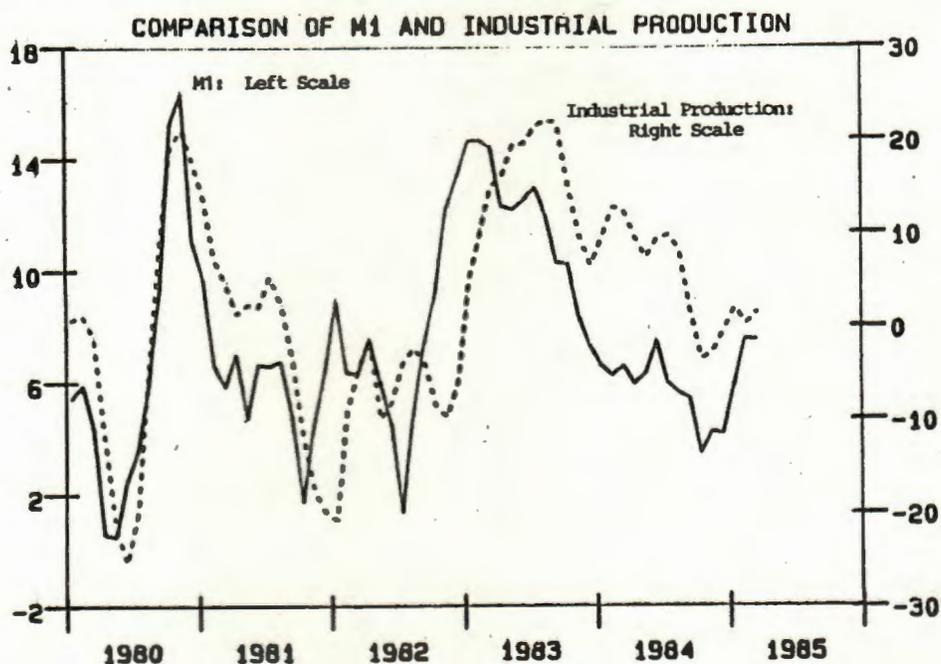
The increase in growth of the GNP deflator in the first quarter is primarily due to shifts in consumption patterns. The fixed weight price index for GNP increased at a 4.4 percent rate after rising 3.6 percent in the fourth quarter. Roughly one-half of this increase was due to the Federal pay raise in January. Taking these factors into account, the inflation rate increased about 0.5 percentage point to roughly 4 percent.

Other indicators of economic performance have been disappointing. Durable goods orders fell 2.3 percent in March and shipments were up only 0.1 percent. Industrial production rose 0.3 percent in March, but has been roughly flat over the first three months of the year.

The behavior of monetary policy has been a contributing factor to the recent slowdown in real economic activity. Money growth slowed substantially in the middle of 1984; M1 growth was nearly zero between June and October. Such a dramatic deceleration of money growth typically causes a slowdown in the economy with a lag of about six months.

This is illustrated in the chart below which shows the short-term growth of the money supply and a common indicator of economic activity, industrial production. It should not be inferred from the closeness of this relation that money growth determines industrial production or that every wiggle in money growth will show up in industrial production. It is, however, illustrative of the direction of the influence of monetary policy on the economy.

As can be seen in the chart, money growth accelerated again in late 1984; from October 1984 through March, M1 growth has exceeded 10 percent. This acceleration of money growth can be expected to provide some stimulus to the economy during the second quarter. For this, and other reasons, the economy is likely to pick up in the second quarter. Other recent, positive developments are enumerated below.



Money is a six-month rate of change.
Industrial Production is a three-month rate of change. Latest date plotted: March 31, 1985.

Positive Developments

The leading indicators have risen in the first quarter of this year after declining in the second half of 1984.

Housing starts are up sharply from fourth quarter levels. In March starts rose to an annual rate of 1.9 million units. Over the last three months starts have averaged 194 thousand more units than were started in the fourth quarter.

Employment has continued to expand over the first quarter. Total employment (household basis) increased from an average of 107.7 million in the fourth quarter to 108.4 million in the first quarter (a 2.9 percent annual rate).

Measures of income are up. Personal income rose 6 percent in the first quarter. Wages and salaries rose 7.8 percent. Real disposable income fell 1.8 percent in the first quarter, but the delay in tax refunds more than accounts for this decline. As refunds are paid real disposable income can be expected to rise rapidly in the second quarter.

Long-term interest rates have moved down. Through March the 30 year Treasury rate has dropped 150 basis points from the peak levels reached in mid-1984. Long-term rates have continued to fall in April.

II. Perspective on the Recovery

- With the recovery nine quarters old, real economic activity matches the average of five major peacetime recoveries since WWII. Employment gains have been rapid with a rise of 7.7 percent compared to the typical increase of 5.9 percent.
- In addition, the current recovery is notable for a major improvement in price performance compared to the experience of the 1970s (the GNP deflator rose at a 3.9 percent rate versus a 5.6 percent rate in the 1975-1977 period).
- Personal consumption, housing outlays and government purchases have followed typical recovery patterns. On the other hand, business fixed investment -- responding to tax incentives -- has increased at over twice the rate in a typical recovery. Inventory rebuilding has been at about twice the normal recovery pace reflecting the large inventory liquidation during the recession. While exports are somewhat weaker than typical, imports have increased at four times the typical pace.
- In spite of the strength of imports, domestic goods production has outpaced the typical recovery in terms of absolute level, as a share of GNP and in terms of employment growth.

III. Potential Problems

- The inflation outlook is less certain. Much of this uncertainty reflects apprehension that money growth might continue to expand at excessive rates and that the Administration/Senate budget plan will not be implemented.
- Pressure on exporting and import competing industries will continue. Further improvements in productivity and costs will be required to maintain production.

IV. Conclusion

The real economy is slowing as the recovery matures. The poor performance in the first quarter is partly due to temporary factors affecting the timing of real GNP growth. The primary problem has been continued erratic money growth. Money growth slowed sharply in mid-1984 and real GNP growth slowed in the first quarter of 1985. Money growth accelerated after October and higher real GNP growth will likely result.

Stable money growth within the target range is necessary at this time. Sufficient monetary stimulus has already been delivered to accelerate real GNP growth over the next three quarters. Excessive money growth will not generate sustainable real economic growth.

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THE WHITE HOUSE
WASHINGTON

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May 6, 1985

MEMORANDUM FOR BRUCE CHAPMAN

FROM: PATRICK BUCHANAN *PJB*

Sorry it took so long getting back to you -- this is an excellent idea; however, we will have to hold it, because the Saturday the President comes home, he will be reporting on the Summit I think. But send it on to Ben anyway with my recommendation that it is something we really ought to look at, seriously.

Thanks for the effort.

MEMORANDUM TO BRUCE CHAPMAN

From Pat Buchanan

Sorry it took so long getting back to you----this is an excellent idea; however, we will have to hold it, because the Saturday the Prez comes home, he will be reporting on the summit I think. But send it on to Ben anyway with my recommendation that it is something we really ought to look at, seriously.

Thanks for the effort

RM