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Memorandum from Steve McSpadden

Steve McFadden

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Congress of the United States

House of Representatives

COMMERCE, CONSUMER, AND MONETARY AFFAIRS
SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-377

WASHINGTON, D.C. 20515

July 25, 1984

MEMORANDUM

TO: Eleanor Lewis
Administrative Assistant to
Congresswoman Ferraro, 312 Cannon H.O.B.

FROM: Steve McSpadden
Staff Counsel

SUBJECT: Material for Possible Speeches in Texas and the Southwest on the President's Promises and Neglect in Response to Serious Problems Caused by the Mexican Peso Devaluations

Congratulations on Congresswoman Ferraro's selection as the vice presidential nominee. I am very proud of her. And I am sure that this has changed your life. As you may recall, at Bill Lebovich's suggestion we met in January to discuss possible job opportunities for me. I should report that Stanley Bach and Walter Oleszch were very helpful in suggesting names of people to call, and, once again, I appreciated your telephoning them.

I read that Texas Governor White had invited Ms. Ferraro to campaign there. I therefore want to bring to your attention a copy of a House report (enclosed), which the Government Operations Committee issued last November, which I prepared. It strongly criticizes the President's failure to respond adequately to serious hardships suffered by border businesses and communities (including Tucson and San Antonio), caused by the severe Mexican peso devaluations. Material in the report, directly implicating the President and Vice President, could be useful in campaign speeches in Texas and the Southwest.

During the summer of 1982, due to drastic peso devaluations and currency controls, Mexican nationals greatly curtailed their substantial purchases of U.S. goods and services, including food, clothing, automotive parts, electronic goods, health services and even education for their children. Hundreds of businesses failed, tax revenue fell, and unemployment reached extremely high levels, from 37 percent in Calexico, Calif., to 27.4 percent in Laredo, Texas.

In a May 5, 1983, speech in San Antonio to a Hispanic group, President Reagan established an interagency group to examine the problem. (This resulted just after Senator Tower wrote a critical letter to White House Chief of Staff James Baker.) This interagency task force issued a report in July 1983, which contained numerous recommendations, such as a temporary Office of Border Affairs and Federal activity to facilitate the creation of new jobs and economic diversity. President Reagan proceeded to disregard almost all of the recommendations, and they received no publicity.

Then on August 13, 1983, during an El Paso speech to Hispanic Veterans, the President announced the creation of the Southwest Border Action Group and placed Vice President Bush in charge. This interagency group did little but discuss press relations, duplicate some of the work of the earlier group, and amass a list of routine Federal grants and loans to border communities and states, which were announced every week by the Vice President. Our report found that many of these announcements were deceptive, because many of the communities ultimately receiving the grants or loans were either many miles away from the border, sometimes hundreds of miles, or were not at all impacted by the border's economic problems. For example, a Farmers Home Loan Administration loan guarantee for a "well-to-do" housing project near Palm Springs was mentioned as a border assistance loan. Consequently, several days after our report was issued, the White House replaced Vice President Bush with Cabinet Secretary Craig Fuller, as head of this action group.

In August 1982, the Administration announced with much fanfare the SBA Peso Pack Program, primarily to help then-Gov. Clements and senatorial candidate Pete Wilson. Hundreds of small businessmen approached SBA expecting help from a special low-interest loan and loan guarantee program. They became frustrated and disillusioned when they found that "Peso Pack" was nothing more than SBA regular loan program with interest rates of approximately 15 percent and strict restrictions. As our Committee report states:

The peso pack program was a Federal response to a difficult situation, particularly publicized for maximum political impact. The program involved making left-over money available to border businesses and publicizing the availability of that money--hyping it in the words of one SBA official. Often both Democratic and Republican Administrations announce new Federal programs during campaigns. Here, however, the administration and the SBA . . . emphasized an implicitly new program, designed to alleviate the negative impact of the peso's devaluations on border business, which was not new, but which was instead deficient, inadequate, and possibly of short duration [because the Administration asked for no new direct loan funds for FY 1984, beginning one month after the program's announcement]. Page 41.

One SBA official called the program a "political sham to the Republican party," and he indicated that no money had been funded for it, although SBA heralded it as a \$200 million program.

The President could have declared an "economic disaster" along the border, which would have allowed SBA to make disaster loans available at 8 percent, but he refused to do so. And the Treasury and the Federal Reserve consistently refused to take even minimal steps to enable Mexican nationals at the border to convert pesos into dollars, even in reduced amount, to continue their U.S. purchases.

This Administration's response to the economic plight of the Mexico-U.S. border area, one of our Nation's poorest regions, demonstrates severe neglect, false promises, broken commitments, and deceptive and inaccurate statements. I do hope that some of these points and facts can be worked into campaign speeches. I would be very happy to elaborate or to discuss this further.

With very best wishes,

Steve McSpadden