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The President has seen _____

THE SCHEDULE OF
PRESIDENT RONALD REAGAN



Wednesday, April 11, 1984

9:00 am
(25 min)

Staff Time
(Baker/Meese/Deaver)

Oval Office

9:25 am

Depart for Kansas City,
Missouri and Dallas, Texas
(See Separate Schedule)
(Henkel/Fuller/Whittlesey)

South Lawn

(trip schedule available later)

(supplementary detail noted below)

On Dallas, Texas

Thursday, April 12, 1984

3:35 pm

Arrive Back at White House

South Lawn

5:00 pm
(30 min)

Reception for NRCC's Republican
Congressional Leadership Council
(Tutwiler/Rosebush)

Residence

(draft remarks distributed
previously)

SUPPLEMENTARY BRIEFING MATERIALS

- TAB A - Briefing for Visit to Ford's Claycomo Plant, Kansas City (Fuller)
- TAB B - Missouri Political Overview (Rollins)
- TAB C - Briefing Materials for Dallas (Fuller)
- TAB D - Briefing for Housing Construction Site Visit (Whittlesey)
- TAB E - Briefing for Meeting with Representatives of Housing Industry (Whittlesey)
- TAB F - Texas Political Overview (Rollins)
- TAB G - Congressman travelling aboard Air Force One

UNP 04/10/84
4:00 pm

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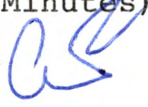
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THE WHITE HOUSE

WASHINGTON

April 10, 1984

VISIT TO FORD'S CLAYCOMO PLANT, KANSAS CITY

DATE: April 11, 1984
LOCATION: Kansas City, Missouri
TIME: 11:30 A.M. (90 Minutes)
FROM: Craig L. Fuller 

I. PURPOSE

To visit the Ford plant, meet with its employees, and generally show support for the accomplishments Ford has made in the Claycomo plant facility.

II. BACKGROUND

The following information will describe the Claycomo facility as well as Ford's and the U.S. auto industry's performance during the last several years. In our conversations with the plant managers, we have learned that the union members may raise questions during your visit about the Administration's opposition to local content legislation as well as general economic issues. The attached tabs will provide you with background on the questions that may be raised.

Ford Plant at Claycomo

Ford's Kansas City assembly operations began in 1912. This plant was Ford's first auto assembly plant outside the Detroit area in which it assembled seven model T's per day.

The Claycomo facility has been in operation since 1957. It employs some 4450 people to produce about 250,000 Tempo/Topaz cars and 150,000 conventional pick-up trucks each year. Although current employment is up from the low point of 3550 in 1982, it is still below the peak of 5100 in 1978.

Ford has two auto assembly plants in Missouri, the other is in St. Louis. Sixty-one percent of total Ford employment in the State is in the Claycomo plant.

THE WHITE HOUSE
WASHINGTON
D.C. 20540

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Ford's Performance during the Recovery

In 1983, Ford reported total world-wide factory sales of 5.0 million units, up 15 percent from 1982. Total U.S. sales were nearly 2.7 million units, a 28 percent increase from 1982 levels. Ford's domestic car sales improved 16% over 1982 to about 1.8 million units. Ford's share of the total U.S. car market, therefore, increased to 17.2% in 1983 from 16.9% in 1982. Ford also increased its truck market share from 29.6% in 1982 to 31.3% in 1983. The F-series truck (produced in the Claycomo plant) is the best selling truck model in the United States.

Ford reported worldwide factory sales in 1983 of \$44.6 billion. Net income was \$1.9 billion versus a loss of \$658 million in 1982. Ford's domestic net income was \$1.5 billion in 1983. While U.S. earnings were particularly strong, foreign earnings declined to \$351 million in 1983 from \$460 million in 1982.

Despite these earnings, Ford's balance sheet has not recovered to pre-recessionary levels. The company's debt has increased from 12% of equity in 1978 to 36% of equity in 1983. Also, Ford's return on sales was 4.2 percent in 1983 versus 4.7 percent in 1977. This was strong performance, but it could not erase the damage done during the recession.

Auto Industry Performance during the Recovery

Industry sales recovered strongly in 1983, improving 15 percent over 1982 from about 8.0 million units to 9.2 million units. Passenger car sales increased by about 15 percent and truck sales increased 24 percent over the prior year. While strong, total motor vehicle sales were still about 8 percent below the level of 1978, the last previous healthy sales year.

The large increase in domestic sales and the much smaller growth in imports produced a decline in import penetration from 27.9 percent in 1982 to 26.0 percent in 1983. The market share held by Japanese cars fell even more, from 22.5 percent in 1982 to 20.4 percent in 1983.

The industry had a record profit last year of \$6.15 billion, which resulted from the following factors:

- Improvements in cost structure
- The continuation of contracts that helped contain the growth of labor costs
- The end of rebate and other discount programs
- Strong sales of larger, more expensive models
- Continued limits on Japanese imports

For 1984 as a whole, the industry should earn \$9-10 billion.

III. PARTICIPANTS

Phillip Caldwell, Chairman, Ford Motor Company
Paul Nolan, Plant Manager, Claycomo Ford Assembly Plant
Employees of the Claycomo Plant, White House Staff

IV. PRESS PLAN

Open Press

V. SEQUENCE OF EVENTS

- 11:30 - Upon your arrival you will be greeted by Chairman, Phillip Caldwell and Plant Manager, Paul Nolan.
- 11:35 - You will then be escorted to the employee cafeteria for lunch with the employees.
- 12:00 - You will begin a tour of the plant facility, greeting the employees along the way and placing a Ford sticker on an auto windshield.
- 12:20 - You will proceed to the dais and make remarks, and present a plaque to Louis "Barney" Maxon, an electrician who has worked 50 years at the plant. You will be presented with a Ford hat for a photo opportunity.
- 12:40 - You will meet with the management/employee joint involvement council to discuss issues of concern to them.
- 1:00 - You will depart Claycomo plant.

THE WHITE HOUSE

WASHINGTON

Background Material for the Ford Claycomo Plant Visit

April 11, 1984

Tab ⁽~~A~~: Commerce Department Question and Answer Summary --
Automobile Import Issues

Tab [✓]~~B~~: Office of Management and Budget -- Legislative and
Regulatory Issues Concerning the Auto Industry

Tab [}]~~C~~: Treasury Department -- Interest Rates and the Economy

TAB 85

QUESTION:

Mr. President, do you think the voluntary restraint on Japanese auto exports to the United States ought to be extended for a fifth year?

ANSWER:

We've just started the fourth year of the restraint, and I think its much too early for the Administration to decide what position we'll take on a possible extension.

The Japanese have voluntarily limited their auto exports to the U.S. since 1981 to give the U.S. auto companies "breathing room" to weather the sales slowdown and complete their capital investments in new, more fuel efficient cars. In that sense, the restraint has been a good deal for the U.S. industry since those massive investments are now paying off in better cars, more sales, lower costs, and higher profits.

QUESTION:

Does the Japanese tax system subsidize Japanese auto exports to the U.S.?

ANSWER:

The Commerce Department has looked at this point in detail. So far they have been unable to find a tax subsidy. We have laws that would allow us to deal with the situation if a subsidy exists.

QUESTION:

What will auto sales and profits be in 1984?

ANSWER:

We look for an extremely good year in 1984. Total first quarter sales were 10.6 million on a seasonally adjusted annual rate basis. For the year, based on a conservative reading of sales and economic trends, total industry sales should be about 10.4 million units, 12 percent above 1983. Profits should be around \$9-\$10 billion.

In 1983 the industry earned a record profit of \$6.15 billion. The recovery has clearly taken hold in the auto industry, but there is more to be done. We are going to need a healthy, profitable auto industry in this country if the companies are going to be able to make the capital investments that will be essential to stay competitive.

QUESTION:

Ford has reported that Mr. Caldwell received \$1.4 million in salary bonus last year. Don't you think this is excessive?

ANSWER:

Its hard to say what level of bonus is "too much" for a particular person. Auto excutives have tremendous responsibilities. They have engineered an unprecedented turnaröund for their companies, and certainly deserve to be rewarded. They know better than anyone that profits must be used for new machines, new products, and rewards for a job well done, and that there is only so much to go around.

I think its a good thing that the industry is moving toward more profit-sharing for all employees as a real incentive for increased productivity.

TAB. B.

2

Q & A's for the President's Visit to Ford Motor Company

Q. What are you doing to prevent interest rates from rising and hurting car sales?

A. Despite the recent upward pressure on interest rates, their levels are still well below those when I took office -- the prime rate is 12% vs. 21 1/2% in late 1980.

The best way to lower interest rates is to keep inflation under control and to reduce the role of government in the economy. We have made strides in both areas.

- o The rate of inflation has been cut from over 12% to under 5% now.
- o We have been working very hard to get the growth of Federal spending down, and we have cut the rate in half. But we have a long way to go; we are having a hard time persuading the Congress that the best way to reduce the deficit and free resources for the private sector is to cut spending.

Q. The high value of the dollar and the low value of the Japanese yen have given Japan an unfair advantage in world markets. What can be done about that?

A. For the last year and a half, the yen has been appreciating against the dollar. So far, the increase has been only 18%, but the movement is steadily in the right direction. We have been working hard to get the Japanese to open up their financial markets to international borrowing so as to make the yen a world currency. They are moving -- slowly but moving -- in that direction. We are also pressing them to open up their markets for agricultural products, communications equipment, and other products. Those negotiations are continuing.

The dollar has been high in relation to European currencies, and capital has flowed into the U.S. in response to our safe and sophisticated financial markets, our strong growth prospects, and high returns on investment in the U.S. This inflow has helped to finance our expansion. Our exports have been slowed by the high value of the dollar, by worldwide recession and by debt problems. But recoveries are now underway in many other countries, and our exports should benefit from those expanding markets.

Q. Why do you oppose domestic content legislation?

A. 1. Its cost to the nation would be excessive.

- o Consumers are already paying markups of up to \$2,000 for imported cars -- this enables domestic manufacturers to raise their prices, too. Domestic content would increase car prices by over \$300 per car by 1987.
- o Reduced availability of low-priced compacts would hurt lower-income families.

2. It violates our international obligations.

- o The U.S. would be the loser, because foreign governments would retaliate against our exports.
- o No other leading auto producing nation has domestic content legislation.

3. It would create a paperwork nightmare for manufacturers, and a new Federal bureaucracy.

4. The auto industry is recovering without it.

- o 1983 sales were up 17.2% over 1982.
- o Profits for domestic makers are at a record \$6.3 billion.
- o 100,000 production workers have been recalled.

Q. What is the Administration doing about mandating airbags in all cars?

A. The Department of Transportation (DOT) initiated a rulemaking last November on the passive restraint standard. DOT is currently studying the evidence submitted during the rule-making process and expects to announce a decision this spring.

Q. Generally, what is the Administration's approach to regulations dealing with highway safety?

A. This Administration has, right from the start, worked to minimize the Federal Government's role in regulating your industry. Of course, we want to see accidents and deaths on the highway reduced. We believe, however, that you and the American consumer are best able to do this. The Department of Transportation has tried to find ways of encouraging people to drive safely -- to use their seatbelts and avoid drinking and driving -- without mandating costly regulations. We have worked to be certain that rules are issued only where benefits are sure to outweigh costs.

Q. Mr. President, is this recovery going to last?

A. Yes. Real GNP in the first quarter was up at a 7.2% annual rate, after increasing 6.2% during 1983. Industrial production has risen 18.5% in the past 15 months -- a greater rise than for any recovery of the past 25 years. Civilian employment has increased by over 5 million, the number of unemployed persons has fallen by 3.1 million, and over 100,000 production workers have been recalled by the auto industry. The strength of this recovery surprised a lot of people, but it did not surprise me!

I think this expansion has a long way to go. Real after tax income is rising at an 8% annual rate after years of stagnation. Consumers and businessmen are optimistic about the future. Business is planning a 12% increase in real investment in 1984. The index of leading indicators was up 1.1% in January -- the 16th rise in 17 months. That signals increases in spending, production, and employment ahead.

Q. Mr. President, do you think that American automobiles will be competitive in world markets in the years ahead?

A. There's no question that markets for most products are now worldwide. You found that out at the time when the U.S. was in the midst of a record inflationary spiral, gasoline prices had doubled from the beginning of 1979 to March 1981 and the smaller cars long made in Europe and Japan therefore were in increasing demand.

In the last few years, you have done a remarkable job of coping with those problems. Over 1978-82, U.S. automakers have invested \$51 billion in plant and equipment in order to expand capacity for making small cars and to hold down the cost and improve the quality of all cars. You have streamlined operations, improved control over inventories, and increased the use of electronics. Workers agreed to wage and benefit concessions and work rule flexibility. Best of all, labor and management have been working together to improve our competitiveness. Breakeven points have been lowered, and our reputation for quality is improving.

Now gasoline prices are declining, and the share of small cars is stabilizing. With the economic expansion in the U.S. and the recovery getting underway worldwide, we have a chance to see how well we can hold our own in world markets. The contest is not over, but you have won a chance to compete in the finals by your recent progress.

Interest Rates in Perspective

I am sure you have all seen that interest rates have been rising recently. Last week the prime rate went from 11-1/2 to 12 percent, and the Federal Reserve raised the discount rate from 8-1/2 to 9 percent.

Like you, I regret seeing interest rates rising again. After all, interest rate jumps add to the deficit. But these increases have to be seen in perspective.

The fact that interest rates have gone up is a sign that our recovery is strong. Even though there were those who said it would never happen, we are in an investment boom. The drop in inflation, and our tax incentive program have made it more profitable for businesses to build new plants and equipment. Corporations all over America are willing to pay higher rates of interest to build our industrial capacity. But the good news is this new capacity will help keep inflation down.

The fact is our economy has been very strong. And it's pretty much all across the board. Auto sales have been strong. In February, housing starts were at the highest rate in almost six years. And in the first year of this recovery, businesses have been investing at twice the rate as in the past five recoveries.

Consumer confidence is also strong. We have created more than 5 million new jobs since the recovery began and there are 105 million Americans at work -- a record number. Real take home pay has been rising as well.

So its no wonder that business and the consumer have been going to the banks and borrowing more. They see their future more clearly than anyone else, and they have matched their vision with confidence in themselves.

Now in the second year of recovery it's normal for private credit demand to increase, and some modest rise in interest rates is inevitable. We expected that, and it's happened. But we believe that interest rates need not rise much further. Inflation remains under control. There is still substantial room for the economy to expand and for unemployment to continue to come down.

There are signs that the rate of growth in the economy will soon begin to moderate. Now I don't mean that economic growth will stop. But for the balance of the year, our growth will be more moderate and more sustainable.

We have asked the Federal Reserve to supply enough money and credit to continue our economic expansion without renewing inflation. This can be done without a major rise in interest rates. Indeed, if our rate of growth does slow, and demand for credit subsides, interest rates can resume their decline from the highs of three years ago.

Their task will be made easier when Congress completes action on the proposed \$150 billion downpayment on our budget deficit program, with emphasis on cutting government spending.

There is no reason that America cannot enjoy a long period of solid economic growth without serious inflation, if reasonable monetary and fiscal policies are followed.

Q: Will the recent rise in the prime rate and discount rate abort the economic recovery?

A: No, even though we don't like them, the interest rate rises so far can be absorbed by our growing economy.

Q: If cutting the deficit will help the Fed to keep interest rates low, why don't we raise taxes to ensure that prospect?

A: Raising taxes will slow economic growth -- the last thing in the world we want.

-- Tax increases won't help sell more cars. You don't help Americans make car payments every month by taking more taxes out of their paychecks.

-- Tax increases won't help sell more homes. You don't help families make mortgage payments every month by taking more taxes out of their paychecks.

Q: Do you want the Federal Reserve to ease up?

A. All we want the Federal Reserve to do is to supply enough money and credit into the system to maintain good growth in the economy without inflation. We don't want them to flood the system with money. That would start the inflation cycle all over again. We don't want them to begin to tighten when there is no cause to do so.

Background on Interest Rates

Interest rates have been rising since early February. The economic recovery continues strong. There has been strong credit demand by consumers for purchases of autos (8.2 million units at an annual rate so far in 1984, up from 5.8 million in 1982), durable goods and homes (the highest rate of housing starts in February in almost 6 years). Business credit demand has been strong as a major investment boom has developed (with business fixed investments rising at more than twice the rate, 12.6% versus 5.7%, of the first four quarters of the five economic recoveries from 1954 to 1976). Federal borrowing, on the other hand, will be running slightly below expectations as the deficit has been running slightly below forecast.

The recent increase in the discount rate from 8-1/2 to 9 percent has "followed the market," bringing the rate more in line with higher market rates. Market analysts responded positively to the small increase. The recent increases in the prime rate from 11 to 11-1/2 percent and then to 12 percent have also followed, rather than led the market.

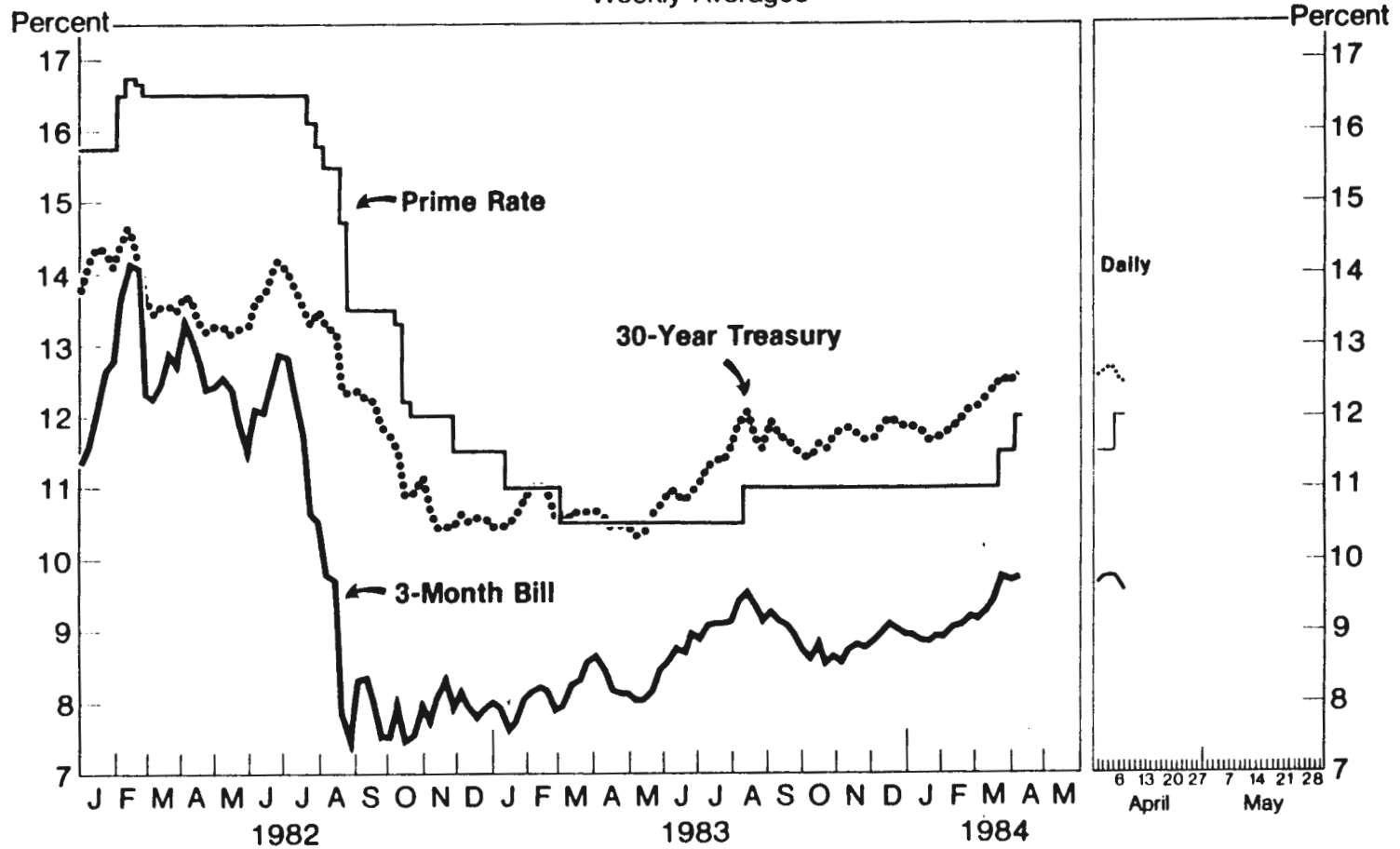
The Federal Reserve has only partially accommodated the strong credit demand of recent months. M1 is near the top of its target range, rising at an 8.1 percent annual rate over the latest 13 weeks. M2 is not rising so rapidly, 7.4 percent since the fourth quarter, and is in the bottom half of the target range.

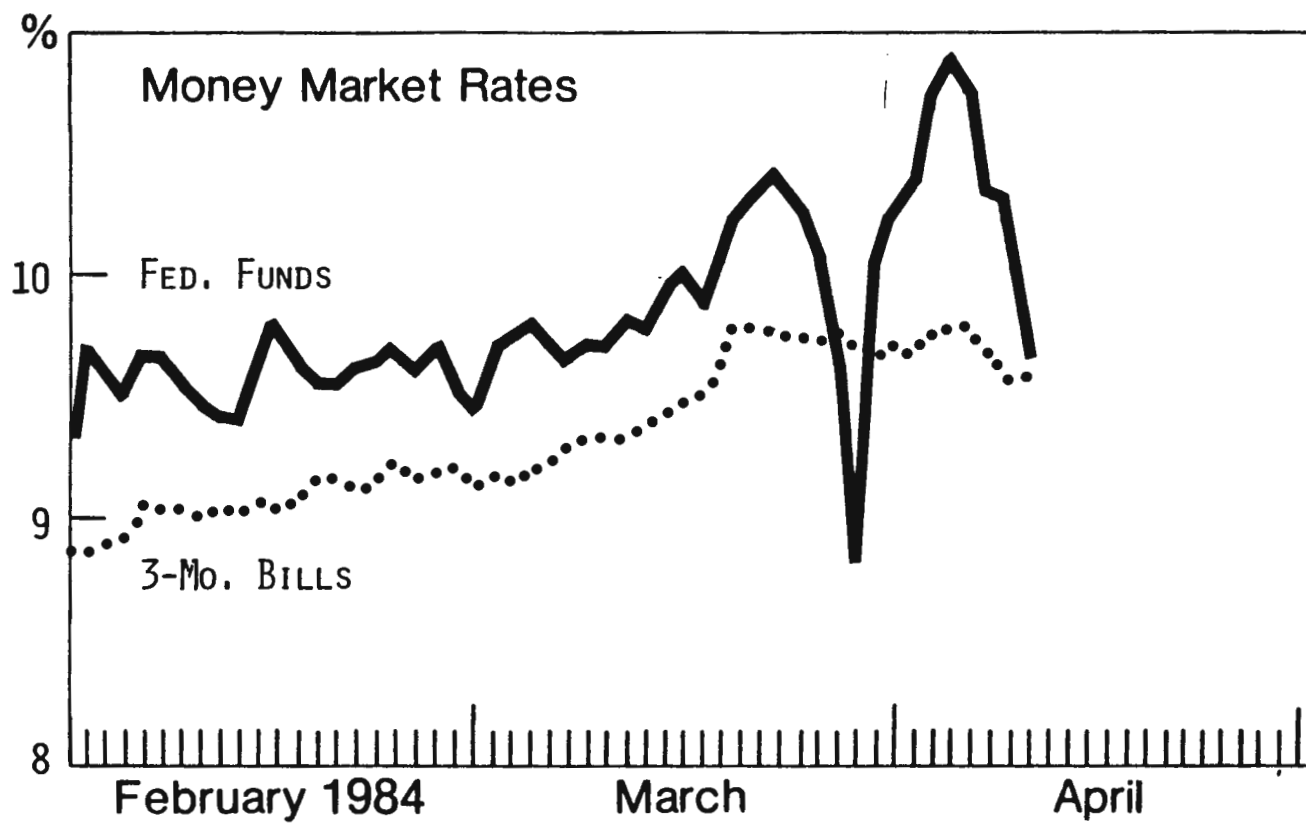
In recent days, economic statistics have indicated slower economic growth in March, and interest rates have dropped. (Unemployment failed to decline in March. Employment was up, but at a reduced rate. Hours worked declined. Retail sales and industrial production are expected to show only small increases later this week.) Market analysts expect a \$1 to \$3 billion drop in M1 this week, which should further reduce interest rates as it becomes less likely the Fed would tighten further.

The Federal funds rate has eased noticeably, from about 10-1/2 percent last week to less than 10 percent at times on Monday and Tuesday. The funds rate has probably risen far enough to slow money growth as much as is desirable. The Fed needs to be careful not to slip into overkill.

INTEREST RATES

Weekly Averages





MEMORANDUM FOR THE PRESIDENT

TO: ED ROLLINS *ER*
THROUGH: FRANK J. FAHRENKOPF, JR. *FJF*
FROM: WILLIAM I. GREENER, III *WIG*
DATE: April 9, 1984
SUBJECT: **MISSOURI - POLITICAL BRIEFING**

STATE POLITICAL BACKGROUND

- 1980 presidential results:
statewide: Reagan 51% Carter 44% Anderson 4%
Jackson County Reagan 41.76% Carter 53.42% Other 4.82%
(Kansas City)
- 1984 Electoral Votes - 11 1984 GOP Convention Delegates - 47
- Republicans have won:
 - 3 of the last 8 presidential elections since 1952.
 - 2 of the last 11 U.S. Senate elections since 1956.
 - 2 of the last 7 Gubernatorial elections since 1956.

1984 PRESIDENTIAL ELECTION

- The GOP Caucuses will be held May 5-12, 1984.
- A poll conducted by Centerre Bancorporation and the Missourinet on January 30 through February 4 shows Missourians favoring President Reagan by 50.4%.
- Senator Eagleton has stated and recent polls support that if elections were held today, President Reagan would be elected over the Democratic candidates for president.
- Missouri Democrat presidential campaign summary:
 - The Democratic caucuses will be held on April 18 - June 9.
 - Mondale: Senator Thomas Eagleton has announced his support for the former vice president.
 - Hart: supported by Democratic State Senators John Schneider, Edwin Dirck, Nelson Tinnin, Harry Wiggins, John Scott, and Norman Merrell.
 - Jackson: Black Representative William Clay (D-MO) surprised the Mondale camp by endorsing Jackson for president.

STATE POLITICAL SUMMARY

- The primary election for federal, state and local office is August 7, 1984. Filing deadline is March 27, 1984.

U.S. SENATE:

- Incumbent Republican John C. Danforth, a former Wall Street lawyer and Ralston Purina heir, won a narrow 51%-49% victory over Democrat state Senator Harriett Woods in 1982.

- In 1982, Danforth became the first Republican ever elected to two consecutive U.S. Senate terms in Missouri.
- In 1980 Senator Thomas F. Eagleton (D-MO) was elected to a fourth term over Republican Gene McNary by a 52%-48% vote margin.

GOVERNOR:

- Republican Governor Christopher Bond's term is up in 1984 and he is constitutionally unable to seek a third term in office.
- Candidates for the Democratic gubernatorial nomination are:
 - Ken Rothman - present Lt. Governor
 - Mel Carnahan - present State Treasurer
 - Norman Merrell - State Senator and former Senate President Pro-Tem.
- Candidates for the GOP gubernatorial nomination are:
 - John Ashcroft - present attorney general
 - Gene McNary - present St. Louis County Executive and unsuccessful candidate in his 1980 bid to unseat Senator Thomas Eagleton

U.S. HOUSE OF REPRESENTATIVES: 3 Republicans 6 Democrats

- All incumbents have filed to seek re-election.
- Key 1984 Congressional races:
 - **2nd C.D. Western - St. Louis County.** Three-term Democrat incumbent Robert A. Young defeated Creve Coeur's Republican mayor of 16 years, Harold Dielmann, by a 57%-44% vote margin. He is expected to receive a strong challenge from Republican Jack Buechner, former Minority leader in the state legislature.
 - **4th C.D. West - Kansas City Suburbs; Jefferson City.** Three-term incumbent Democrat Ike Skelton will be challenged by GOP candidate Carl Russell, present sheriff of Russelville, Mo.
 - **9th C.D. - Northeast - Columbia.** Democrat Harold L. Volkmer will seek a fourth term as Congressman for Missouri's ninth Congressional district. Assistant Attorney General Carrie Francke has filed to run as the GOP candidate in this district.

STATE LEGISLATURE:

State Senate	12 Republicans	22 Democrats
State House	53 Republicans	110 Democrats

REPUBLICAN STATE PARTY OFFICIALS

STATE CHAIRMAN	Hillard Selck, Jr.
NATIONAL COMMITTEEMAN	Jewett M. Fulkerson
NATIONAL COMMITTEEWOMAN	Lydia J. Miller

REAGAN-BUSH '84 STATE CHAIRMAN	Bill Macon
	Roberta Capps
HONORARY CO-CHAIRS	John Danforth
	Christopher Bond
FINANCE CHAIRMAN	G.H. "Bert" Walker, III
CO-CHAIR	Marion Kreamer

THE WHITE HOUSE

WASHINGTON

April 10, 1984

MEMORANDUM FOR THE PRESIDENT

FROM: CRAIG L. FULLER

SUBJECT: Briefing Materials for your Trip to Dallas, TX

During your visit you will have an opportunity to talk with various local people about the housing issues in the Dallas area. However, it is likely that questions concerning interest rates and inflation will be uppermost in people's minds. The following tabs are designed to provide background on economic and other housing issues.

Tab ¹~~A~~: Department of Treasury -- Economic Issues
[NOTE: Same provided in briefing materials for Ford auto plant.]

Tab ²~~B~~: Office of Management and Budget -- Deficit,
Downpayment Issues

Tab ³~~C~~: Department of Housing and Urban Development --
General Housing Issues

Tab ⁴~~D~~: Department of Commerce -- Residential Construction
Industry Background

Revised SS

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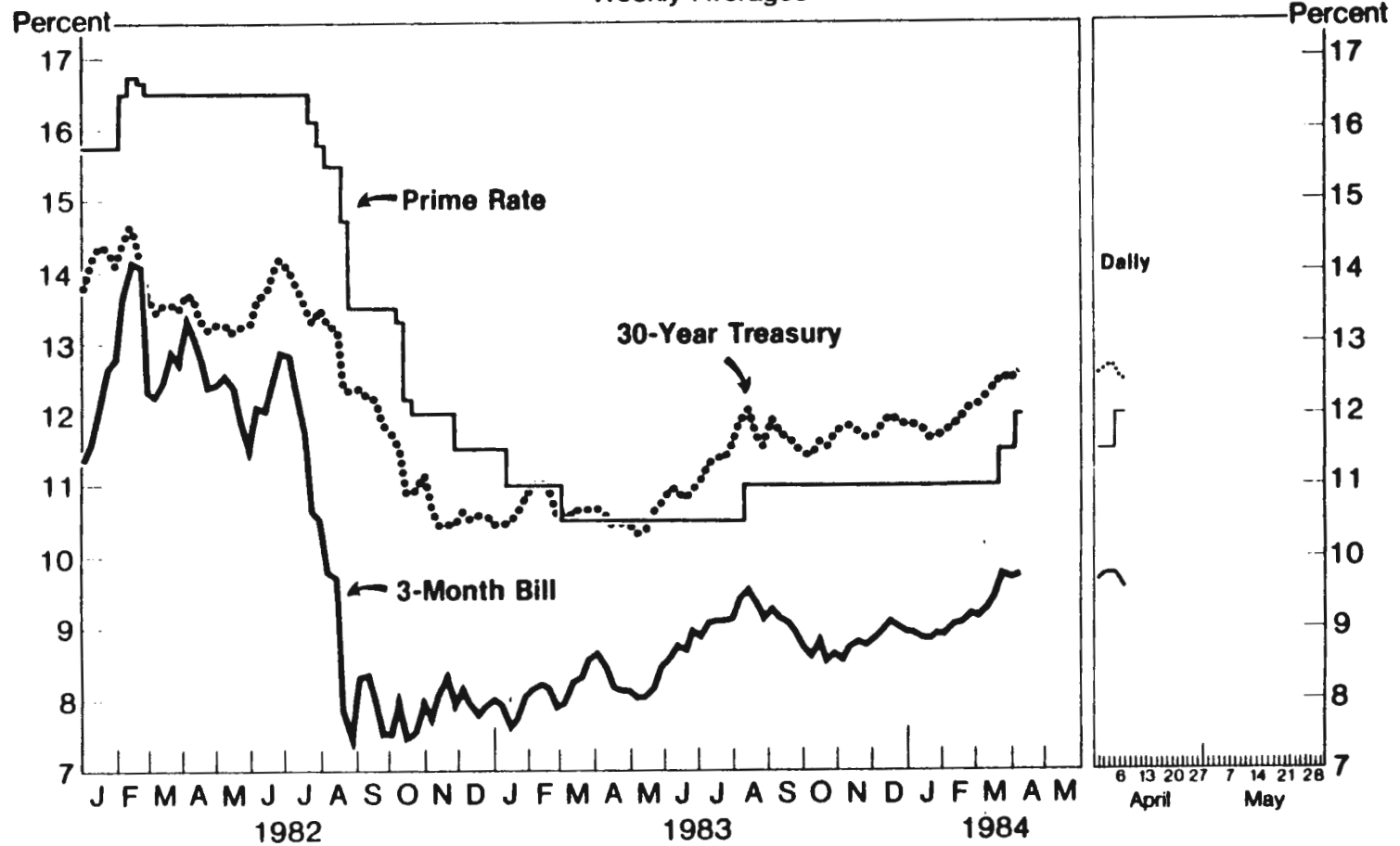
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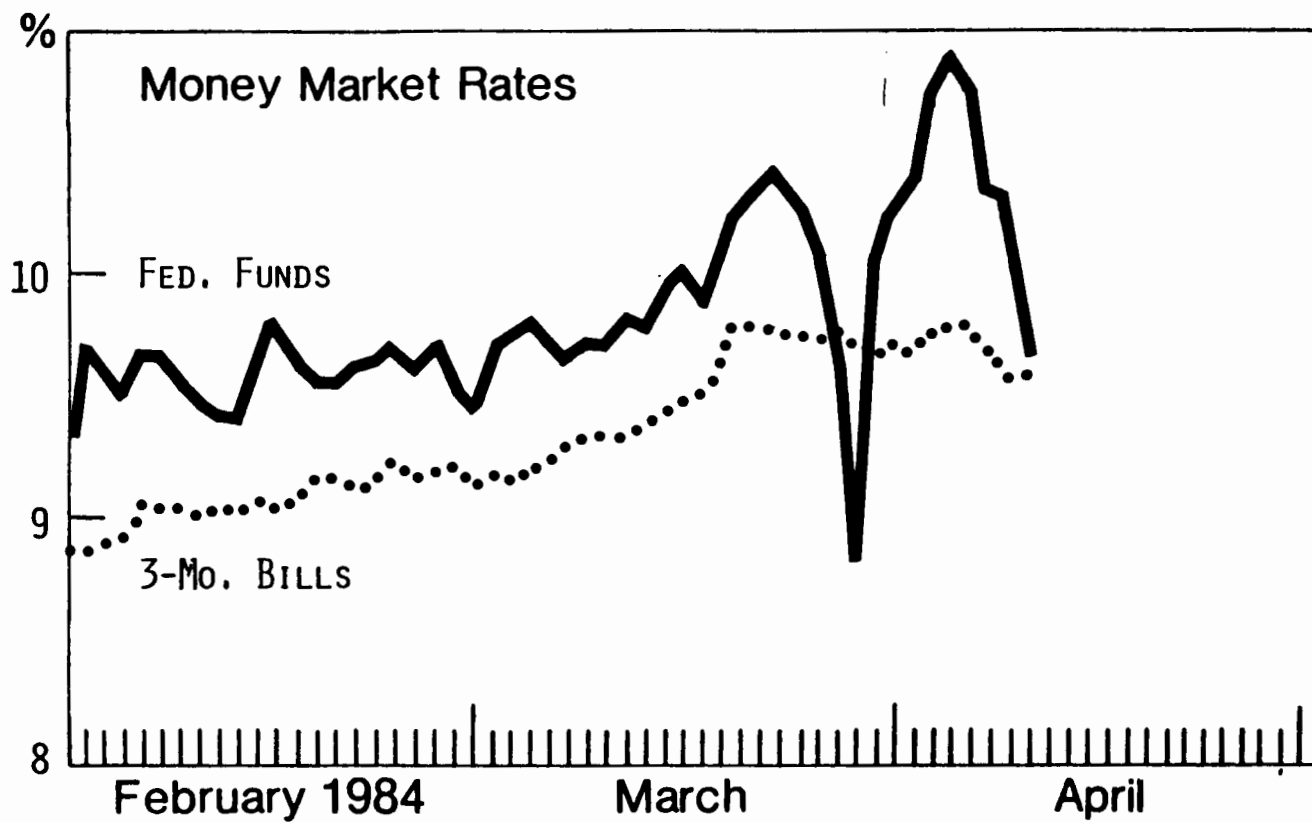
In recent days, economic statistics have indicated slower economic growth in March, and interest rates have dropped. (Unemployment failed to decline in March. Employment was up, but at a reduced rate. Hours worked declined. Retail sales and industrial production are expected to show only small increases later this week.) Market analysts expect a \$1 to \$3 billion drop in M1 this week, which should further reduce interest rates as it becomes less likely the Fed would tighten further.

The Federal funds rate has eased noticeably, from about 10-1/2 percent last week to less than 10 percent at times on Monday and Tuesday. The funds rate has probably risen far enough to slow money growth as much as is desirable. The Fed needs to be careful not to slip into overkill.

INTEREST RATES

Weekly Averages





2

2



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 10, 1984

MEMORANDUM FOR: Craig L. Fuller
Assistant to the President for Cabinet Affairs

FROM: J. Gregory Ballentine *JGB*
Associate Director for Economic Policy

SUBJECT: Questions and Answers for Presidential
Meeting with Housing and Builder Groups

QUESTION:

Aren't the large deficits causing high interest rates and won't that deter homebuilding and homeownership?

ANSWER:

Since we came into office, interest rates have been cut dramatically. As a result, we experienced a boom in housing that led the way out of the recession.

Most recently there has been a slight upward movement in interest rates. There may be many reasons for that small movement, but one I suspect is the uncertainty over Congressional response to the Downpayment Proposal on the deficit that I have suggested. If Congress would move quickly and responsibly to accept the \$150 billion Downpayment package, I would anticipate favorable response in interest rate markets. With such a favorable response and responsible action on the part of Congress, we will have continued growth in housing and home buying.

QUESTION:

Has the Federal Reserve tightened up on the money supply and caused interest rates to increase?

ANSWER:

I have asked that monetary policy provide a slow stable growth of the money supply consistent with the level of economic growth that we and the Fed have forecast. Recent Federal Reserve monetary policy has been consistent with that economic growth. The increase in interest rates that we have seen recently has been largely the result of some recent surges in borrowing and greater investor uncertainty over the Congressional action on the Downpayment Deficit Plan that I have proposed.

QUESTION:

Don't we need more than \$150 billion Downpayment Plan to reduce the deficit and cause interest rates to go back down?

ANSWER:

The \$150 billion plan that I have endorsed is a responsible step toward a deliberate policy of continued deficit reduction while maintaining adequate national security capability. The downpayment is just that -- a downpayment. With the recovery just beginning its second year, now is the time for the kind of package that is the Downpayment Proposal. Next year we can evaluate many broader proposals such as those described in the Grace Commission and elsewhere to reduce deficit spending on the part of government. Our goal must be to reduce the deficit spending that has grown out of control over the last decade and a half while not undermining our needed national security priorities and not raising tax rates across the board on all Americans.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410

APR 10 1984

MEMORANDUM FOR: Craig L. Fuller, Assistant to the President
for Public Affairs

FROM: Philip Abrams, Acting Secretary

A handwritten signature in black ink, appearing to read "P. Abrams", is written over the "FROM:" line.

SUBJECT: Presidential Remarks: Panel Discussion with Housing Industry
Leaders (Thursday, April 12)

Attached are questions and answers on various subjects of interest which
may arise during the President's participation.

Attachments

Q. WHAT IS THE STATUS OF YOUR TIMS LEGISLATIVE PROPOSAL?

A. TIMS (Trusts for Investment in Mortgage Securities) was recommended by my Commission on Housing as a means of stimulating additional private investment in housing mortgages. Innovation in the marketplace, without any statutory changes, has accomplished most of the recommended actions. I am continuing to study proposed legislation to be submitted to Congress.

Q. WHAT LEGISLATIVE INITIATIVES HAS YOUR ADMINISTRATION TAKEN TO ADVANCE HOMEOWNERSHIP FOR FIRST-TIME HOMEBUYERS?

A. The Housing and Urban-Rural Recovery Act which I signed on November 30, 1983 contains several of my recommendations:

1. Reduced FHA downpayment requirements on modestly-priced houses.
2. FHA insured Adjustable Rate Mortgages and Shared Appreciation Mortgages.
3. Authority to defer Federal building regulations for health and safety (Minimum Property Standards--MPS) to local building codes.

Q. HOUSING AFFORDABILITY HAS TWO COMPONENTS. YOU'VE SPOKEN ABOUT THE REDUCED COST OF MONEY. WHAT CAN BE DONE ABOUT THE "BRICKS AND MORTAR" COSTS?

A. Any community that wants affordable housing can have it. Secretary Pierce has been conducting a series of demonstrations on housing affordability (Joint Venture for Affordable Housing). The documented evidence confirms that local regulatory review can produce cost reductions of 20% in the sales price of a house. Private sector ingenuity combined with local government willingness to change achieves results through:

1. More efficient land use and reduced zoning restriction.
2. Up-to-date building code advances allowing new technology and methods.
3. One stop permitting to reduce development time.

- Q. THERE HAS BEEN MENTION THAT DALLAS MIGHT BE INVOLVED IN A HUD PROGRAM CALLED PROJECT SELF-SUFFICIENCY? WHAT IS THE STATUS OF THAT PROJECT, AND WHAT IS PROJECT SELF-SUFFICIENCY?
- A. Project Self-Sufficiency is a demonstration program which will seek to coordinate housing and other services at the local level. It aims to provide single parent households with a supportive web of services to enable single parents to obtain job training and secure entry level employment. HUD will provide housing vouchers for participating households.

The mayor of Dallas has indicated some interest in having a pilot project and HUD has agreed to provide vouchers if Dallas can put together the coordinated services. At present, HUD is waiting for the city to provide a complete proposal for the pilot project.

- Q. WHY DID SENATOR LLOYD BENTSEN RECENTLY ASK THE GENERAL ACCOUNTING OFFICE TO CONDUCT AN INVESTIGATION OF THE HUD REGIONAL OFFICE IN FORT WORTH FOR ALLEGED MISCONDUCT AND REPRISALS AGAINST FIVE OF SIX WHISTLE BLOWERS? THIS ACTION HAS RECEIVED HIGH VISIBILITY IN THE TEXAS PRESS.
- A. HUD has received some negative press in the Dallas/Ft. Worth area. The incident began when ranking of cities competing for Community Development ~~Action~~ ^{Block} Grants was changed to benefit two towns, allegedly to assist Cong. Phil Gramm. The altered scores were brought to the attention of Washington officials and the original ranking was quickly restored. Of six HUD officials named in the investigation, five have either been demoted or RIFed. Even though these personnel changes occurred following correct standard government practices, because of the negative press reaction, it appears to the public that five were given reprisals and the sixth was untouched because he is a friend of Vice President Bush. The press reported that the intervention for the sixth person took place in Washington but the Vice President recently denied having any involvement which is correct. Two persons supporting the altered ranking of the cities were reassigned.

PUBLIC HOUSING

Public housing plays an extremely important role in helping to shelter our people. More than 3.8 million people--about 40 percent are elderly--now live in 1.2 million public housing units. These public housing units are administered by 2,800 Public Housing Authorities (PHAs).

It is too often overlooked that the great bulk of the 2,800 PHAs operate efficiently and effectively. My Administration's overall goal is to insure that every occupied unit of public housing provide a good home for low-income people in a safe and habitable community environment. Furthermore, we recognize that public housing now in our inventory is a valuable asset that must be preserved and improved so that it, too, can play a major role in satisfying the overall housing needs for the community in which it is located.

DALLAS PUBLIC HOUSING

The public housing program is important to Dallas. There are over 11,000 public housing units providing shelter for more than 50,000 people. The Department of Housing and Urban Development works with Dallas in developing new public housing units, modernizing existing public housing units, and providing operating subsidies to help pay the difference between rental income and overall operating expenses.

A main issue in Dallas is the West Dallas Public Housing project where there is a high vacancy rate and much need for rehabilitation and modernization. Another issue--now settled--was the sale of the 347-unit Washington Place public housing project to Baylor University Medical Center.

Q. ISN'T IT THE INTENTION OF YOUR ADMINISTRATION TO DO AWAY WITH PUBLIC HOUSING?

A. No, that is not my intention. The existing stock of public housing is a valuable resource that we must maintain and improve. We must take care of these buildings because they are home for more than one percent of the people of the United States.

Q. WHY DID "SOMEONE" FROM HUD SUGGEST THAT THE DALLAS HOUSING AUTHORITY DEMOLISH 1,000 PUBLIC HOUSING UNITS IN WEST DALLAS?

A. After the "someone" you referred to made that mis-statement, HUD corrected it and made very clear that the use and disposition of the public housing stock is a matter for local decision. The disposition of public housing units--even vacant units--is a sensitive decision that must be made locally by the Public Housing Authority, ideally acting in concert with the elected leadership and representatives of the city's private sector, including business as well as civic interests. We will do everything the law permits to support that local decision.

(DALLAS PUBLIC HOUSING--continued)

Q. ISN'T IT STRANGE THAT AFTER MORE THAN TWO YEARS OF WORK AND A LOT OF POLITICAL SQUABBLING, THE SALE OF WASHINGTON PLACE IS CARRIED OUT AND THE ISSUE IS RESOLVED JUST BEFORE THE REPUBLICAN CONVENTION IS HELD HERE?

A. Isn't that a happy coincidence! That just goes to show you another good thing that the Republican Convention is bringing to Dallas.

Q. WHY DID YOU PERMIT THE SALE OF THE WASHINGTON PLACE PUBLIC HOUSING PROJECT TO THE BAYLOR UNIVERSITY MEDICAL CENTER?

A. Because the city of Dallas and the Public Housing Authority asked us to and the reasons they gave us satisfied the requirements of the law. The project was in an extremely deteriorated condition and repairing and rehabilitating the units would have been unacceptably high in cost.

Q. A FEDERAL JUDGE IN CLARKSVILLE, TEXAS, RECENTLY ORDERED PUBLIC HOUSING TENANTS TO MOVE IN ORDER TO INTEGRATE PUBLIC HOUSING PROJECTS. A NUMBER OF PUBLIC HOUSING AUTHORITIES IN EAST TEXAS FACE THE POSSIBILITY OF RECEIVING SIMILAR ORDERS. DO YOU APPROVE THE USE OF THIS KIND OF REMEDY TO PROMOTE INTEGRATION IN PUBLIC HOUSING PROJECTS?

A. Racial segregation in public facilities was declared unconstitutional by the Supreme Court 30 years ago next month. The Civil Rights Act of 1964 was enacted 20 years ago, and just this week, I participated in a celebration of the passage of the Federal Fair Housing Act 16 years ago. I think it has to be a source of pain to any of us to see that today, so many years later, there are still remnants of officially imposed segregation in Federally supported facilities such as public housing.

Devising a remedy to cure today the lingering effects of discrimination practiced years ago is one of the most difficult and sensitive tasks that we encounter daily in the civil rights area. A Federal Judge ordered a remedy in Clarksville that has been controversial, but I don't think I should comment on this complex situation in this kind of setting. I know that the Department of Housing and Urban Development, as well as the Justice Department, are deeply involved in seeking a resolution of lingering segregation in public housing that will honor individual rights as well as overcome the effects of discrimination. I can only say that that is an outcome that we must all search and work for, both patiently and tirelessly.

By the way, I should add something to that. Several of my appointees, high officials, in HUD came down to Texas last month and met with local public housing officials, and some mayors, in the East Texas area to discuss this situation. I understand that the general response by the local officials was a positive one. They have experienced racial desegregation in most areas of their community life--schools, jobs, and so forth--and with HUD's encouragement they are taking this situation into their hands with an attitude of doing something positive about it. I think that kind of local initiative--to do what's right on their own without waiting to be ordered to do it--is encouraging and thrilling. And I'm sure it will make for a better outcome, besides.