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THE WHITE HOUSE
Office of the Press Secretary

PRESS BRIEFING
BY
LARRY SPEAKES

November 15, 1984

The Briefing Room

4:13 P.M. EST

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#1226-11/15

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MR. SPEAKES: I can begin by saying that the Cabinet meeting lasted for two hours and thirty-five minutes, and that's the most precise bit of information you will get out of me.

Q How about the new deficit projection?

MR. SPEAKES: Because it's a readout.

Q Is it about \$275 billion? \$300 billion?

MR. SPEAKES: The meeting began with Ed Meese talking about policy development. He was talking, really, over the period of the second term, not -- some of it would apply in the '86 budget period, but a good bit of the ideas he had, which are really philosophical approaches and not particularly program approaches.

To sum his presentation up, it was basically that the present way that things are done in the federal government is that budget drives policy. Mr. Meese would like to take our policy development initiative and have policy drive the budget.

He then presented a number of overall goals in major areas for initiatives, none of which I will go into.

Secretary Regan then took over and presented the current economic status and then the budget assumptions that would -- economic assumptions that are part of the forecast which the Council of Economic Advisors, Treasury Department and the OMB have agreed to that will go into planning the budget.

Then, David Stockman took over and presented a number of options that would reduce the deficit over a period to certain percentages of GNP. And that concluded the meeting.

Q When you say "options," you mean like specific program cuts or --

MR. SPEAKES: Not really. It was more in the hypothetical realm of what various departments would have to do to various programs in order to reach various levels within -- of deficit over GNP.

Q So, hypothetical cuts, though, you're saying, in each individual programs in individual departments.

MR. SPEAKES: No. They were very general and very hypothetical as to what you would have to do in a given area percentage-wise to reach a certain level of percentage of GNP.

David.

Q Several people are on record as saying that four percent growth assumption would be used for planning this budget. Was there any change? Or can we assume that the meeting ratified four percent growth --

MR. SPEAKES: You may assume that the three have agreed

MORE

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to that. And that's the way they are proceeding.

Q Was there a discussion of the fact that growth may be less than four percent? Was there any concern --

MR. SPEAKES: Yes. They looked at the growth patterns that -- the so-called "Chamber of Commerce high-growth pattern" and the so-called "blue chip lower-growth pattern." And ours basically falls in the middle of the two.

Q So it was decided to reject both the high and low and stick with the --

Q I'm sorry. You're saying four percent is good?

MR. SPEAKES: Yes.

Q For what period?

MR. SPEAKES: Pardon?

Q Is that just for --

Q What period?

Q -- Fiscal --

MR. SPEAKES: I think that's for Fiscal '86, yes. I don't recall what they did in '87-'88.

Q Did the President say anything?

MR. SPEAKES: If I had to sum up the President's -- the President's admonition and marching orders to his Cabinet -- and this is not a quote, but a precise summary -- no tax increase and cut spending.

Q And what? Cut spending?

MR. SPEAKES: Cut spending.

Q How did he put it? Can you be a little --

MR. SPEAKES: He put it in -- that was his precise message, summed up in headline terms.

Q -- these policy initiatives were that Meese discussed that you're not going to tell us about --

MR. SPEAKES: They were policy fields. For instance, there were several in the area to continue. And one is to continue narcotics reduction and crime reduction.

Q But my question was going to be did the President agree with the plan put forth by Meese?

MR. SPEAKES: No, the procedure for Meese would be to go back and to refine these into specific proposals, then work them through the Cabinet process, then bring them back to the President in policy options.

Ben.

Q Larry, it's been reported that there's a -- that the kind of baseline figure that Stockman is using for the '86 budget is a \$200 billion deficit, did the President come up with -- say, let's get it down to a certain figure or let's come up with a budget that gets it down to --

MR. SPEAKES: The figure we have seen reported is the projected '85.

Q -- in The New York Times today there was a figure of \$200 billion for '86. And as I understand it, some people are saying that's a good figure. Is there --

MR. SPEAKES: These projections that you're seeing -- you've got Steve upset -- (laughter) -- these projections that you're seeing are based on early Cabinet and agency submissions that are subject to revision. The entire budget process is subject to revision, so that's

why we don't talk about them because they do change.

Q But I guess -- my question is, is there anyone there -- did anybody in the Cabinet -- was there any agreement today that said, "Let's get them down to a lower figure than \$200 billion or let's get below that" --

MR. SPEAKES: There was --

Q -- budget --

MR. SPEAKES: -- unanimous agreement that there was a need to reduce. There was not any specific figure agreed upon.

Q Well, Larry, you said the President -- I mean, you said that Stockman presented various options. Did the President indicate an option he preferred?

MR. SPEAKES: No, he did not. These were various reduction options in order to reduce the percentage of the deficit -- percentage of the GNP that the deficit is in order to reach these percentages.

Q Well, what -- is this requiring a decision on the part of someone on which option to take or does --

MR. SPEAKES: It will, but it didn't today.

Q Who's decision?

MR. SPEAKES: It will be ultimately the President's.

Q Did you -- when you --

Q Well, I mean is Stockman going to implement the -- as he does this review process over the next 10 days, is he going to pick an option to --

MR. SPEAKES: No. It --

Q -- inflict on a Cabinet member or what?

MR. SPEAKES: -- it won't happen until there is further discussion by the budget working group and some final recommendations to the President, which I judge will not take place until after his return.

Q Larry, you've laid the 4 percent growth. Are you knocking down the idea that Stockman's baseline deficit number was \$200 billion?

MR. SPEAKES: Well, as I indicated to you that the figures you're seeing in the paper which have ranged from 190 to 210 are based on early submissions by the --

Q But I'm not talking about the paper. I'm talking about the meeting today. You seem to be knocking down the idea that the baseline figure from which they're going to reduce is not \$200 billion. And that's not the indication that we've been given -- that going into this meeting today, that that's the baseline from which they're not --

MR. SPEAKES: As I've said, you've seen in one paper 190 and 210. You've seen in another paper 200. This indicates to you that it is, indeed, an imprecise and working figure that they're working from that is based on the total amount of initial budget submissions that are coming from the departments and agencies all of which will be changed and -- reason I don't talk about it.

Q But in today's meeting, you mentioned the 4 percent

growth. Okay? And that was a working figure. They were talking about we're going to reduce the deficit and -- we're going to reduce the deficit and we're going to cut. From what figure? Is it not true that they're using the \$200 billion figure?

MR. SPEAKES: The only figure I gave you was 2:35, and that was the length of the meeting.

Bob? And I'll come back to --

Q Larry, it seems to me that the 205, 210 figure that they're bouncing around relates to fiscal '85 which is not something that these --

MR. SPEAKES: That's right.

Q -- that the budget deliberations are really going to have an impact on. Can you give us a deficit figure for the budget they're actually working on --

MR. SPEAKES: No, I cannot, and nobody can until the budget is completed and the President makes the final decision. That's why it's so dangerous to speculate on these figures.

Q Did the President -- you know, the three -- Regan, Stockman and the working group had agreed on the 4 percent growth figure. Did the President accept that?

MR. SPEAKES: Generally he does, but I don't think it will become final until it's printed in the budget. But I think he would accept that.

Helen?

Q Did the President tell the whole Cabinet, "I want everyone of you to cut the spending?"

MR. SPEAKES: He, as I said, that was his message to the Cabinet -- as I can sum it up for you. There's no new -- no tax increases.

Q That across the board all of them should cut?

MR. SPEAKES: Well, no, he didn't. No.

Q -- follow-up to that, Larry. Does the President -- was it discussed with him or did he express any preference for the idea of across-the-board cuts? In other words, everybody reduce their budget by the same amount.

MR. SPEAKES: No --

Q Is that going to be proposed or --

MR. SPEAKES: Not specifically. There may be some discussion in various quarters along those lines, but until the President makes a decision --

Q Is that everyone but Defense?

MR. SPEAKES: -- proposals that range from all to some to none.

Q No, I'm talking about his admonition to the Cabinet, what you said -- no tax increase, cut spending. Was he telling everyone that?

MR. SPEAKES: Telling everyone to do the very best they can to reduce government spending.

Q -- talked about a freeze where he didn't cut?

MR. SPEAKES: Talked about a freeze. There've been some people that have had those ideas, but there are various modifications of it that you would have to wait and see what the President decides --

Q -- talked about it today?

MR. SPEAKES: I just don't want to be that precise.

Q When you say that his two headlines were no tax increase and cut spending, did he give any direction at all to -- in terms of any areas as to where he'd like to see cuts or anything in terms of numbers or was it simply as general as cut spending? No direction at all --

MR. SPEAKES: It was as general -- general -- cut -- this is not the time and place for that. It will be when he gets some specific recommendations.

Q If I can just follow up, is he going to meet with the working budget group either today or tomorrow?

MR. SPEAKES: When you let me leave this briefing, I will go to the budget working

group and I will know the answer to that now; which, that action by me, going into that meeting, will preclude me from sitting up there trying to have you fine-tune and "background" anymore on this meeting -- which I won't do.

Candy?

Q I guess that means he doesn't know --

Q On those no taxes and cut spending thing that Reagan does -- was that open for discussion, I mean --

MR. SPEAKES: Which?

Q When the President said, okay, I don't want any tax increases, I want you to cut spending -- was there any room for discussion there -- I mean, you know how he likes to get dissenting views and all that --

MR. SPEAKES: There was room for it, but I think the silence indicated unanimous approval.

Q So -- now, wait -- (laughter) -- so nobody objected -- or --

Q Cap rolled his eyes --

Q -- among Stockman's list of options, or no tax increases -- that he said, well this is an option, or --

MR. SPEAKES: The whole revenue side of the budget is still pending the submission of the Regan --

Q There was no opposition in this Cabinet meeting when he said, "No tax increase," no one said, "Well, we might have to consider it," or --

MR. SPEAKES: No. I don't think anyone would have dared.

Q Two questions: Why were they talking about the deficit in terms of the GNP -- as a percentage of the GNP?

MR. SPEAKES: I think that's basically the way economists in financial markets look at the deficit is in -- in relation to the GNP.

Q Did they give a figure that it should be -- as a percentage of the GNP?

MR. SPEAKES: As I say, Stockman presented a number of hypothetical options to reduce the deficit to various percentages of the GNP.

Q And also, was there any talk of when the budget would be balanced? When, or if -- or how?

MR. SPEAKES: There are various proposals that could take the budget down to -- very close to a balanced level somewhere early in the 1990's.

Q Larry -- back to Meese -- in terms of objectives, not just for '86 but for the second term -- did he bring up new federalism or any more privatization?

MR. SPEAKES: There was discussion of federalism proposals, yes.

Q I'd forgotten about that --

Q Was it a short discussion?

MR. SPEAKES: No -- he covered it -- in general and broad terms.

Q Did the President say, "Yeah, let's do that," or, you know, we can't cope with this turkey -- (laughter.)

MR. SPEAKES: As I say, they go back and -- well, federalism proposals encompass a lot of things that we've been able to do, such as block grants -- and there are other options in that area.

David?

Q Did Meese also cover farm and health as two other subject areas?

MR. SPEAKES: He covered a number of areas, yes.

Q Was that a "yes" to that?

MR. SPEAKES: Charles? -- a number of areas.

Q Was Jack Kemp at this Cabinet meeting, or --

MR. SPEAKES: Jack Kemp was in the White House, but he was not at the Cabinet meeting.

Q Why was he in the White House?

MR. SPEAKES: I have no idea.

Q Second part of my question: Did Meese bring up privatization -- spin-off of some government functions to private industry?

MR. SPEAKES: No. No.

Q Was he trying to suggest that you should do the budget a different way in years after this?

MR. SPEAKES: Yes.

Q And -- and tell --

MR. SPEAKES: -- though not so much the budget --

Q Tell me again how he wanted to do it.

MR. SPEAKES: Well, it would be to have policy development drive budget instead of budget figures drive policy.

Q What would be an example of that, Larry -- that's interesting.

MR. SPEAKES: You decide the programs -- the way government does business, the way that some programs are needed and others aren't, and some that were created years ago for specific purposes which no longer exist -- and you would develop those programs to meet current needs, and then you would develop a budget to meet the newly designed program.

Q Is that kind of like zero-based budget?

MR. SPEAKES: I don't know nothing about zero-based budget -- (laughter.)

Q But Meese was told to put these -- make specific

proposals out of these -- is the idea that he will do that in time? To incorporate them in the FY '86 budget, or for future submission?

MR. SPEAKES: Some of both. Mostly the long range.

Q Was there agreement on his approach?

MR. SPEAKES: Well, I think everybody agrees that the way the federal government develops the budget is essentially a -- an unfruitful approach to the way to run the federal government, or the way to run any private business. And there are a lot better ways to do it. And I think we would look toward proposals that would restructure the budget process somewhere out in the new term. And we're talking about things like the balanced budget amendment, the line-item veto, the fact that it's difficult to operate -- you go back to ground zero each year with a new budget instead of trying to look at a budget over a longer term.

Q What about assumptions on interest rates? Were any assumptions actually arrived at at this meeting?

MR. SPEAKES: The assumptions had been previously arrived at, and they're proposed as a part of the budget -- and that includes interest rates and so forth which I won't go into.

Q Well, didn't they agree to adopt a mid-session -- a mid-session review on all these items?

MR. SPEAKES: David, I'm not sure how all of them compare to --

Q -- adjusted for changes since then -- but otherwise they'll assume that the mid-session holds all the way through '86?

MR. SPEAKES: I know that's been reported, but I'd have to compare the two to be sure that I'm not slipping on GNP or on unemployment or something along those lines. I don't frankly think there's been much change though.

Bob?

Q Larry, did the President say anything about wanting to have -- present budgets showing declining deficits in the out years? Or does that go without saying?

MR. SPEAKES: Goes without saying.

THE PRESS: Thank you.

END

4:30 P.M. EST