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THE WHITE HOUSE  
WASHINGTON

39005755

F0006-10

PR003.02

DATE: 5/8/86

NOTE FOR: MITCH DANIELS

The President has

seen   
acted upon   
commented upon

the attached; and it is forwarded to you for your:

information   
action

David L. Chew  
Staff Secretary  
(x-2702)

cc: Donald T. Regan  
Bill Henkel  
Fred Ryan  
Original to Files ✓

Post - Summit Schedule

THE WHITE HOUSE  
WASHINGTON

April 23, 1986

*Other than the  
Government addresses I'd  
like to do Q. & A. with any other  
appearances for young people.*

RR 9:21

MEMORANDUM FOR THE PRESIDENT

The President has seen 5/8

FROM: MITCHELL E. DANIELS, JR. *mitch d.*  
ASSISTANT TO THE PRESIDENT  
FOR POLITICAL AND INTERGOVERNMENTAL AFFAIRS

SUBJECT: Post-Summit schedule

Your schedule for the first few weeks after the Summit will feature a number of appearances involving young Americans. Among the events now being planned are a satellite/radio address to the nation's high school students, one college commencement and possibly one high school commencement, and a visit with young military personnel at a boot camp. As one of the chief proponents of this program, I was asked to prepare a brief paper for you explaining our intent.

Our goals are to strengthen both this year's election prospects, and public support for your policies, by capitalizing on your strong rapport with young people. Specifically, our plan is:

- o To take advantage of the weather and the events of the season to focus greater attention on the good news happening in the country.
- o To renew the State of the Union themes of a safer, more prosperous future, and to charge young people with their special responsibilities to ensure that future.
- o To set the stage for followup activities by the Republican Party and allied groups to register young people, and to appeal for their ongoing allegiance.

The themes we propose to emphasize are:

- o The Reagan program has been designed and implemented with Young America in mind, to restore the hope of a better future.
- o America is back, but it still faces major challenges, and young Americans will have the primary responsibility for tackling them: education, economic competitiveness, defending freedom, ending drug abuse, etc.
- o Young Americans should commence active citizenship by registering to vote.

We believe that the events of this period will be upbeat and enjoyable for you, for the young participants, and for the rest of America to observe. The only people who are unlikely to enjoy these activities are the leaders of the Democratic party. They will contemplate with alarm the prospect of you deepening your special appeal to young people, and perhaps stimulating greater political activity among this currently pro-Republican voter group.

BB

C. F.

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TA

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THE WHITE HOUSE  
WASHINGTON

May 23, 1986

Dear Yasu:

I want to tell you again of my appreciation for your skillful leadership in bringing about an excellent Summit meeting in Tokyo. As I said in Tokyo, this was the smoothest of the six gatherings that I have attended, and your superb efforts deserve the bulk of the credit.

The results also were outstanding. The strong statement on terrorism is testimony to our ability to stand together in dealing with a scourge aimed at the very foundations of the civilized world. It is my great hope that we will some day look back on the Tokyo Summit as the beginning of the end of terrorism as a threat to world peace.

Our agreement to improve economic policy coordination was also of far-reaching importance. It is my expectation that the mechanisms agreed to in Tokyo will strengthen further the open multilateral trading system while achieving our common goal of greater exchange rate stability. Your own arguments on the need for a more stable yen-dollar rate were powerfully persuasive.

Yasu, I have always admired your determination to guide your nation to its rightful place as a world leader. Your vision and willingness to assume great responsibility have been apparent in what you have accomplished in the areas of defense and foreign assistance, as well as in your efforts to open Japan's markets and launch a comprehensive program for structural economic reform. These qualities of vision and leadership were crucial to the success of the Summit, which achieved its purpose of advancing solidarity among the leading industrial democracies in dealing with the critical issues of our time. And so please accept congratulations for a difficult job well done.

Comment

DECLASSIFIED  
Authority NSC/State Waivers  
BY AN NARA DATE 2/7/2020

39019755

NSC #8603918

Nancy joins me in extending to you and Tsutako our  
best wishes and thanks for a most productive and  
enjoyable stay in Tokyo.

Sincerely,

*Ron*

His Excellency  
Yasuhiro Nakasone  
Prime Minister of Japan  
Tokyo

~~CONFIDENTIAL~~

Rec-1  
39188  
MAY 22

*NSE Waiver*

2/7/2020

THE WHITE HOUSE  
WASHINGTON

The President has seen 5/23

CONFIDENTIAL

May 22, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

**SIGNED**

FROM: JOHN M. POINDEXTER *Jm*

SUBJECT: Letter of Thanks to Prime Minister Nakasone

Issue

Whether to send a letter of thanks to Prime Minister Nakasone.

Facts

Since the very successful summit, Prime Minister Nakasone has received harsh domestic criticism for failing to obtain "enough" for Japan from the summit partners. Japanese newspapers and commentators are ready to assign the Prime Minister to "lame duck" status as a minimum.

Discussion

Our own assessment is that a rather intricate political process is going on, and that it is much too early to count Nakasone out or even pronounce him in serious trouble.

The State Department notes that particularly troubling is the implication that the "Ron-Yasu" relationship did not work for Nakasone. State recommends, and I agree, that a letter be sent from you praising Nakasone's superb performance as Chairman, and putting the exchange rate and terrorism issues in proper perspective. We believe this will help defend the issue of U.S. cooperation or non-cooperation.

Recommendation

OK

No

*RB*

That you sign your letter to Prime Minister Nakasone.

Attachment:

Tab A Your letter to Prime Minister Nakasone

Prepared by:  
James A. Kelly

cc Vice President

CONFIDENTIAL  
Declassify: OADR

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

3918

DECLASSIFIED

Auth: NSC/State Waivers  
BY: *JK* MWD/DATE: 2/7/2020

NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

CONFIDENTIAL

May 19, 1986

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

**SIGNED**

FROM: JAMES A. KELLY *JK*

SUBJECT: Letter of Thanks to Prime Minister Nakasone

State believes that a Presidential letter may be helpful in countering Japanese political charges which seek to attack Prime Minister Nakasone in the wake of the Summit. I have reviewed the proposed letter and recommend you forward it for the President's signature.

*AP for* Steve Danzansky concurs. Speechwriters concur with text.

RECOMMENDATION:

That you forward Tab I to the President.

Approve *JK* Disapprove \_\_\_\_\_

Attachments:

- Tab I Poindexter memo to President
- Tab A President's ltr to PM Nakasone
- Tab II State memo

CONFIDENTIAL  
Declassify: OADR

~~CONFIDENTIAL~~

# WASHFAX RECEIPT

THE WHITE HOUSE

# C

86 MAY 23 11 57

P 7: 11

WHITE HOUSE  
SITUATION ROOM

~~CONFIDENTIAL~~

Mo 2/7/2020

MESSAGE NO. \_\_\_\_\_ CLASSIFICATION \_\_\_\_\_ PAGES two  
FROM RODNEY B. MCDANIEL *BTM* 456-2224  
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION PRES LTR TO NAKASONE

NSC LOG# 3918

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
<u>STATE</u>	<u>NICK PLATT</u>	<u>EXECUTIVE SECRETARIAT</u>	
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_____	_____	_____	_____
_____	_____	_____	_____

REMARKS FOR IMMEDIATE CABLING; ORIGINAL TO FOLLOW



United States Department of State

Washington, D.C. 20520

May 16, 1986

~~CONFIDENTIAL~~MEMORANDUM FOR VADM JOHN M. POINDEXTER  
THE WHITE HOUSE

Subject: Letter of Thanks to PM Nakasone on the Summit

Prime Minister Nakasone has been incorrectly criticized in Japan for "failing" to meet Japan's Summit goals, particularly to halt the rapid appreciation of the yen. These charges are primarily political and probably were inevitable in a situation in which various political challengers are jockeying for position in a race for the Prime Ministership which must reach a conclusion by the end of October.

Most troubling is the implication in some of the Japanese press stories that the "Ron-Yasu" relationship simply did not work for Nakasone. A letter from the President praising Nakasone's superb performance as Chairman, and putting the exchange rate and terrorism issues into better perspective would make clear that, to the contrary, the "Ron-Yasu" relationship won important gains for Japan at the Summit, and help keep US cooperation, or lack of it, out of Japanese domestic politics.

A draft letter from the President to Nakasone is attached.

*Nicholas Platt*Nicholas Platt  
Executive Secretary

Attachment:

Letter to Prime Minister Nakasone from the President

~~CONFIDENTIAL~~  
DECL:OADR*State Waiver...*  
*dlr* *2/7/2006*

SUGGESTED DRAFT REPLY FOR THE PRESIDENT'S SIGNATURE

Dear Yasu:

I would like to express my appreciation for your skillfull leadership in bringing about an excellent Summit meeting in Tokyo. As I said in Tokyo, this was the smoothest of the six gatherings that I have attended, and your superb arrangements deserve the entire credit.

The results also were outstanding. The strong statement on terrorism is testimony to our ability to stand together in dealing with a scourge that attacks the very foundations of the civilized world. I believe we will some day look back upon the Tokyo Summit as the beginning of the end of terrorism as a threat to world peace.

Our agreement to improve economic policy coordination was also of far-reaching importance. It is my expectation that the mechanisms agreed to in Tokyo will strengthen further the open multilateral trading system while achieving our common goal of greater exchange rate stability. Your own arguments on the need for a more stable yen-dollar rate were powerfully persuasive.

DECLASSIFIED  
Authority: State Waiver  
BY: dr DATE: 2/7/2020

Yasu, I have always admired your determination to guide your nation to its rightful place as a world leader. Your vision and your willingness to assume great responsibility have been apparent in what you have accomplished in the areas of defense and foreign assistance, as well as in your effort to open Japan's markets and launch a comprehensive program for structural economic reform. These qualities of vision and leadership were crucial to the success of the Summit, which achieved its purpose of advancing solidarity among the leading industrial democracies in dealing with the critical issues of our time. Congratulations for a difficult job well done.

Nancy joins me in extending to you and Tsutako our best wishes and thanks for a most productive and enjoyable stay in Tokyo.

Sincerely,

Ron

His Excellency

Yasuhiro Nakasone,

Prime Minister of Japan,

Tokyo.

# NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 3918

Date 23 MAY 1986

Subject: PRES LTR TO NAKASONE

~~CLASSIFIED UPON REQUEST~~  
ds 2/7/2020

DOCUMENT CLASSIFICATION:  TOP SECRET  SECRET  CONFIDENTIAL  UNCLASSIFIED

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THE DIRECTOR, FEMA 500 C Street,				
DIRECTOR, DMSPA Room 3E813, Pentagon				

DATE, TIME & SIGN THIS RECEIPT & RETURN TO: BT MERCHANT, SITUATION ROOM, WHITE HOUSE



**National Security Council  
The White House**

*JM*

86 MAY 20 12 P 5: 23

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Package # 3918

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Bob Pearson	<u>1</u>	<u>P</u>	<u>A</u>
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Paul Thompson	<u>2</u>	<u>△</u>	
Florence Gantt	<u>3</u>	<u>[Signature]</u>	
John Poindexter	<u>4</u>	<u>[Signature]</u>	<u>A</u>
Rodney McDaniel			
NSC Secretariat	<u>5</u>	<u>[Signature]</u>	<u>D</u>
Situation Room			

I = Information    A = Action    R = Retain    D = Dispatch    N = No further Action

cc: VP    Regan    Buchanan    Other \_\_\_\_\_

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(Date/Time)

*[Signature]*

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ds 2/4/200

NSC/S PROFILE

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ID 8603918

RECEIVED 17 MAY 86 11

TO POINDEXTER

FROM PLATT, N

DOCDATE 16 MAY 86

KEYWORDS: JAPAN

NAKASONE, YASUHIRO

SUBJECT: THANK YOU LTR TO PM NAKASONE FM PRES

ACTION: APPROPRIATE ACTION

DUE: 21 MAY 86 STATUS S FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

KELLY

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<i>Pres</i>	<i>P 5/22</i>	<i>Signature</i>		
	<i>- 5/23</i>	<i>Pres spl ltr</i>		
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Previously filed: FO0006-09 390839

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Date of transfer: 8/16/95 CAS

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

FO006-09

INCOMING

DATE RECEIVED: APRIL 21, 1986

NAME OF CORRESPONDENT: THE HONORABLE ABRAHAM KATZ

SUBJECT: AT THE REQUEST OF THE INTERNATIONAL CHAMBER  
OF COMMERCE (ICC) ENCLOSES A STATEMENT FOR  
SUBMISSION TO THE HEADS OF STATE AND  
GOVERNMENT ATTENDING THE TOKYO SUMMIT

APR 22 1986

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION		DISPOSITION	
	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
MERLIN BREAUX	ORG	86/04/21		c 86/04/25
<i>Treasury</i> REFERRAL NOTE: _____				
REFERRAL NOTE: _____	H	86/04/30		NA 86/05/27 all attached AB
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*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL *           OF SIGNER *
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*S-FOR-SIGNATURE       *                        *                        *
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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE  
(ROOM 75, OEOB) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING  
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS  
MANAGEMENT.

5/27/86

Attn: Sally Kelley

The following correspondence has been  
determined no response necessary  
by our Tax Policy

Joe Ware  
Exec Sec

## T H E W H I T E H O U S E O F F I C E

## REFERRAL

APRIL 30, 1986

TO: DEPARTMENT OF THE TREASURY

ACTION REQUESTED:  
APPROPRIATE ACTION

## DESCRIPTION OF INCOMING:

ID: 390839

MEDIA: LETTER, DATED APRIL 18, 1986

TO: PRESIDENT REAGAN

FROM: THE HONORABLE ABRAHAM KATZ  
PRESIDENT  
UNITED STATES COUNCIL FOR  
INTERNATIONAL BUSINESS  
1212 AVENUE OF THE AMERICAS  
NEW YORK NY 10036

SUBJECT: AT THE REQUEST OF THE INTERNATIONAL CHAMBER  
OF COMMERCE (ICC) ENCLOSES A STATEMENT FOR  
SUBMISSION TO THE HEADS OF STATE AND  
GOVERNMENT ATTENDING THE TOKYO SUMMIT

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN  
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE  
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE  
(OR DRAFT) TO:  
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE

SALLY KELLEY  
DIRECTOR OF AGENCY LIAISON  
PRESIDENTIAL CORRESPONDENCE

390839



**United States Council for  
International Business**

ABRAHAM KATZ, President

Serving American Business as U.S. Affiliate of:

The International Chamber of Commerce  
The International Organisation of Employers  
The Business and Industry Advisory Committee to the OECD  
The ATA Carnet System

April 18, 1986

*M. Breary*

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

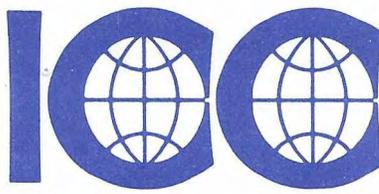
At the request of the International Chamber of Commerce (ICC), I am sending you a statement for submission to the Heads of State and Government attending the Tokyo Summit, May 4-6, 1986. The United States Council for International Business, which is the U.S. affiliate of the ICC, participated in the preparation of this text and commends it to your attention. It sets forth the position on the main Summit issues of the organization that represents the views of the business communities of the free world. The text is also being communicated to the other participating nations in the Summit.

We wish you well in your endeavors in Tokyo.

Very respectfully yours,

Abraham Katz  
President

Encl.



International Chamber of Commerce  
38, Cours Albert 1<sup>er</sup> - 75008 Paris  
Telephone : (4) 562.34.56  
Cables : Incomerc-Paris - Telex : 650770  
Telefax : (4) 225.86.63

Date  
Your reference  
Our reference  
Enclosures

S T A T E M E N T

for

Submission to the Heads of State and Government

attending

the Tokyo Summit, 4-6 May 1986

## The Mandate of the Tokyo Summit

The Tokyo Summit is taking place when the prospects for non-inflationary global growth are brighter than at any time since the annual summit meetings began. It provides an excellent opportunity for the governments of the countries represented at Tokyo to set their policy-making on a clear course to capitalise on developments both in markets and in international cooperation in the year since the Bonn Summit, and to pursue new initiatives which will consolidate the greater scope for non-inflationary expansion in the years ahead. Their leadership will be critical in three main areas: enhancing international cooperation in the design and implementation of national economic policies; encouraging the indebted developing countries to pursue the path of economic adjustment towards sustainable growth; and launching a coordinated effort to promote reform and further liberalisation of international trade. The ICC, representing international business, makes the following recommendations directed to each of these crucial requirements.

### International Economic Policy Cooperation

Since the Bonn Summit exactly a year ago, significant developments have taken place whose net effects seem likely to be beneficial for the world economy as a whole. The most far-reaching events have, of course, been the sharp fall in the price of oil, and the significant reductions in interest rates and in the external value of the dollar. While the oil price fall poses very severe problems for several states whose economies are heavily dependent on oil exports, it has come as a major boon to the larger number of countries in both the industrialised and developing worlds which are net importers. In particular, the three events together have considerably improved the potential of Japan and Western Europe to attain faster rates of non-inflationary growth than for many years. This prospect is most important at a time when the expansion of the US economy, which has until recently been the driving force behind international recovery, has slowed down to a rate comparable with those of other major economies.

Further on the positive side, governments have taken a number of major initiatives since Bonn which hold out the promise that they are at last beginning to tackle certain deep-seated problems in the world economy about which the ICC has expressed much concern in its statements for both Bonn and previous summits.

The ICC has warmly welcomed the coordinated efforts begun last autumn by the Group of 5 countries to reduce the misalignment of exchange rates among the US, Japanese and European currencies. Despite the short-term success of those efforts over the past several months, we believe that much remains to be done to improve the economic fundamentals which underlie currency exchange rate movements and which are at the root of the present large imbalances in the trade and current accounts of the major industrialised countries. What essentially is required is greater cooperation among the latter to pursue economic policies which

are both mutually consistent and conducive to faster and more stable global growth. To these ends, the ICC recommends the following actions by Summit governments:

- The US Government should continue to take measures to cut its budget deficit and increase incentives to saving in the US as the keys to reducing its large net external financing requirement and in order to bring the current account of its external payments into better balance.
- The governments of the European countries and Canada should reduce the burden of government regulation and taxes on their economies, further liberalise labour and capital markets, and work towards removing other structural obstacles to sound, sustainable growth and fuller employment.
- The Japanese Government should take steps to bring about a better balance between Japan's saving and investment rates in order to promote more domestically-driven growth and to diminish the size of its capital exports and current account surplus. It should also develop more effective policies to encourage portfolio and direct investment in Japan.
- All governments should work together in the months ahead to improve the effectiveness of international institutions concerned with economic, monetary, and trade policy cooperation. Such institutional improvements should have as their main objectives: i) to strengthen procedures for multilateral surveillance of domestic economic policies as the principal vehicle for enhancing policy consistency among those countries most responsible for the functioning of the international system; ii) to promote greater discipline and symmetry in the international balance of payments adjustment process; iii) to increase the attention paid to the exchange rate implications of economic policy decisions; iv) to further liberalise capital markets; and v) to examine the developing roles of the main currencies within a liberalised regime of international capital flows and investment opportunities.

#### International Debt Strategy

The ICC very much welcomed the proposal put forward by the US Treasury Secretary at last October's IMF/World Bank meeting to increase the flows of external finance to indebted developing countries pursuing determined adjustment programmes. It has, however, become concerned by the lack of concrete progress since then and the apparent loss of political momentum. Many private companies, in addition to the banks, have commercial relations - and payment arrears - with indebted countries, and they are increasingly worried by the uncertainties surrounding developing-country indebtedness. Those uncertainties, and the continued reluctance of some developing countries to implement policies conducive to new private investment, constitute an inhibition to the willingness of business firms to continue to trade with and invest in the indebted countries on the scale the latter's circumstances require.

The ICC believes that positive action on Secretary Baker's proposal would send a much-needed, encouraging signal to the non-bank private sector of business. It has therefore called upon all the parties directly involved in that initiative (including the developing countries) to implement an agreed programme of action on a case-by-case basis in order to strengthen the confidence of business that the economic positions of heavily-indebted countries can be improved through effective cooperation.

The ICC urges the governments of the major industrialised countries represented at Tokyo:

- To work together through the IMF and World Bank to impress upon individual debtor countries in the Third World the urgent need for domestic reforms which would have the effect of reversing capital flight, encouraging domestic and foreign investment, and promoting sustainable growth.
- To commit themselves to increase as and when necessary the capital of the World Bank and other multilateral development institutions in order to provide adequate financial support to indebted countries which implement effective adjustment programmes conducive to long-term growth.
- To commit themselves to ensure that adequate resources are made available to, and used by, official export credit guarantee agencies in the developed countries.

#### International Trade Reform

The health of the world's trade, financial and monetary systems are intrinsically interrelated. The ICC has repeatedly called upon governments to pursue a parallel approach to the problems of each (though this certainly does not mean that progress in one has to wait upon progress in the others). Particularly welcome, therefore, is the decision of the GATT's Contracting Parties to establish a Preparatory Committee with a view to launching a new round of multilateral trade negotiations next September.

In recent years, the ICC has watched with mounting concern the growth of protectionist sentiment in many countries, and the emerging danger that unilateral and bilateral actions might seriously undermine the multilateral system. It believes that there must now be a resolute and concentrated effort to imbue the GATT discussions with a new spirit. This, however, will require both a much firmer lead - in deeds rather than words - from the major trading countries and a clearer recognition by the developing countries that they would suffer most in the longer run if multilateralism were to collapse.

The ICC earnestly hopes that the GATT Preparatory Committee will produce a clear and broad agenda for a new trade round and that the meeting of Ministers in September will agree on an early starting date for substantive negotiations. The



THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

**REGRET** (after fact)  
**4/29/86** **IAI**  
**FO006-10**

DATE RECEIVED: APRIL 25, 1986

NAME OF CORRESPONDENT: MR. WILLIAM J. O'BRIEN <sup>note</sup>

**RECEIVED**

**APR 28 1986**

SUBJECT: ENCLOSURES ABSTRACT OF MANUSCRIPT, "CAUSE AND CURE OF WORLD INFLATION" AND REQUESTS A MEETING TO EXPLAIN IT PRIOR TO THE ECONOMIC SUMMIT CONFERENCE IN TOKYO, JAPAN

**SCHEDULING OFFICE**

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION		DISPOSITION	
	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
MARY RAWLINS	ORG	86/04/25	FR	AB 86105106
REFERRAL NOTE:		/ /		/ /
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COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: \_\_\_\_\_  
MI MAIL USER CODES: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

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|--------------------------|----------------------|----------------------|---|
| *ACTION CODES:           | *DISPOSITION         | *OUTGOING            | * |
| *                        | *                    | *CORRESPONDENCE:     | * |
| *A-APPROPRIATE ACTION    | *A-ANSWERED          | *TYPE RESP=INITIALS  | * |
| *C-COMMENT/RECOM         | *B-NON-SPEC-REFERRAL | OF SIGNER            | * |
| *D-DRAFT RESPONSE        | *C-COMPLETED         | CODE = A             | * |
| *F-FURNISH FACT SHEET    | *S-SUSPENDED         | *COMPLETED = DATE OF | * |
| *I-INFO COPY/NO ACT NEC* |                      | OUTGOING             | * |
| *R-DIRECT REPLY W/COPY * |                      |                      | * |
| *S-FOR-SIGNATURE *       |                      |                      | * |
| *X-INTERIM REPLY *       |                      |                      | * |
- \*\*\*\*\*

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75, OEOB) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

May 6, 1986

Dear Mr. O'Brien:

On behalf of the President, I acknowledge your letter dated April 22, 1986, with attachments.

Unfortunately, the correspondence was received too late for a meeting to be scheduled.

The President appreciates hearing from interested citizens and receiving their thoughts and suggestions.

Thank you for sending the Abstract of Manuscript "Cause and Cure of World Inflation." I shall see that it is received by the appropriate office.

With best wishes,

Sincerely,

FREDERICK J. RYAN, JR.  
Director, Presidential  
Appointments and Scheduling

Mr. William J. O'Brien  
Chairman  
International Economics Corporation  
217 Walnut Street  
Hartford, Connecticut 06120-2886

FJR/KC:vml 5FJR

See ID 284415  
079626  
209719  
254071  
284195

INTERNATIONAL ECONOMIC CORPORATION  
217 WALNUT STREET  
HARTFORD, CONNECTICUT 06120 - 2886  
U. S. A. ( 203 ) 278-7000

391106

DETERMINED  
ADMINISTRATIVE  
E.O. 12812  
BY NARA dh DATE 2/7/2020

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*Handwritten:* (Prior May 4)

APRIL 22, 1986

PRESIDENT RONALD W. REAGAN  
WHITE HOUSE  
1600 PENNSYLVANIA AVENUE  
WASHINGTON, D. C. 20500

RE: TRUE FULL EMPLOYMENT & ECONOMIC STABILITY

DEAR PRESIDENT REAGAN:

WE HAVE ATTACHED AN ABSTRACT OF THE MANUSCRIPT ENTITLED "CAUSE AND CURE OF WORLD INFLATION". YOU WILL FIND THAT TRUE FULL EMPLOYMENT AND ECONOMIC STABILITY CAN BE EASILY ACHIEVED FOR YOUR PEOPLE AND MOST PEOPLE AROUND THE WORLD.

I WOULD FEEL HONORED TO PERSONALLY EXPLAIN THIS NEW FOUND KNOWLEDGE TO YOU OR MEMBERS OF YOUR ADMINISTRATION PRIOR TO THE ECONOMIC SUMMIT CONFERENCE IN TOKYO ON MAY 4 - 6, 1986.

ON BEHALF OF THE PEOPLE OF YOUR SOVEREIGN NATION, I ASK THAT YOUR SECRETARY ACKNOWLEDGE THIS CORRESPONDENCE WITH ARRANGEMENTS FOR THE NECESSARY MEETING AND PROVIDE ANY GRANT REQUIREMENTS REGARDING ITEM 2. ON PAGE - 6 - OF THE ATTACHED ABSTRACT. THANK YOU, AND

KINDEST PERSONAL REGARDS,

WILLIAM J. O'BRIEN, CHAIRMAN  
INTERNATIONAL ECONOMICS CORPORATION

WJO/LJC  
ABSTRACT ATTACHED

PROVIDE YOUR PEOPLE WITH A " PLAN FOR A NEW AGE "

CAUSE AND CURE OF WORLD INFLATION

ABSTRACT

BY WILLIAM J. O'BRIEN \*

\* CHAIRMAN, INTERNATIONAL ECONOMICS CORPORATION, 217 WALNUT STREET, HARTFORD, CONNECTICUT 06120 - 2886, U. S. A., (203) 278-7000. THE "CAUSE AND CURE OF WORLD INFLATION" WAS COPYRIGHTED BY MR. O'BRIEN IN 1982. HIS PAPER WAS PRESENTED TO THE INTERNATIONAL ATLANTIC ECONOMIC CONFERENCE IN ROME, ITALY, ON MARCH 14, 1985. J.E.L. # 134.

# CAUSE AND CURE OF WORLD INFLATION

## ABSTRACT

### INTRODUCTION

STUDIES INDICATE THE REAL PRIMARY CAUSE OF INFLATION HAS BEEN HIDDEN FROM THE WORLD FOR AT LEAST 3700 YEARS. SOMETIME BEFORE INTEREST RATES WERE FIRST RECORDED IN ABOUT 1800 B. C., HUMANKIND HAS PERIODICALLY BEEN VICTIMIZED BY INFLATION.

FOR CENTURIES, THE NORMAL STABILITY OF WAGE, PRICE, AND AVERAGE RATES OF 3% HAS PERIODICALLY BEEN INTERRUPTED BY SHORT-TERM AND LONG-TERM WAVES OF INFLATION IN MANY SOVEREIGN NATIONS OF THE WORLD.

CENTURIES OF CUSTOM HAVE PERMITTED A VARIETY OF RATES HIGHER THAN NORMAL WHEN THE DEMAND FOR CREDIT IS GREAT, ALL IN ACCORDANCE WITH THE FREE MARKET FORCES OF SUPPLY AND DEMAND.

STUDIES ALSO INDICATE THIS CUSTOM AND ITS ASSUMPTIONS ARE SCIENTIFICALLY FAULTY, AND FOR CENTURIES HAVE BEEN THE REAL PRIMARY CAUSE OF INFLATION IN MANY NATIONS.

### CONVENTIONAL CAUSE OF INFLATION

THE CONVENTIONAL REASONING FOR THE CAUSE OF INFLATION BY THE UNITED STATES DEPARTMENT OF THE TREASURY AND THE FEDERAL RESERVE SYSTEM IS AS FOLLOWS:

1. THE PRIMARY CAUSE OF INFLATION AND HIGH INTEREST RATES, OVER LONG PERIODS, IS EXCESSIVE GROWTH IN THE MONEY SUPPLY.

2. SUCH EXCESSIVE GROWTH LEADS TO EXCESS DEMAND FOR GOODS AND SERVICES, WITH THE RESULT THAT PRICES ARE BID UP.

IF THESE ASSUMPTIONS WERE CORRECT, INFLATION IN OUR GENERATION SHOULD HAVE BEEN EASILY CONTROLLED BY MANAGING THE MONEY SUPPLY.

## E F F E C T S     O F     I N F L A T I O N

THE FAULTY CUSTOM OF RATE MOVEMENT AND ITS ASSUMPTIONS HAVE CREATED THE EXISTING FRAGILE STATE OF THE WORLD ECONOMY AND THE MANY UNEQUAL LONG-TERM WAVES OF INFLATION AROUND THE GLOBE. THIS POWERFUL, CENTURIES-OLD FORCE HAS BEEN SOLELY RESPONSIBLE FOR SERIOUS ECONOMIC, HUMAN, SOCIAL, AND POLITICAL CRISES, MANY OF WHICH HAVE RESULTED IN SERIOUS CONFLICTS BECAUSE OF HIGH AND UNNECESSARY UNEMPLOYMENT.

IN ADDITION, THE ANOMALIES OF WORLD UNEMPLOYMENT, WAGE, TAXATION, FISCAL IMBALANCES, TRADE IMBALANCES, MONETARY EXCHANGE, INTERNATIONAL DEBT, AND USE OF WORLD RESOURCES ARE AN INTEGRAL PART OF THE FAULTY CUSTOM AND ITS ASSUMPTIONS.

## P R I M A R Y     C A U S E     O F     I N F L A T I O N

THIS PAPER, FOR THOSE THAT PUT CONVENTIONAL ECONOMIC WISDOM ASIDE, CAN EASILY GRASP THE HISTORICAL AND SIMPLE SCIENTIFIC EVIDENCE, AND CAN HAVE A NEW UNDERSTANDING OF THE PRIMARY CAUSE OF INFLATION. THIS NEW UNDERSTANDING WILL PROVIDE RARE, MARVELOUS AND HAUNTING INSIGHTS INTO THE TRUE WORKINGS OF THE WORLD ECONOMY.

THE REAL PRIMARY AND SIMPLE CAUSE OF INFLATION CAN BE EXPRESSED AS FOLLOWS: THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL,

REDUCES PURCHASING POWER AND PERMITS NON-PRODUCTIVE WAGE AND PRICE INCREASES THAT FORCE THE CONSUMER PRICE INDEX TO A HIGHER LEVEL.

## H I S T O R I C A L       E V I D E N C E

ARMED WITH THE REAL PRIMARY CAUSE OF INFLATION AND A HISTORY OF PEAK INTEREST RATES, THE PROBLEMS OF INFLATION CAN BE EASILY TRACED THROUGHOUT WORLD HISTORY. STUDIES INDICATE INFLATION HAS CAUSED UNBELIEVABLE HAVOC TO HUMANKIND. FOR EXAMPLE, IN 1917 THE RUSSIAN PEOPLE EMBRACED COMMUNISM AND LOST THEIR FREEDOM DURING A LONG-TERM WAVE OF INFLATION. THE HAVOC THAT OCCURRED CAN BE CORRELATED WITH THE RUSSIAN INTEREST RATE OF 216% THAT PEAKED IN 1923. FOR ANOTHER EXAMPLE, CHINA FINALLY ADOPTED COMMUNISM IN 1949 AFTER SUFFERING WITH HIGH RATES FOR CENTURIES. RATES CULMINATED DURING THE 1940'S WITH RATES IN EXCESS OF 121%. ALSO IN THE TWENTIETH CENTURY, WE HAVE SEEN THE DEVASTATION CAUSED BY RATES HIGHER THAN NORMAL IN THE EQUATORIAL REGIONS OF THE WORLD. THESE EVENTS REFLECT ONLY THE TIP OF THE ICEBERG IN THE HISTORY OF HUMANKIND, AS THEY RELATE TO HAVOC CAUSED BY RATES HIGHER THAN NORMAL..

IF THE PROBLEM OF INFLATION IS NOT DEALT WITH, HISTORICAL EVIDENCE ALSO INDICATES THAT MANY SOVEREIGN NATIONS WILL CONTINUE TO SUFFER WITH GRAVE CONFLICTS, AND ULTIMATELY SUFFER THE HORRORS OF DEFLATION AND DEPRESSION. IN OUR AGE, WE CAN ADD THE THREAT OF NUCLEAR HOLOCAUST.

## E L E M E N T A R Y       M A T H E M A T I C A L       E V I D E N C E

THIS PAPER WILL CORROBORATE THE HISTORICAL EVIDENCE WITH MANY EXHIBITS, ALL BASED UPON SOUND MATHEMATICAL CONCLUSIONS. THE

FOLLOWING ELEMENTARY ANALYSIS OF A NORMAL RATE AND A RATE HIGHER THAN NORMAL PROVIDES THE EVIDENCE TO SUPPORT THE LOSS OF NORMAL PURCHASING POWER AND THE PRIMARY CAUSE OF INFLATION. THIS POWERFUL FORCE IS MOVING THE CONSUMER PRICE INDEX AT A COMPOUND RATE AND HAS OVERSHADOWED THE MASSIVE OIL INCREASES OF THE 1970'S AND WILL CONTINUE TO OVERSHADOW THE RECENT DECLINE OF OIL PRICES IN 1986.

N O R M A L R A T E

A NORMAL RATE, AT ANY CONSUMER PRICE INDEX, CAN NOT CAUSE A LOSS OF NORMAL PURCHASING POWER OR REQUIRE MORE MONEY TO BE IN CIRCULATION THAN THE INDEX INDICATES. \* THE NORMAL RATE OF THE (CPI-U, 1967 = 100.0) WAS 4.808477526%. WE HAVE USED 5% TO PERMIT A SIMPLE UNDERSTANDING.

CONSUMER PRICE INDEX * (1967= 100.0)	% RATE	TOTAL COST OF RATE+	TOTAL AVAIL. PURCH. POWER =	FACE VALUE OF NORMAL PURCH. POWER +	TOTAL LOSS OF NORMAL PURCH. POWER =	TOTAL MONEY REQUIRED IN CIRC.	C P I CAN NOT BE FORCED BY A NORMAL RATE
100.0	5%	.05 +	.95 =	1.00 +	.00 =	1.00	100.0
200.0	5%	.10 +	1.90 =	2.00 +	.00 =	2.00	200.0
300.0	5%	.15 +	2.85 =	3.00 +	.00 =	3.00	300.0
400.0	5%	.20 +	3.80 =	4.00 +	.00 =	4.00	400.0
500.0	5%	.25 +	4.75 =	5.00 +	.00 =	5.00	500.0
600.0	5%	.30 +	5.70 =	6.00 +	.00 =	6.00	600.0
700.0	5%	.35 +	6.65 =	7.00 +	.00 =	7.00	700.0
800.0	5%	.40 +	7.60 =	8.00 +	.00 =	8.00	800.0
900.0	5%	.45 +	8.55 =	9.00 +	.00 =	9.00	900.0
1000.0	5%	.50 +	9.50 =	10.00 +	.00 =	10.00	1000.0
1100.0	5%	.55 +	10.45 =	11.00 +	.00 =	11.00	1100.0
1200.0	5%	.60 +	11.40 =	12.00 +	.00 =	12.00	1200.0
1300.0	5%	.65 +	12.35 =	13.00 +	.00 =	13.00	1300.0
1400.0	5%	.70 +	13.30 =	14.00 +	.00 =	14.00	1400.0
1500.0	5%	.75 +	14.25 =	15.00 +	.00 =	15.00	1500.0
1600.0	5%	.80 +	15.20 =	16.00 +	.00 =	16.00	1600.0
1700.0	5%	.85 +	16.15 =	17.00 +	.00 =	17.00	1700.0
1800.0	5%	.90 +	17.10 =	18.00 +	.00 =	18.00	1800.0
1900.0	5%	.95 +	18.05 =	19.00 +	.00 =	19.00	1900.0
2000.0	5%	1.00 +	19.00 =	20.00 +	.00 =	20.00	2000.0
2100.0	5%	1.05 +	19.95 =	21.00 +	.00 =	21.00	2100.0

R A T E H I G H E R T H A N N O R M A L

THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL REDUCES PURCHASING POWER AND ALSO REQUIRES MORE MONEY TO BE IN CIRCULATION TO COMPENSATE FOR THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL.

CONSU. * PRICE INDEX (1967=100.0)	RATE HIGHER THAN NORMAL	TOTAL COST OF RATE+	TOTAL AVAIL. PURCH. POWER=	FACE VALUE OF NORMAL PURCH. POWER +	TOTAL LOSS OF NORMAL PURCH. POWER =	TOTAL MONEY REQUIRED IN CIRC.	C P I WILL BE FORCED TO THIS INDEX
100.0	5%	.05 +	.95 =	1.00 +	.00 =	1.00	100.0
200.0	10%	.20 +	1.80 =	2.00 +	.10 =	2.10	210.0
300.0	15%	.45 +	2.55 =	3.00 +	.30 =	3.30	330.0
400.0	20%	.80 +	3.20 =	4.00 +	.60 =	4.60	460.0
500.0	25%	1.25 +	3.75 =	5.00 +	1.00 =	6.00	600.0
600.0	30%	1.80 +	4.20 =	6.00 +	1.50 =	7.50	750.0
700.0	35%	2.45 +	4.55 =	7.00 +	2.10 =	9.10	910.0
800.0	40%	3.20 +	4.80 =	8.00 +	2.80 =	10.80	1080.0
900.0	45%	4.05 +	4.95 =	9.00 +	3.60 =	12.60	1260.0
1000.0	50%	5.00 +	5.00 =	10.00 +	4.50 =	14.50	1450.0
1100.0	55%	6.05 +	4.95 =	11.00 +	5.50 =	16.50	1650.0
1200.0	60%	7.20 +	4.80 =	12.00 +	6.60 =	18.60	1860.0
1300.0	65%	8.45 +	4.55 =	13.00 +	7.80 =	20.80	2080.0
1400.0	70%	9.80 +	4.20 =	14.00 +	9.10 =	23.10	2310.0
1500.0	75%	11.25 +	3.75 =	15.00 +	10.50 =	25.50	2550.0
1600.0	80%	12.80 +	3.20 =	16.00 +	12.00 =	28.00	2800.0
1700.0	85%	14.45 +	2.55 =	17.00 +	13.60 =	30.60	3060.0
1800.0	90%	16.20 +	1.80 =	18.00 +	15.30 =	33.30	3330.0
1900.0	95%	18.05 +	.95 =	19.00 +	17.10 =	36.10	3610.0
2000.0	100%	20.00 +	.00 =	20.00 +	19.00 =	39.00	3900.0
2100.0	105%	22.05 +	1.05 =	21.00 +	21.00 =	42.00	4200.0

M A T H E M A T I C A L C O N C L U S I O N

THE PHANTOM FORCE OF A RATE HIGHER THAN NORMAL PRODUCES THE FOLLOWING MAN-MADE PHENOMENONS: (1) THE FORCE REDUCES PURCHASING POWER. IN TURN, IT PERMITS NON-PRODUCTIVE WAGE AND PRICE INCREASES THAT ARE IN VIOLATION OF FREE MARKET FORCES. THE RESULT IS AN INFLATED CONSUMER PRICE INDEX, CAUSED BY THE ADDITIONAL COST OF RATES HIGHER THAN NORMAL. (2) THE FORCE REQUIRES MORE

MONEY TO BE IN CIRCULATION, BUT THE LACK OF TRUTHFUL KNOWLEDGE COUPLED WITH CONVENTIONAL MYTHS WILL NOT PERMIT IT. THE RESULT IS HIGHER AND HIGHER UNEMPLOYMENT, DUE TO INSUFFICIENT AMOUNTS OF MONEY IN CIRCULATION, BROUGHT ABOUT BY THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL.

## C O N T R O L L I N G I N F L A T I O N

BASED UPON THE REAL PRIMARY CAUSE OF INFLATION, WE OFFER THE FOLLOWING SIMPLE SOLUTIONS TO CONTROL INFLATION IN THE UNITED STATES.

1. CAP RATES, USING PRESIDENTIAL AUTHORITY IN ACCORDANCE WITH THE FEDERAL RESERVE ACT AS AMENDED.

2. PROVIDE A 340 MILLION DOLLAR GRANT TO INTERNATIONAL ECONOMICS CORPORATION TO STUDY AND RECOMMEND APPROPRIATE SOLUTIONS TO THE SECONDARY PROBLEMS OF WORLD INFLATION, WHICH INCLUDE WAGE, TAXATION, FISCAL IMBALANCES, TRADE IMBALANCES, MONETARY EXCHANGE, INTERNATIONAL DEBT, AND THE USE OF WORLD RESOURCES. THIS GRANT WILL ALSO BE USED TO CONDUCT THE NECESSARY ANALYSIS OF INFLATION IN 170 OTHER SOVEREIGN NATIONS. THE ANALYSES CAN PROVIDE THE KNOWLEDGE TO PREVENT FURTHER ECONOMIC CRISES AND CONFLICTS IN THE WORLD. AS IN THE CASE OF ECONOMIC AID TO FOREIGN COUNTRIES, THE REQUIRED FUNDS, WILL ONLY HELP TO REDUCE UNEMPLOYMENT IN THE UNITED STATES.

UNTIL THIS GRANT HAS BEEN PROVIDED, INTERNATIONAL ECONOMICS WILL ARRANGE TO SERVE ANY SOVEREIGN - NATION WITH SERIOUS UNEMPLOYMENT AND ECONOMIC INSTABILITY PROBLEMS BY ANOTHER ARRANGEMENT.

3. THE CONSUMER PRICE INDEX MUST BE PERMITTED TO RISE, FROM THE

INDEX WHEN THE RATES WERE CAPPED, TO THE INDEX OF REQUIRED PURCHASING POWER.

4. WHEN STABILIZATION OF THE CONSUMER PRICE INDEX HAS BEEN ACHIEVED, ARRANGE TO INDEX AND THEREBY PROTECT MONEY AND FINANCIAL INSTRUMENTS.

5. PROVIDE SUFFICIENT MONEY BY WAY OF BANKS OR GOVERNMENT TO PERMIT TRUE FULL EMPLOYMENT AND THE ELIMINATION OF POVERTY. SLUM CLEARANCE AND REBUILDING, IN CONJUNCTION WITH EDUCATION, APPEARS TO HAVE THE MOST MERIT.

6. MAINTAIN THE CONSUMER PRICE INDEX AT THE STABILIZED LEVEL BY MOVING THE RATES OF TAXATION UP OR DOWN FOR APPROXIMATELY THIRTY YEARS.

7. IN APPROXIMATELY THIRTY YEARS WHEN ALL MONEY AND FINANCIAL INSTRUMENTS HAVE BEEN PROTECTED, LOWER RATES TO NORMAL WITHOUT ECONOMIC CRISIS OR LOSS.

#### C H A N G E     I N     M O N E T A R Y     P O L I C Y

IT SHOULD BE UNDERSTOOD THAT THESE SIMPLE CHANGES CAN ONLY BE IMPLEMENTED BY A SOVEREIGN LEADER. IN OVER 3700 YEARS ONLY ONE SIGNIFICANT VARIATION, TO THE CUSTOM OF PERMITTING RATES HIGHER THAN NORMAL WHEN THE DEMAND FOR CREDIT IS GREAT, HAS OCCURRED. IT TOOK A LONG PERIOD OF ECONOMIC DEPRIVATION AND A REVOLUTION IN RUSSIA TO MAKE THIS CHANGE POSSIBLE. THE CHANGES THAT ULTIMATELY TOOK PLACE ARE NOT AS SIMPLE AS THE SOLUTIONS MENTIONED ABOVE, AND THEY DID NOT PERMIT FREEDOM OR COMPETITION THAT IS REQUIRED FOR A WELL RUN SOCIETY.

SPECULATION AS TO WHY THE FAULTY CUSTOM OF RATE MOVEMENT HAS ENDURED SO LONG MIGHT BE ATTRIBUTED TO THE FOLLOWING REASONS: AGED AND WELL SEASONED PRECEDENTS, SUCH AS RATE MOVEMENT, ARE NOT USUALLY VIEWED AS UP FOR INVESTIGATION OR DEBATE. LACK OF INVESTIGATION HAS HELPED TO CONCEAL THE SOLUTION TO THIS PROBLEM. THE POWER TO MAKE CHANGE IN RATE MOVEMENT IS CLOSELY HELD BY EACH SOVEREIGN LEADER. THERE ARE ONLY 170 WORLD LEADERS THAT CONTROL THE ENTIRE ECONOMIC DESTINY OF THE WORLD POPULATION. SOVEREIGN LEADERS AND THEIR ADMINISTRATION HAVE BEEN RELUCTANT TO MAKE RADICAL CHANGES UNTIL REBELLION AND REVOLUTION FORCE IT. THOSE IN POWER, ENJOYING THE THE GOOD LIFE, RECOGNIZE THE UTTER POVERTY OF THEIR PEOPLE, BUT HAVE BEEN HELPLESS TO PROVIDE A SOLUTION TO THE PROBLEM. IT IS APPARENT, CONVENTIONAL SOLUTIONS ONLY EXACERBATE THE PROBLEM AND CAUSE MORE BITTER CONFLICTS. THE PEOPLE IN DESPERATION, FOR REASONS OF SURVIVAL, EITHER CONTINUE TO ELECT A SERIES OF NEW SOVEREIGN LEADERS, OR IN SOME NATIONS DIE AT THE HANDS OF DICTATORS, THAT ARE ALSO TRYING TO SURVIVE. IT IS, THEREFORE, OBVIOUS THAT PEOPLE AND SOVEREIGN LEADERS ALIKE, REQUIRE A CHANGE IN MONETARY POLICY TO SOLVE THEIR MUTUAL PROBLEMS.

#### GRAPHIC ILLUSTRATION

A GRAPHIC ILLUSTRATION OF THE UNITED STATES CONSUMER PRICE INDEX, (CPI-U, 1967 = 100.0), COMPLETE WITH COMPUTATIONS AND STATISTICS PROVIDE AN EXCITING VISUAL EXPERIENCE ON THE LAST PAGE OF THIS ABSTRACT. THE MOST EXCITING, AND OF GRAVE CONCERN, IS THE PROJECTED CONSUMER PRICE INDEX. IT CAN BE SEEN THAT THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL CAUSES A LOSS IN PURCHASING POWER THAT FORCES THE INDEX AT A COMPOUND RATE.

IF RATES ARE NOT CAPPED, THE INDEX WILL CONTINUE TO MOVE AT THIS COMPOUND RATE UNTIL THE HORRORS OF DEFLATION OCCUR.

IT IS OBVIOUS THAT THERE IS A SENSE OF URGENCY IN THIS MATTER, WHEN YOU CONSIDER THAT THE UNITED STATES CONSUMER PRICE INDEX WILL EXCEED 500.0 BY JULY OF 1989, AND UNEMPLOYMENT IS EXPECTED TO BE IN EXCESS OF 20%. COUPLED WITH THE WORLD BANK FORECAST OF \$1.01 TRILLION DOLLARS OF DEBT BY THE END OF 1986, FOR 131 POOR COUNTRIES, WE CAN ASSUME, SOME SOVEREIGN NATIONS WILL EXPERIENCE ECONOMIC COLLAPSE BEFORE JULY OF 1989.

#### C O N C L U S I O N

THE CHOICES ARE CLEAR.

WITHOUT SIMPLE CHANGE, STUDIES INDICATE THAT THE WORLD STAGE IS SET FOR ANOTHER BURST OF INFLATION, COMPLETE WITH MORE CONFLICTS AND THE POSSIBILITIES OF DEFLATION, DEPRESSION, AND THREAT OF NUCLEAR HOLOCAUST.

WITH SIMPLE CHANGE BY SOVEREIGN LEADERS, STUDIES ALSO INDICATE THAT HUMANKIND CAN HAVE THE OPPORTUNITY TO EXPERIENCE TRUE FULL EMPLOYMENT, ECONOMIC STABILITY, AND BECAUSE OF IT, THE POSSIBILITIES OF PEACE. □

GRAPHIC ILLUSTRATION OF THE CONSUMER PRICE INDEX

WITH PHANTOM INDEXES AND COMPUTATIONS - (UNITED STATES, CPI-U, 1967 = 100.0)

MONTH AND YEAR OF CPI	COMPUTATIONS				MAR 1933	OCT 1985	JUL 2003	RATE OF CPI
	PHANTOM INDEX - A -	CPI - B -	PHANTOM INDEX - C -	PHANTOM INDEX - D -	-----(CPI-U, 1967 = 100.0) WITH PHANTOM INDEXES----		<--PROJECTIONS-->	
MAY'09	12191.1	4113.4	4038.8	-4038.8				197.8%
FEB'09	11602.2	3992.9	3920.5	-3688.7				192.0%
DEC'08	11220.5	3913.3	3842.3	-3465.0				188.2%
SEP'08	10674.7	3797.0	3728.2	-3149.4				182.6%
JUL'08	10327.7	3721.7	3654.2	-2951.8				179.0%
APR'08	9831.2	3611.7	3546.2	-2673.3				173.7%
JAN'08	9362.0	3505.4	3441.8	-2414.9				168.6%
OCT'07	8918.5	3402.4	3340.8	-2175.3				163.6%
JUL'07	8499.0	3302.9	3243.0	-1953.1				158.8%
APR'07	8102.2	3206.5	3148.4	-1747.3				154.2%
JAN'07	7726.7	3113.2	3056.8	-1556.6				149.7%
SEP'06	7257.0	2993.6	2939.3	-1324.1				143.9%
JUN'06	6926.5	2907.2	2854.5	-1164.9				139.8%
FEB'06	6512.7	2796.2	2745.5	-971.0				134.5%
OCT'05	6127.6	2690.0	2641.2	-796.4				129.3%
JUL'05	5856.2	2613.2	2565.9	-677.1				125.7%
MAR'05	5516.0	2514.7	2469.1	-532.1				120.9%
OCT'04	5122.9	2397.3	2353.9	-371.7				115.3%
JUN'04	4832.0	2307.8	2266.0	-258.3				111.0%
JAN'04	4495.5	2201.1	2161.2	-133.2				105.8%
JUL'03	4113.4	2075.5	2037.9	0.0				99.8%
MAY'03	4001.9	2037.9	2001.0	36.9				98.0%
SEP'02	3591.2	1895.1	1860.8	164.7				91.1%
APR'02	3354.4	1809.6	1776.8	231.9				87.0%
SEP'01	3053.6	1697.0	1666.2	309.5				81.6%
MAR'01	2821.4	1606.7	1577.6	362.9				77.3%
JUL'00	2544.0	1494.7	1467.6	418.3				71.9%
DEC'99	2328.0	1403.9	1378.4	454.3				67.5%
MAR'99	2082.1	1296.2	1272.7	486.7				62.3%
JUN'98	1867.3	1197.8	1176.1	506.5				57.6%
AUG'97	1659.6	1098.3	1078.4	517.1				52.8%
SEP'96	1462.9	999.6	981.5	518.2				48.1%
SEP'95	1280.2	903.4	887.0	510.2				43.4%
JUL'94	1101.5	804.4	789.8	492.6				38.7%
FEB'93	924.3	700.5	687.8	464.1				33.7%
JUL'91	766.5	602.5	591.6	427.6				29.0%
JUL'89	612.6	500.8	491.8	380.0				24.1%
JAN'87	471.2	401.0	393.7	323.5				19.3%
OCT'85	370.6	325.5	319.6	274.5				15.7%
AUG'83	338.3	300.3	294.9	256.9				14.4%
OCT'78	216.7	200.9	197.3	181.5				9.7%
JUL'67	103.2	100.2	98.4	95.4				4.8%
MAR'33	37.7	37.7	37.0	37.0				1.8%
	00.0	00.0	00.0	00.0				0.0%

PHANTOM INDEX - A - IS THE SUM OF THE CONSUMER PRICE INDEX AND THE LOSS OF NORMAL ACTUAL PURCHASING POWER OR (B + (C-D)). IT INDICATES:  
 1. REQUIRED PURCHASING POWER.  
 2. REQUIRED MONEY TO BE IN CIRCULATION.

CALCULATIONS TO PERMIT GRAPHIC CONSTRUCTION:  
 THE SLOPE OF THE (CPI-U, 1967 = 100.0) PROVIDES THE FOLLOWING:

Y' = DATE OF INCEPTION: MARCH 1933 = 1933.25  
 Y = YEARS FROM INCEPTION = (YEAR X 12) + \* MONTHS / 12 - Y'  
 I = NORMAL INDEX: MARCH 1933 = 37.7  
 R = NORMAL INDEX RATE: MARCH 1933 = 1.812796027%  
 I' = INDEX: JULY 1967 = 100.2  
 R' = INDEX RATE: JULY 1967 = 4.818094482%  
 R'' = INDEX RATE PER 100: = 4.808477526%  
 T = TANGENT AT INCEPTION: = .083474176

A = B + (R (B / 100) / (I / I') ^ 2) (100 I / I') - (R (B / 100) / (I / I') (100 I / I'))  
 B = (T Y' / 100) + 1 ^ Y' (100 I / I')  
 C = B - (R (B / 100) / (I / I') (100 I / I'))  
 D = B - (R (B / 100) / (I / I') ^ 2) (100 I / I')

CONSUMER PRICE INDEX - B - IS THE AVERAGE CHANGE IN PRICES OVER TIME IN A FIXED MARKET BASKET OF GOODS AND SERVICES. IT INDICATES:  
 1. APPARENT PURCHASING POWER.  
 2. APPARENT MONEY IN CIRCULATION.  
 3. AVERAGE RATE OF THE INDEX.  
 4. ANNUAL RATE OR VELOCITY OF THE INDEX.

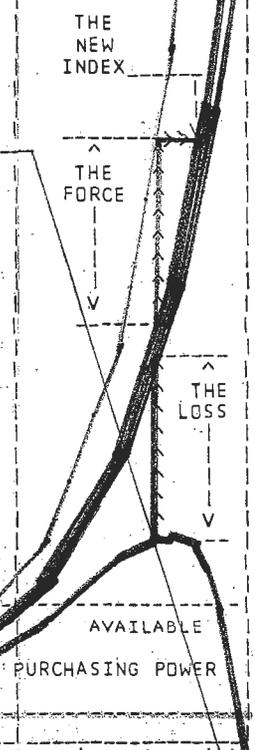
PHANTOM INDEX - C - IS THE NORMAL COST OF A RATE OR (B - C). IT INDICATES:  
 1. NORMAL ACTUAL PURCHASING POWER.

PHANTOM INDEX - D - IS THE AVAILABLE PURCHASING POWER. IT INDICATES:  
 1. THE LOSS OF PURCHASING POWER OR (C - D)  
 2. THE ADDITIONAL MONEY REQUIRED TO BE IN CIRCULATION OR (C - D).

EXAMPLE:  
 IN SEPTEMBER 1996, DUE TO THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL, THE AVERAGE PROJECTED CONSUMER PRICE INDEX WILL BE 999.6. THE INDEX OF AVAILABLE PURCHASING POWER WILL BE 518.2. THE LOSS IN THE INDEX (C-D) WILL BE 463.3. A CORRESPONDING LOSS IN PURCHASING POWER IS THE FORCE THAT WILL PERMIT NON-PRODUCTIVE WAGE AND PRICE INCREASES THAT WILL FORCE OR INFLATE THE CONSUMER PRICE INDEX TO A NEW INDEX OF 1462.9 BY MAY 2000. INSUFFICIENT MONEY WILL INCREASE UNEMPLOYMENT.

CONCLUSION:  
 THE ELEMENTARY RATE ANALYSIS SUPPORTED BY COMPUTATIONS, STATISTICS, AND HISTORY CONCLUDE THAT THE POWERFUL CENTURIES-OLD FORCE OF INFLATION HAS BEEN CAUSED BY THE ADDITIONAL COST OF A RATE HIGHER THAN NORMAL.

CAN WE SERVE YOU AND YOUR PEOPLE?



	Date
Rawson	5/10/86
W. G. "	7-27-86

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

F0006-10

INCOMING

DATE RECEIVED: APRIL 25, 1986

NAME OF CORRESPONDENT: THE HONORABLE RICHARD L. LESHER

SUBJECT: PRAYERS AND SUPPORT REGARDING THE TOKYO  
SUMMIT

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION		DISPOSITION	
	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
KATHERINE C. SHEPHERD REFERRAL NOTE:	ORG	86/04/25	<i>KAAC 08/04/25</i>	<i>AB</i>
REFERRAL NOTE:				

COMMENTS: DICK P-3

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: \_\_\_\_\_

MI MAIL USER CODES: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                       *                       *CORRESPONDENCE:  *
*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL *           OF SIGNER  *
*D-DRAFT RESPONSE      *C-COMPLETED        *           CODE = A   *
*F-FURNISH FACT SHEET  *S-SUSPENDED        *COMPLETED = DATE OF *
*I-INFO COPY/NO ACT NEC*                       *           OUTGOING  *
*R-DIRECT REPLY W/COPY *                       *                       *
*S-FOR-SIGNATURE       *                       *                       *
*X-INTERIM REPLY       *                       *                       *
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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE  
 (ROOM 75, OEOB) EXT-2590  
 KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING  
 LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS  
 MANAGEMENT.

5

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

391114

1615 H STREET, N. W.  
WASHINGTON, D. C. 20062  
202/463-5300

RICHARD L. LESHER  
PRESIDENT

April 24, 1986

K5

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

Please accept our sincere gratitude for taking the time to speak to us yesterday. I know how great the burden of your office must have been in recent days, and how difficult the task before you at the Tokyo Summit. We appreciate you making time in your hectic schedule to visit with us.

The business community is keenly aware of the complex issues you face in Tokyo, but we are equally aware of how fortunate we are to have a President who truly appreciates the value of free enterprise and is so committed to preserving and expanding it.

We share your faith that freedom and free enterprise are irrevocably intertwined, and that upon those twin pillars rests the fate of our country and our species. Our thoughts and prayers go with you as you embark upon your long and difficult journey.

Sincerely,



Richard L. Lesh



# U.S. National Archives & Records Administration

**Current Status Details  
for CTRH RECID: 392187  
MAIN SUBCODE: F0006-10**

Current Status	Open
User Name	dbarrie
Status Date	2020-02-10
Case Number	F16-011
Notes	7 p. Transferred to TR155

## Review Status History

No.	Status	Date	User	Case Number	Notes
1	Open	2020-02-10	dbarrie	F16-011	7 p. Transferred to TR155
2	Open	2020-02-10	dbarrie	F16-011	7 p.