WHORM Subject File Code: BE004
(Business-Economics: National Economy)
Case file Number(s): 066100-066899
Box: 68

066105
4000
BE004
PR003
PP012
GIPP, George
KNUTE ROCKNE

March 12, 1982

Dear Mr. Paull:

I want to thank you for your letter and for your kind words about the programs my Administration has established to bring about a revitalization of our nation's economy. Your encouragement means a great deal to me.

It is good to know that the "Gipper" still has so many fans. Playing that role was one of my more enjoyable experiences in Hollywood. I also appreciate having news of Dee Austin. He was on the faculty at Dixon High School and I remember him as a very pleasant man.

With appreciation and best wishes,

Sincerely,

RONALD REAGAN

Mr. James R. Paull
1488 Union City Road
Coldwater, Michigan 49036

RR:KCS:JMH:AVH:vml--

820315

DRAFT/Date 3/9/82

SPECIAL INSTRUCTIONS:

Enclosures:

Other:

RR/ KCS / JMH / A
(Drafter) (Rev. I) (Rev.II)

S/RR
Nh

AVH/ /
(Drafter) (Rev. I)

Dear Mr. Paull:

5

1488 Union City Road
Coldwater, Mich. 49036
January 25, 1982

The Honorable Ronald W. Reagan
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I wanted to write to you to tell you how much I am in favor of your economic policy. I feel certain that you are headed in the right direction and time will prove that you are correct in your decisions.

I am a native of Laurium, Michigan; birthplace of George Gipp. My father was a boyhood friend of George and George taught Dad how to shoot pool. I can't begin to tell you how much I enjoyed your portrayal of the "Gipper" in "Knute Rockne, All American" in 1941. I was a very impressionable 13 year old at that time and vividly recall that fine movie.

Also, we had a mutual friend, the late Mr. Dee Austin, whom I understand was an elementary school teacher of yours in Dixon, Ill. I became acquainted with, and very fond of Dee, here in Coldwater, while engaged in American Legion and Elk activities. Dee was very active in both organizations.

I had the good fortune to meet David Stockman when he was running for Congress from our district in Michigan.

In closing, I would like to wish you continued good health and success in your tremendous undertaking.

Respectively yours,

James R. Paull

James R. Paull

CcPY
Jut Clawden 3/29/80

~~[illegible]~~

ID # 066154 BE004

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Subject: ~~[illegible]~~ OPPOSES ELIMINATION OF THE MARKETING OF TAX BREAKS PROVISION IN ECONOMIC RECOVERY ACT OF 1981

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CAHADD	ORIGINATOR	82/03/15		C	82/06/24
Referral Note:					
TREAS	R	82/03/18		A	82/06/18
Referral Note:					
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- **Y** - Study

WH
WH ID 066154

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

Dear Mr. Oyler:

Thank you for your February 3 letter to President Reagan expressing your interest in provisions enacted under the Economic Recovery Tax Act of 1981 (ERTA) dealing with "safe-harbor" leasing transactions. Because this involves matters of tax policy, President Reagan forwarded your letter to us with his request that we shed some insight into why the Administration feels the provisions are necessary. He also wanted to thank you for your continued support of the Administration's programs. I apologize for the delay in responding.

The Administration stands firm in its belief that the leasing rules are an integral part of the President's tax program to stimulate investment. Without leasing, the business tax incentives enacted by the Congress last summer would be lost permanently with respect to those companies that have no taxable income. Firms in this category include corporations just starting up; companies with large investment plans; and firms with temporary domestic losses, but profitable investment opportunities.

In the article you enclosed with your letter, the suggestion was made that through leasing the tax benefits associated with a new investment must be shared with another company for which they were not intended, leading to a costly and inefficient drain on Federal revenues. Parties to a leasing transaction closed in 1981 were required to file an information return with respect to their transaction by January 31, 1982. Our preliminary analysis of those returns indicates that on the average, a very high percentage (over 80 percent) of the tax benefits associated with a new investment are available to the user of the equipment in a leasing transaction. We would expect this percentage to increase as leasing becomes more of a routine market transaction.

Suggestions have also been made that leasing entices corporations into transactions that have no business purpose except the sheltering of income taxes. It is our belief that leasing does not transform an otherwise bad investment into a good investment. Also, without leasing, we would expect to see a significant increase in the number of tax-motivated mergers and takeovers. Firms with taxable income would seek to acquire firms with excess tax credits and deductions to take full advantage of them. These points are explained more fully in the enclosed testimony given by Assistant Secretary of the Treasury John Chapoton last December before the Senate Finance Committee and House Ways and Means Subcommittee on Oversight.

In closing, I would like to thank you again for your letter and urge you to continue your support of the President's programs. We would agree with you that the public's perception of leasing has been less than favorable. It indicates that we have not been diligent in explaining why we think the provisions are good tax policy and necessary to the revitalization of certain depressed industries--industries which employ many people.

If you have any other thoughts or comments, or if we can be of further assistance to you, please let us know.

Sincerely,

David G. Glickman
Deputy Assistant Secretary
(Tax Policy)

Mr. Phillip K. Oyler
Chairman of the Board
Trans-United Corporation
203 West Elm Street
Kokomo, Indiana 46901

Enclosure

TREASURY NEWS

Department of the Treasury • Washington, D.C. • Telephone 566-2041

For Release Upon Delivery
Expected at 10:00 A.M. EST

STATEMENT OF
THE HONORABLE JOHN E. CHAPOTON
ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY
BEFORE THE SUBCOMMITTEE ON OVERSIGHT
HOUSE COMMITTEE ON WAYS AND MEANS
December 15, 1981

Mr. Chairman and Members of this Committee:

I am pleased to be here today to discuss the liberalized leasing rules of the Economic Recovery Tax Act of 1981 (ERTA). The leasing rules have generated a great deal of confusion and misunderstanding. I am happy for the opportunity to further explain these rules and to reemphasize their role in the President's program.

Background

The "safe harbor" leasing rules of the ERTA originated in and were developed by the Office of Tax Policy in the Treasury Department. They were included in the first bipartisan tax bill (H.R. 3849) introduced on June 9, 1981. The tax package considered by the Senate Finance Committee in June, which resulted in H.J. Res. 266, also contained the leasing provisions, as did H.R. 4260, the July 24 bipartisan substitute bill in the House. Thus, these provisions were clearly and conspicuously a part of the bipartisan tax package for capital formation from its inception to its passage in August.

The leasing rules are an integral part of the President's tax program to restore economic growth. All reports up to now indicate that they are working as intended to spur investment. Every lease is associated with spending for new equipment. Much of this spending would not occur otherwise.

"Safe harbor" leases allow all companies making new investments full access to the incentives in the recent tax bill. Without these rules, unequal competition for funds would have arisen, additional financial barriers would have been presented to new companies, and additional pressures for mergers and takeovers would have been created. The new leasing rules do not make otherwise bad investments into good investments, but they do make good investments equally profitable for companies in different tax situations.

R-528

The Investment Incentives of ERTA

To see the need for the new leasing rules, the operation of the investment incentives in the recent tax bill must first be clearly understood. The principal investment incentive in the new law is provided by the Accelerated Cost Recovery System (ACRS). ACRS allows firms to deduct the cost of their investment over a much shorter time period than before. This is a valuable incentive, for when firms must postpone deducting the cost of new assets, the value of those deductions is lowered. A dollar that a corporation can deduct today is usually worth $0.46, because the tax rate is 46 percent. If the company must delay taking the $1.00 deduction for five years, however, its present value is reduced to only $0.26 for a company earning 15 percent on investments. Conversely, accelerating the deductions for expenditures on new equipment increases the value of those deductions to the firm. Accelerating deductions effectively lowers the cost of buying the equipment and raises the after-tax rate of return on that investment.

The increase in after-tax return on equipment that comes from accelerating cost-recovery deductions is the major direct investment incentive in the President's tax program. But these early deductions may occur at a time when the new machine is producing little income. Thus, the deductions will serve their purpose only if they can offset other taxable income. If a company does not have other taxable income or cannot transfer its deductions to firms that can use them, then the accelerated deductions under ACRS will be postponed and much of the investment incentive will be permanently lost.

In any year, many active U.S. corporations are in the position of having no current U.S. tax liability. These include new and young corporations just starting up; companies with particularly large investment plans and, thus, large deductions for cost recovery; and firms with temporary domestic losses, but profitable investment opportunities. More rapid deductions for cost recovery will moderately increase the number of such currently nontaxable companies, and will also increase the number of companies that will reach the statutory limit on current use of the investment tax credit.

An Example

To see how one type of company may be excluded from the new investment incentives of ACRS, consider a new firm, Newco Manufacturing Company (Newco), making a $100,000 investment in equipment. In the first two years of that investment, Newco will be allowed under ACRS to take deductions of $37,000 and an investment credit of $10,000. To use all of these tax benefits Newco will need to have net income in those two years (before ACRS deductions) of approximately $59,000. Even highly profitable investments generally do not return income within two years equal to more than one-half of the cost of the investment. Without income from older assets, Newco would have to postpone using some or all of the ACRS benefit, and the new tax bill would have increased Newco's after-tax return on new investment by less than that of other companies. Newco's return from that investment would be lower than that of corporations that can use all the benefits currently.

The essence of the new leasing rules is that ACRS will provide incentives for firms, such as Newco, to invest in new equipment even though their investments have not yet produced large profits. Newco may allow some other firm, Taxable Corporation, which does have significant taxable income, to purchase Newco's $100,000 of new equipment for tax purposes and to lease that equipment back to Newco. This allows Newco to use the equipment in its business, but at the same time permits Taxable Corporation to take the resulting investment credit and accelerated deductions against its other income.

In this typical example, the user of the equipment (Newco, the lessee) provides financing for all but Taxable Corporation's downpayment. The terms of the agreement can be arranged so that rental payments owed by Newco to Taxable Corporation just match the reverse payments for debt service. In addition, the agreement may allow Newco to repurchase the asset at the end of the lease term for a token amount. In such a case, only the downpayment actually changes hands between the two companies. This payment is the agreed value of the tax benefits transferred by the lease.

All of the essential elements of a safe harbor lease transaction are shown in the accompanying three charts. The first chart shows the tax benefits of ACRS and the investment tax credit due to a purchase of a new machine for $100,000. These are all the investment incentives that are available from any purchase of 5-year ACRS property. No extra benefits are created by the lease.

In the second chart, we show the tax implications of a 10-year lease for a typical lessee, such as Newco. The lessee has given up the right to the investment credit and the ACRS deductions, but now has tax deductions each year for rental payments in excess of taxable interest income. Newco has, in effect, retained a share of the tax benefits associated with equipment purchases, but has stretched them out over the term of the lease. If, for example, the lessor makes a downpayment of $29,000 for the property, the lessee will have a total of $71,000 of deductions, providing tax reductions in the pattern shown in Chart II. Thus, the lease arrangement postpones the lessee's deductions until the later years when the investment will generate enough income to use the deductions.

Turning to the lessor, Chart III shows that the lessor obtains the investment tax credit and some net extra tax deductions in the early years of the lease, but also has extra net taxes due in the later years of the lease. The tax savings in the early years result from cost recovery deductions and the investment credit just as in Chart I, but these are partially offset by a series of extra tax payments through the remaining term of the lease. These extra payments occur, despite the fact that no cash changes hands, because for tax purposes the lessor is credited with taxable rental income and charged with deductible interest payments. These net tax payments of the lessor are exactly equal, every year, to the tax benefits of the lessee.

The Outcome of Leasing

There are three important aspects of such a lease which are illustrated in the charts. First, no extra deductions or tax credits are ever created. The total deductions taken by both parties are just the same as would have been taken if Newco had taxable income from other investments or if Taxable Corporation made the investment directly. They are exactly equal to the legally prescribed ACRS deductions and investment tax credit. The Treasury loses no more revenues than those necessary to provide equal investment incentives to all firms. It might also be noted that an alternative, but much less desirable way to accomplish the same result, would be by actual merger of the two companies.

The second critical point is that virtually all of the tax benefits of ACRS will be passed through to the company actually making the new investment, i.e., Newco. This is because Taxable Corporation, and any other corporation interested in obtaining the investment credit and ACRS deductions, will bid for these by offering favorable lease terms. It is already apparent that the market for such deductions is becoming very competitive. The present value of the stream of tax benefits and future liabilities of the lessor, as depicted in Chart III, is about $29,000 when discounted at 15 percent. Put another way, Taxable Corporation can afford to pay up to $29,000 for this stream if the investment credit and all the deductions are expected to be usable when available, and if the interest cost of funds is no more than 15 percent.

The present value of the total of the available investment credit and ACRS deductions (Chart I) is about $45,000, not the $29,000 paid by the lessor. But this does not mean that Newco loses the difference between the $45,000 of foregone benefits and the $29,000 cash payment from Taxable Corporation. As noted before, Newco still has available deductions over 10 years equal to the amount of its $71,000 net cost of acquiring the property.

So long as the investment returns a sufficient profit to use these later deductions, the tax savings from them are worth $16,000 in present value terms. Thus, Newco will receive virtually the full $45,000 value of ACRS--$29,000 from Taxable Corporation and $16,000 worth of tax savings of its own.

This is a crucial result, for it means that the investment incentive inherent in ACRS has remained just where it should be--in the hands of the firm that will undertake the new investment and employ the new equipment. Although Taxable Corporation takes the credits and ACRS deductions on its tax returns, Taxable Corporation pays for those credits and accelerated deductions and pays additional taxes. Newco ultimately receives all the benefits of ACRS except transaction fees.

The third essential point about the lease transaction is that it does not encourage Newco to undertake an investment unless that investment is expected to be economically profitable. Leasing does not encourage uneconomical or tax-motivated investment. Even with the lease agreement, Newco makes a substantial investment in the asset, $71,000 in our example, and the income that asset generates will be taxed. Unless the asset produces enough income, Newco will not be able to make a profit on its investment. Leasing does not guarantee a profit for bad investments; it merely provides the same ACRS investment incentives to firms without current taxable income as provided to firms with taxable income. With those incentives equally available, firms can select investments on the basis of their economic profitability, not on the basis of tax circumstance.

Misconceptions About Leasing

I have dwelt at some length on the details of the lease transaction because misunderstanding of these transactions is apparently the basis of much recent criticism of the safe harbor provisions. It has been said, for example, that these leases are a "bonanza" for those profitable companies able to purchase deductions and credits as "tax shelters." The opposite is proving to be the case. We have already begun to see the new rules resulting in more of the benefits passing through to users of the new equipment.

Tax-oriented leasing has been a significant feature of the economy for many years. Prior law, however, restricted and unduly complicated lease arrangements. Consequently, lease transactions required complicated agreements and legal uncertainties resulting in high transaction costs, including large legal and brokerage fees. These high costs reduced the net tax benefit (investment incentive) available to companies making an investment. The new simpler and more precise rules are resulting in lower costs and thus substantially more of the tax benefit will remain with those making the investment and less will go to compensate brokers, lessors and lawyers for taking leasing risks or attempting to avoid them.

Others have said that the new leasing rules are just another way to "bail out" loss companies. However, the fact that tax leasing will aid companies with economic losses does not detract from the desirability of the new leasing rules. These companies cannot use leases unless they undertake new investment in machinery and equipment. They will not make new investments if they do not expect them to be profitable, with or without leasing. Further, with or without leasing, the marketplace will not provide these firms with the capital to make these investments unless the marketplace also believes the investments will be profitable. There is no sound reason to penalize these firms, once they have withstood the critical analysis of lenders and investors in the free market, by forcing them to incur a higher cost of capital than their competitors. Indeed, such a penalty is singularly counterproductive. For most loss firms to become profitable, they must be able to modernize their plant and equipment. Penalizing them when they do invest only serves to make it more difficult for them to become profitable.

If tax leasing were not allowed, inefficient investment decisions would result. Otherwise-identical firms would face different capital costs depending solely on whether they had income from older assets. For example, Newco, which cannot take advantage of ACRS, might not make a particular investment even though, with the same tax incentives as other firms, that investment would be profitable to Newco and valuable to society. Alternatively, Taxable Corporation, the firm with income from older assets, might undertake the same investment rather than Newco, because of greater tax incentives. This could occur even though Taxable Corporation might lack some of the expertise to pursue the investment as efficiently as Newco. Finally, Taxable Corporation might acquire Newco so as to take advantage of Newco's unused ACRS deductions. Such tax-motivated mergers would serve no economic purpose, but would lead to a greater concentration of economic power.

Some critics have agreed with the importance of investment incentives for distressed companies, but express dismay that profitable companies are also cashing in their unusable tax benefits through leasing. Leasing by profitable companies with no current tax liability is neither surprising nor undesirable. It isn't even new. Many companies with tax losses have routinely used tax leases to make use of depreciation allowances and the investment tax credit. However, such transactions were effectively limited to equipment with a ready resale market, such as airplanes, railroad cars, and oil rigs. The new rules will end this discrimination, making leasing available for all kinds of machinery and equipment, and in the process will provide a larger share of the benefits to the equipment-using company.

A company may be currently nontaxable and yet economically profitable for a number of reasons. Our hypothetical startup company, Newco, is one example. With ACRS, rapid investment growth can result in continuing tax losses for such companies as deductions outpace current incomes. In another case, a company might have worldwide profits subject to tax abroad, but also have losses from U.S. operations resulting in excess foreign tax credits. Leasing provides the incentives of ACRS to such companies for investment in the United States. Leasing may also be of benefit to companies with capital gains income, excess depletion allowances, and perhaps other conditions that limit the current use of deductions. In every case, the same two basic principles continue to hold: (1) every lease is associated with new investment expected to be profitable and (2) no more tax benefits are available to these companies than would be provided to their currently-taxable competitors.

In any year, a disproportionate number of companies with tax losses are small businesses. While such companies may not yet have made use of the leasing provisions because information reaches them more slowly and legal fees are initially large, there is every reason to believe that a ready market for small leases will become available through local financial institutions. Again, without leasing, the potential for job-creating investment by such businesses would be reduced and the market pressure for merger or takeover by mature taxable companies would be increased.

<u>Revenue Effects</u>

One last point to address is the revenue cost of leasing. Before I discuss some unfounded criticisms of our revenue estimates, I want to clarify the interpretation that should be placed on the revenue cost figures. New investment in equipment must be made for leasing to take place. In calendar year 1983, additional leasing attributable to the safe harbor rules is associated with $17.3 billion of investment (see attached Table 1). We can not say for certain how much of this investment would have occurred without liberalizing the leasing rules, but we know that the leases are necessary to provide the full benefits of ACRS, the basic investment incentive in the new law. Therefore, we are convinced that the leasing rules will significantly increase the level of investment. The revenue losses from leasing are one measure of its success--direct costs to the Treasury are associated with the higher levels of investment that our economy needs.

Turning to the accuracy of our estimates, there has been a general misunderstanding which has led to press reports that Treasury underestimated the revenue impact of this provision. In fact, our original cost estimate is consistent with the high volume of leasing we are observing. We expected that the provision would be widely used and, so far, our forecast appears to be on target. The first-year revenue loss estimate is based on an estimated total of $17.8 billion of safe harbor leases in 1981. This is well within the range of press reports.

As shown in the attached table, our estimate of foregone receipts remains $29.1 billion over the six-year period, 1981-1986. This estimate is associated with $126 billion of equipment that would not have been leased in absence of the safe harbor rules. These induced leases are, however, less than half of the total dollar volume of safe harbor leases which we estimate will occur. The remainder of the observed safe harbor leasing activity consists of leasing that would have occurred anyway, under prior law or under the general provisions of ACRS. Some of those leases induced by the general provisions of ACRS would have taken the form of actual mergers rather than leasing arrangements in absence of the safe harbor rules.

To the extent that leasing activity is attributable to prior law or to the general provisions of ACRS, there is no further revenue loss to the Treasury. Revenue costs associated with this activity have already been properly included in the general level of corporate receipts. (See Table 2.)

Conclusion

Mr. Chairman, let me conclude by pointing out that this is a particularly inopportune time to talk about reducing any incentives to invest in new machinery and equipment. This investment is important for job creation in the near-term, and for productivity and economic growth in the years ahead. The safe-harbor lease provision is a market-oriented means of providing equal and effective investment incentives to all businesses.

The Administration does not favor any legislative changes in this provision. It is an efficient incentive, and according to every report, it is working very well. The new leasing rules deserve the continued support of the members of this Committee.

Attachments

Chart I

Investment Credit and ACRS Deductions

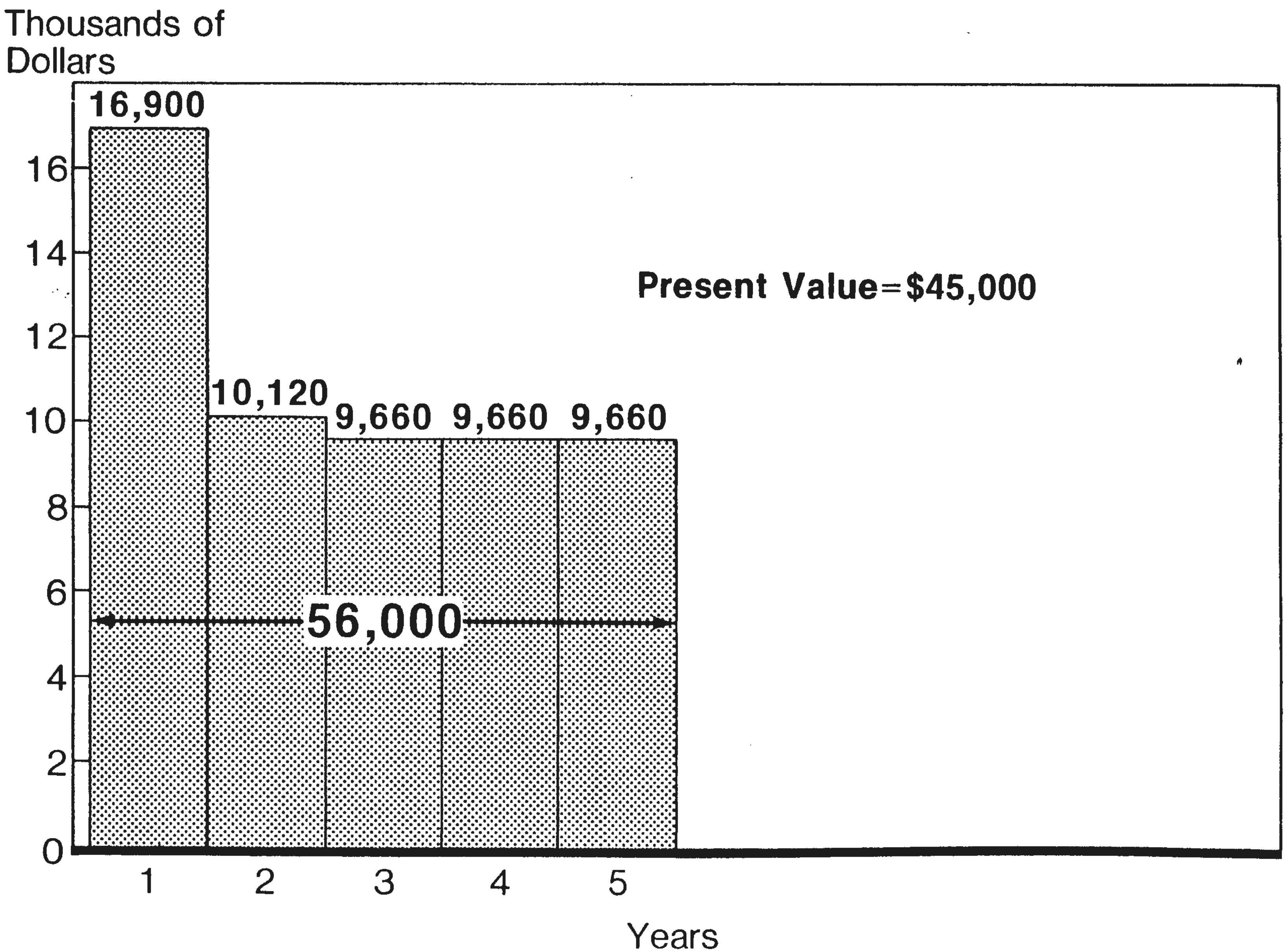

Chart II

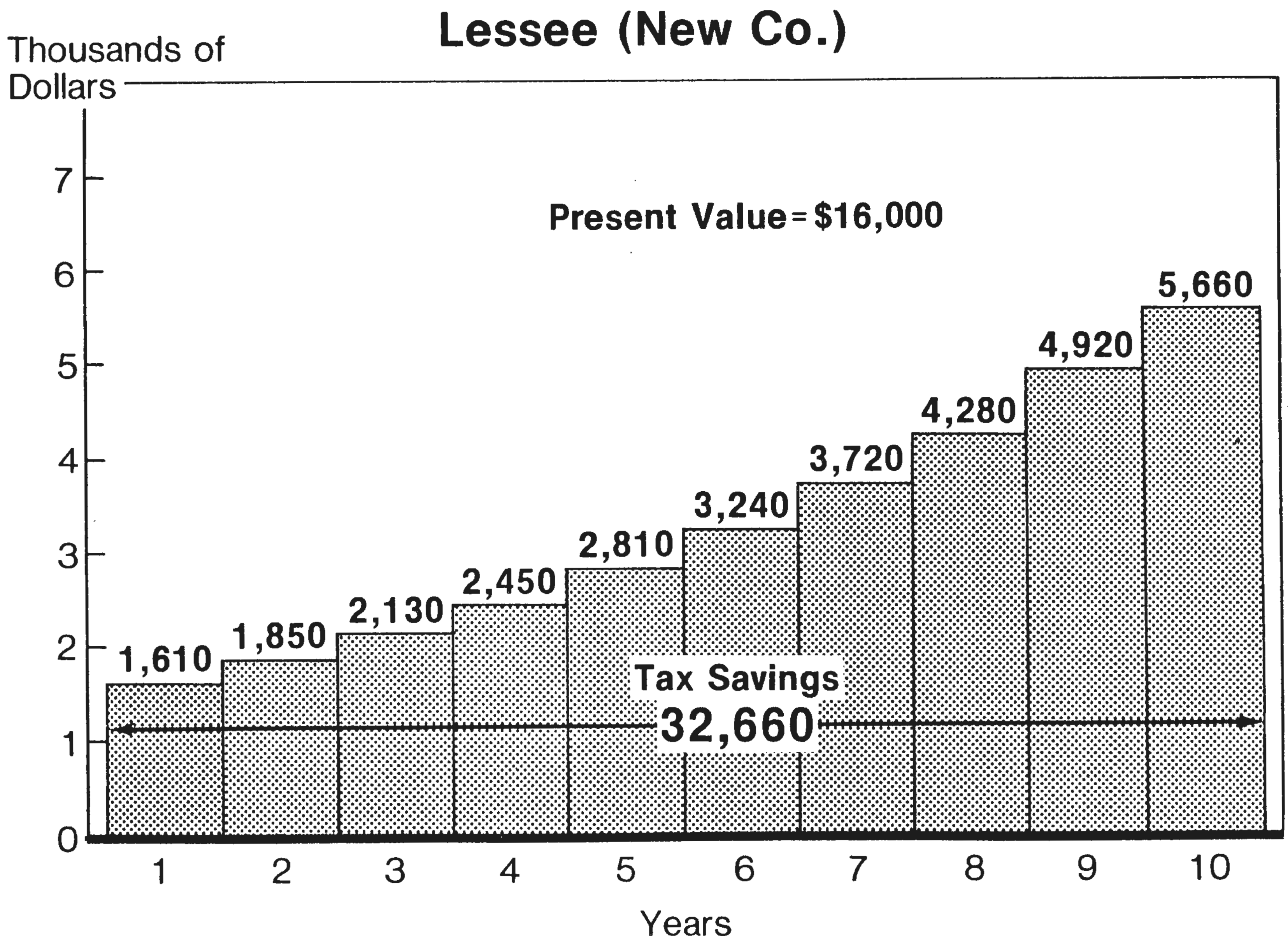
Lessee (New Co.)
Thousands of Dollars
Present Value = $16,000
1,610
1,850
2,130
2,450
2,810
3,240
3,720
4,280
4,920
5,660
Tax Savings
32,660
0
1
2
3
4
5
6
7
1
2
3
4
5
6
7
8
9
10
Years

Chart III

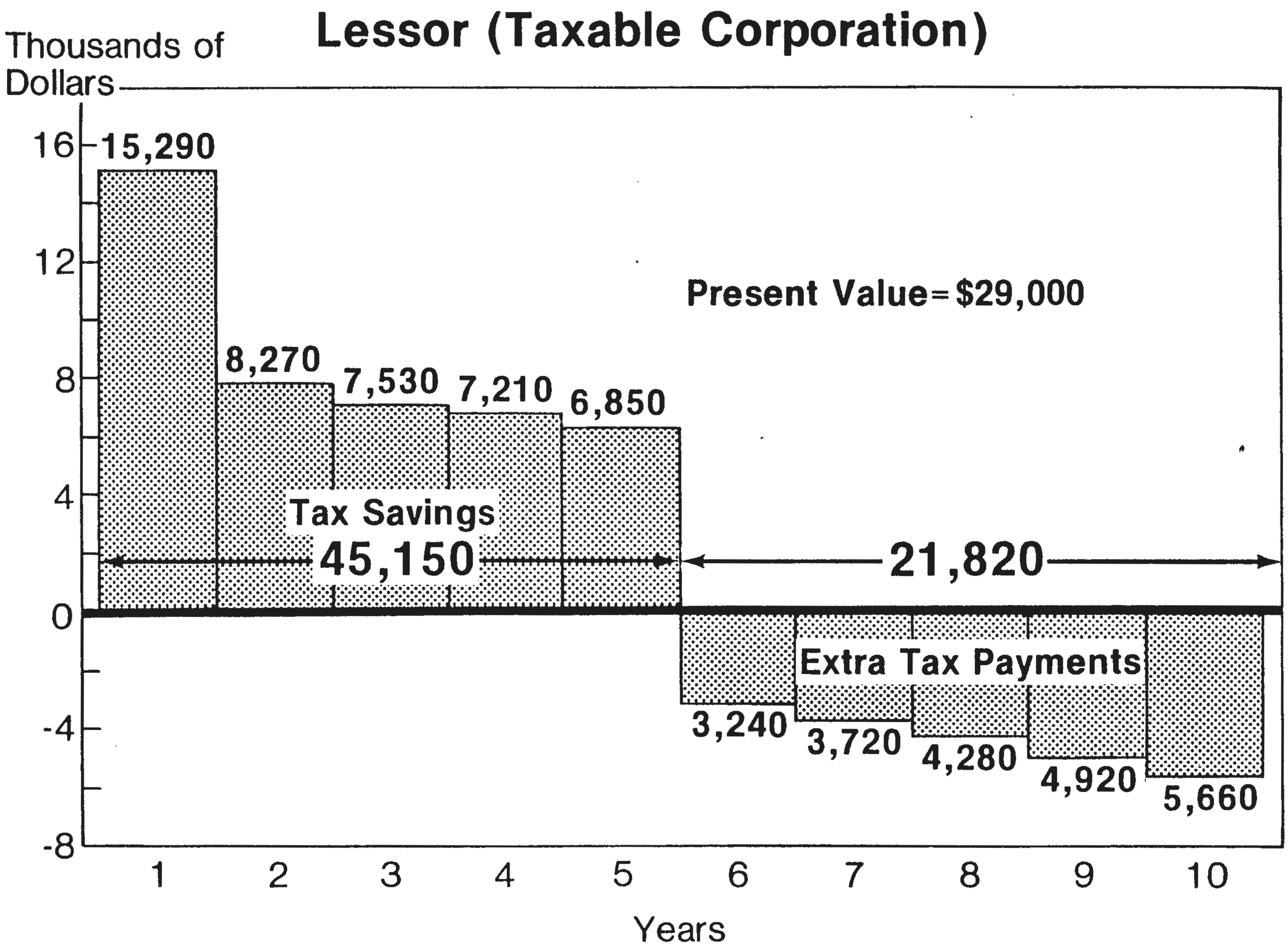
Lessor (Taxable Corporation)
Thousands of Dollars
16
12
8
4
0
-4
-8
15,290
8,270
7,530
7,210
6,850
Present Value=$29,000
Tax Savings
45,150
21,820
Extra Tax Payments
3,240
3,720
4,280
4,920
5,660
1
2
3
4
5
6
7
8
9
10
Years

Table 1

Estimates of Safe Harbor Leasing and the Loss in Receipts
Attributed to the Safe Harbor Leasing Rules

($ billions)

	Years					
	1981	1982	1983	1984	1985	1986
Total value of equipment leased under the safe harbor rule.........	17.8	29.0	39.2	46.8	59.6	70.9
Less the value of equipment leased under the safe harbor rule which would have been leased under prior law.........................	5.0	11.0	12.1	13.3	14.6	16.1
Less the value of equipment leased under the safe harbor rule which would have been leased under the general provisions of ACRS 1/......	2.0	4.3	9.8	11.7	17.4	20.0
Equals the value of equipment leased under the safe harbor rule which would not have been leased under prior law or under the general provisions of ACRS.................	10.8	13.7	17.3	21.8	27.6	34.8
Loss in fiscal year receipts from incremental leasing added by the safe harbor rule....	0.5	2.7	3.8	5.4	7.3	9.4

Office of the Secretary of the Treasury
Office of Tax Analysis

December 8, 1981

1/ Included in these figures are investments made by nontaxable corporations which would have been merged into taxable corporations in absence of the safe harbor rule.

Table 2

Corporate Income Tax Receipts under Midsession Review Budget Economic Assumptions With and Without the Effects of the Accelerated Cost Recovery System and Leasing Provisions of the Economic Recovery Tax Act of 1981

($ billions)

	Fiscal Years						
	1980	1981	1982	1983	1984	1985	1986
Corporate income tax receipts under 1980 law	64.6	64.9	72.6	84.4	97.2	109.1	122.9
Economic Recovery Tax Act of 1981:							
Accelerated cost recovery system	--	-1.3	-4.6	-10.2	-17.8	-27.2	-42.2
Leasing	--	-0.5	-2.7	-3.8	-5.4	-7.3	-9.4
Other	--	*	-0.3	0.5	-0.6	-2.3	-2.6
Total	--	-1.8	-7.6	-13.5	-23.9	-36.8	-54.2
Corporate income tax receipts under current law	64.6	63.0	65.0	71.0	73.3	72.3	68.7

Office of the Secretary of the Treasury
Office of Tax Analysis

December 9, 1981

*Less than $50 million.

Note: Details may not add to totals due to rounding.

THE WHITE HOUSE OFFICE

REFERRAL

MARCH 17, 1982

TO: DEPARTMENT OF THE TREASURY

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 066154

MEDIA: LETTER, DATED FEBRUARY 3, 1982

TO: PRESIDENT REAGAN

FROM: MR. PHILLIP K. OYLER
CHAIRMAN OF THE BOARD
TRANS - UNITED CORPORATION
POST OFFICE BOX 689
203 WEST ELM STREET
KOKOMO IN 46901

SUBJECT: OPPOSES ELIMINATION OF THE MARKETING OF TAX BREAKS PROVISION IN ECONOMIC RECOVERY ACT OF 81

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 62, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

10-R

TRANS-UNITED CORPORATION

P. O. BOX 689 • 203 W. ELM ST. • KOKOMO, IN 46901 • 317 456-3879

S. Kelley

February 3, 1982

066154

President Ronald Reagan
The White House
Washington, D. C.

Dear President Reagan:

First of all, I wish to commend you on the excellent State of the Union message which you imparted to the American people. It is my firm belief that you are the man chosen to lead this country. In terms of priorities, my family, my country, my God, are in good hands.

The Economic Recovery Act 1981 is perhaps one of the finest pieces of legislations, from an economic point of view, that you have presented.

I must, at this time, point out an article in the Indianapolis Star titled; Lugar Seeks to Eliminate Marketing of Tax Breaks. Enclosed is a copy of that article. The tax breaks referred to are truly needed as an incentive for those persons who purchase stock in Trans-United Corporation, and are considered critical by myself and the Board of Directors.

The American people who invest in corporations must feel recognized for their continuing financial support. Articles such as this truly effect the psychology of the market place. And ultimately, in my opinion, are not in the best interests of the American people.

I must feel that the best interests of this Corporation and the American people are being served in order to justify this kind of faith.

One other point, in brief, I would like to touch on, is the interest rate which is breaking the backs of American consumers and corporate proformas. Something must be done, Mr. President. I feel in order for a civilization to progress some inflation is needed. What amount, I'm not sure anybody knows. Your concern in this area and continued efforts will be truly appreciated in the heart-land of America.

As a sustaining member of the Republican National Committee and a recipient of your award, my total political and financial support is with you.

Mr. President, you've asked for my help, as well as the help of the American people to captain this ship of state. Now, I, as President and Chairman of Trans-United Corporation, based in Kokomo, Indiana, which by the way, has the dubious honor of being one of the most hard hit communities in terms of unemployment, am asking for your help.

Thank you Mr. President.

Respectfully,

TRANS-UNITED CORPORATION

Phillip K. Oyler
Chairman of the Board

PKO:pcr

Enclosure

Lugar seeks to eliminate marketing of tax breaks

By MIKE McNAMEE
The Star's Business Editor

A strange new market was born in corporate finance circles last fall, and Sen. Richard G. Lugar wants to snuff it out while it's young.

The market buys and sells tax breaks — investment tax credits and rights to depreciation deductions. Through the Economic Recovery Tax Act of 1981, the market funnels the advantages of investment-boosting tax policies to unprofitable companies that can't otherwise use them. Its proponents say that it's a useful market for encouraging the new plants and equipment that American industry needs.

LUGAR AND his staff, however, see the new market as a $29 billion tax dodge. While it helps the companies it should help, it also turns a profit for undeserving firms, they say. Overall, they think it's a case of bad tax legislation.

"It strikes us as a very inefficient, ineffective way of accomplishing a worthwhile goal," said Mitch Daniels, administrative assistant to Lugar. "It's just one example — a glaring example — of the flotsam that got stuck on to the President's clean, simple tax package last year."

The market grew up because of a provision in the tax-cut bill passed last summer. One of the main provisions of that bill was an accelerated depreciation system that enable companies to write off the cost of new plants and equipment more quickly. That results in better cash flow and lower taxes, creating an incentive to invest.

THAT INCENTIVE doesn't work, however, in the case of unprofitable companies. They don't pay taxes, so they don't benefit from the tax breaks in the '81 act, or from earlier incentives such as investment tax credits.

To help unprofitable companies collect those benefits, Congress expanded the leasing provisions of the tax code. Since last November, an unprofitable company can, in effect, "sell" its tax breaks to a profitable company through a leasing arrangement on new buildings and equipment. The profitable company reduces its taxes; it passes some or most of the savings on to the unprofitable company, which thus has an incentive to make new investments.

No one knows yet how popular the market in tax breaks has been or will be. First reports on the arrangements are due at the Treasury Department by the end of this week. But the loss in federal revenues is "conservatively estimated at $29 billion through fiscal 1985, and some people say it could be a lot more," Daniels said. "That's a high price to pay, especially given the fiscal situation we're looking at."

Lugar's aides also contend that the market in tax breaks is inefficient. "In the cases we've heard about, the (unprofitable) company that sells the tax break is only getting a fraction of the benefit," Daniels said.

"YOU WOULD think that a company with $1 million in tax breaks could sell them for about $999,000. But in the deals that have been negotiated, companies have gotten as little as 20 percent and at most 70 percent" — $200,000 to $700,000 for $1 million worth of breaks.

Rather than give the remaining $300,000 to $800,000 to a profitable company, "that's money that should remain in the revenues," Daniels said.

Business groups, however, note that few politicians are likely to vote for tax refunds to companies that aren't paying taxes. By contrast, the leasing provisions "are a very useful device for helping companies get the benefits from their investments," said Paul R. Huard, vice-president of taxation and fiscal policy for the National Association of Manufacturers.

REFUNDABLE TAX credits "would probably be subject to more abuse than this approach is," Huard said. "When you're dealing with this much money, it's better to have two-sided transactions (such as a lease) to be sure that the investments really are being made and the property really exists. The lease operates as a self-auditing sort of transaction for the IRS."

Lugar hopes to repeal the leasing provisions at the end of this fiscal year by requiring Congress to "sunset" the measure. That approach is "part of his general belief that special tax breaks should be subject to sunset laws so they'll be reviewed and repealed periodically," Daniels said. Sentiment "is really growing to take a hard look at this provision and others like it, to clean up the '81 tax act," the aide said.

But the NAM's Huard isn't so sure about that. "There's a lot of negative talk, but the support for this leasing measure is pretty strong," he said. "Many senators and representatives think it makes a lot of sense. Besides, there are enough money-losing businesses around to make it a hometown issue for lots of congressmen. I don't think it'll be that easy to repeal."

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PR007-01
FG012

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

March 1, 1982

MEMORANDUM FOR THE HONORABLE CRAIG L. FULLER
ASSISTANT TO THE PRESIDENT
FOR CABINET AFFAIRS
THE WHITE HOUSE

SUBJECT: Economic Briefing for the President

To follow up on last Friday's economic briefing for the President, Secretary Regan would like to plan the next briefing for sometime between March 10-12.

Since the President is planning to be out of town this week, I thought I would get this request in early. We should have selected the specific topic for the briefing by Monday or Tuesday of that week and will let you know.

David L. Chew
Executive Assistant
to the Secretary

REC'D. CA MAR 01 1982

Karen informed 3/2/82,
by phone at 1:30 pm.

A.

066331
1130
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FI010-02
PW
FG021

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

MAR 05 1982

File

MEMORANDUM FOR: CRAIG L. FULLER
Deputy Assistant to the President and Director, Office of Cabinet Administration

FROM: ALBERT ANGRISANI
Assistant Secretary of Labor

SUBJECT: Attached Article by Paul Craig Roberts

Attached is a somewhat controversial but thoughtful article by Paul Craig Roberts, a former Treasury Official, that you should read and decide if others need to read it.

The thrust of the article is that a major part of the answer to expediting the recovery and sustaining it, lies in accelerating the 1982 tax cuts and slightly raising our monetary growth targets (M1 and M2) at the Federal Reserve.

Attachment

THE WALL STREET JOURNAL, WEDNESDAY, MARCH 3, 1982

OK

Is a Depression Brewing?

By PAUL CRAIG ROBERTS

Recent headlines suggest the economy may be in for more austerity than it can stand. The President's advisers have succeeded in silencing his criticism of the Federal Reserve's monetary policy and have him, instead, endorsing even tighter monetary targets in this recession year than last year when the recession began. The Senate Finance Committee chairman, Bob Dole, has announced that he is yanking back a major part of the recently enacted business tax cut. And key business leaders, economics professors and other lobbyists are urging Congress to postpone the individual tax cuts. All of this austerity is supposed to balance the budget; it is more likely to unbalance the economy and the budget and the President with it.

A central fact of the economy is that it is strung out on credit. This is the fault of the tax system, which has damaged the cash flow of individuals and businesses.

With taxflation—the combination of high marginal tax rates and inflation—taking most of the gains in individual incomes, people have been resorting to debt to finance their gains in consumption. Since the interest on their debt is tax deductible, being in debt was the only way to get some of their income back from the government and experience a rise in living standards. Indeed, the only way most people could "save" at all was to go in debt and rely on taxflation to push up the value of their homes and depreciate the value of their mortgages.

Debt Junkies

Businesses were equally encouraged by the tax system into becoming debt junkies. Their depreciation allowances were stolen by taxflation, severely reducing their cash flow and curtailing internal financing. Since payments to equity must be made from taxable income but debt service is tax deductible, business became increasingly debt-dependent.

Simultaneously, the Fed was trying to keep interest rates down by making more money available. As money growth rose, so did the inflation rate, which pulled up the interest rate. Eventually, people's expectations of inflation rose faster than inflation itself, leading to greater demands for credit.

The only way out of this dilemma is to improve the cash flow of individuals and businesses, while gradually reducing the rate of money growth. That was the plan of the Reagan administration.

The business tax cuts produce a dollar for dollar increase in business cash flow. Even firms with no profits have—or had until Senator Dole's announcement—an alternative to borrowing: they can sell their unused depreciation allowances and tax credits.

The individual income tax reduction raises people's cash flow on their existing income levels and also allows them to retain a larger percentage of their income gains. The combination makes it possible for people to pay down their debt while still experiencing a rise in consumption. Whether you look at it from a Keynesian or supply-side perspective, the approach obviously makes more sense than one that requires people to pay down their debts by reducing their consumption.

The monetarist leg of the administration's plan was for the Fed to peg the quantity of money rather than the interest rate. By gradually reducing the quantity of money, the Fed could wean the economy from excessive credit without precipitating a recession. The Reagan plan was to reduce the rate of money growth by 50% over a four- to six-year period.

> *All of this austerity is supposed to balance the budget; it is more likely to unbalance the economy and the budget and the President with it.*

The Fed delivered 80% of this reduction in money growth in the first year—an extraordinarily recessionary policy. In addition the Fed has failed to keep to a steady, predictable course. Money growth has been increasingly volatile, with Fed policy consisting of return trips from being too loose or too tight.

It is beside the point for the Fed to argue that U.S. monetary policy is less volatile than in some other countries' and that when averaged over the year money growth is reasonable. The relevant points are: (1) U.S. monetary policy is more volatile than previously, so for U.S. financial markets there is a rise in uncertainty; and (2) people live and operate in discrete units of time, not in an average year. A monetary policy that alternates between taking out too much money and putting in too much money is a policy of uncertainty.

In view of the failure of monetary policy (regardless of whether the fault lies with monetarism or the Fed), it is difficult to understand why the administration has closed ranks behind the Fed and thereby focused attention on the President's budget policy as the source of our problems.

People are mistakenly blaming the tax cuts for the deficit and the deficit for the failure of monetary policy to lower interest rates. The view is taking shape that we must raise taxes on businesses and individuals to reduce federal credit demands, so that the Fed can lower interest rates. But higher taxes reduce the cash flow and income gains of the private sector, thereby raising credit demands and heightening illiquidity.

From Growth to Austerity

In a year's time policy has moved from one of economic growth to one of austerity. Republicans are giving no thought to how a policy of tighter money targets combined with repeal and postponement of business and individual tax cuts is going to get them out of a recession. Democrats and Keynesians who know better are egging on the policy of simultaneously reducing both credit and cash flow, because they see in the brewing depression the destruction of their Republican and supply-side rivals.

In thinking about where to go from here, we should keep in mind the real mistakes of last year. A year ago when the administration announced its program, critics responded that the tax cuts were going to send the economy up in the smoke of inflation. These critics succeeded in frightening the Fed, Congress and members of the administration. As a result, the Fed, fearing an inflationary fiscal policy, overcompensated on the monetary side, holding monetary growth flat for half of the year.

On the fiscal side the administration and the Congress, in an attempt to keep tax revenues high and balance the budget, delayed and scaled back the personal tax cuts. Instead of the 20% tax reduction that was intended by January 1982, there was 5%, and it was overtaken by bracket creep.

Consequently, there was a deflationary monetary policy and no tax cut, which guaranteed a recession and large budget deficits. If the government now responds to the budget deficits with more of the policies that produced them, it might push the economy from recession to depression.

Mr. Roberts was until recently the assistant secretary of the Treasury for economic policy and now holds the William E. Simon chair for political economy at the Center for Strategic and International Affairs, Georgetown University.

066587

ID #

4/

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

BE004

☐ O - OUTGOING

☐ H - INTERNAL

☑ I - INCOMING

Date Correspondence Received (YY/MM/DD) 82/03/18

Name of Correspondent: Sam Washburn

☑ **MI Mail Report** **User Codes:** **(A)** ______ **(B)** ______ **(C)** ______

Subject: Submits recommendations to restore economic stability and balance the budget.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
PL	Berg	ORIGINATOR	C 82/03/19	JA	A	C 82/04/21
		Referral Note:				
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		Referral Note:				
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		Referral Note:				

ACTION CODES:

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- F - Furnish Fact Sheet to be used as Enclosure
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- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

5/81

RECORDS MANAGEMENT ONLY

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No. of Additional Correspondents: ______ Media: L Individual Codes: 4900 __.____ __.____

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FI 007.__ __ ___.__
FI 010-02 __ ___.__

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C __	______	Time:	P-
DSP	______	Time:	Media:

SIGNATURE CODES:

CPn - Presidential Correspondence
- n - **0** - Unknown
- n - **1** - Ronald Wilson Reagan
- n - **2** - Ronald Reagan
- n - **3** - Ron
- n - **4** - Dutch
- n - **5** - Ron Reagan
- n - **6** - Ronald
- n - **7** - Ronnie

CLn - First Lady's Correspondence
- n - **0** - Unknown
- n - **1** - Nancy Reagan
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- n - **3** - Mrs. Ronald Reagan

CBn - Presidential & First Lady's Correspondence
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- **M** - Mailgram
- **O** - Memo
- **P** - Photo
- **R** - Report
- **S** - Sealed
- **T** - Telegram
- **V** - Telephone
- **X** - Miscellaneous
- **Y** - Study

THE WHITE HOUSE

WASHINGTON

April 21, 1982

Dear Sam:

In behalf of President Reagan, thank you for your letter of March 17 regarding the nation's economy. Your letter appropriately captures the challenges facing our economy today and the need for a nonpartisan, balanced package of spending and revenue measures.

In his FY 1983 budget, the President proposed a comprehensive set of measures and since then has repeatedly expressed his desire to work with members of both parties in the Congress in developing a package of measures that will both enjoy broad support and adequately address our economic needs.

The President greatly appreciates the support he has received from the National Cattlemen's Assocation and we in the Administration look forward to working with you in the future as we strive to meet the challenges before us.

Thank you again for writing.

Sincerely,

Jack

Jack Burgess
Special Assistant to
the President

Mr. Sam Washburn
President
National Cattlemen's Association
P.O. Box 3469
Englewood, Colorado 80155

NATIONAL CATTLEMEN'S ASSOCIATION
P.O. Box 569 • 1001 Lincoln Street • Denver, Colorado 80201 • 303-861-1904

31
Jack Burgess

OFFICE OF THE PRESIDENT

March 17, 1982

066587

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

Dear Mr. President:

Two major problems facing the cattle industry today are a weak economy and high and volatile interest rates. It is imperative that the Congress and the Administration take action which will result in lower and less volatile interest rates. The Board of Directors of the National Cattlemen's Association addressed this issue at its meeting March 17, 1982, in Washington, D.C. and adopted the following policy statement:

> The National Cattlemen's Association reaffirms to the Congress and the Administration its support of economic programs begun less than one year ago. These efforts to reduce taxes and control government spending were a recognition of changing economic realities and willingness to address them. Passage of these programs has signaled the end to more than a decade of rising inflation and has established an environment for real, non-inflationary economic growth.
>
> NCA congratulates the Congress and the Administration on their efforts to date. However, the battle to restore economic stability and balance the budget is still to be won. Severe current economic conditions and projected large deficits will test the resolve of government and its ability to adhere to its programs. The time is now for Congress and the Administration to find agreement on the budget. NCA recommends:
>
> (1) There should be a freeze on outlays for government employees and entitlement programs at current levels. This would match what is already taking place in the rest of the economy.
>
> (2) There should be a reduction in the rate of increase and/or a delay in outlays for defense expenditures. This would recognize the political reality that no government program can be exempt in the effort to lower government spending.
>
> (3) There should be an increase in taxes, such as excise taxes. There should also be a tightening of tax regulations involving those areas that do not contribute to economic growth. This would recognize the need to retain the recently enacted individual and business tax reductions, and it would assure that balancing the budget included both revenue raising and a reduction in government spending.

We respectfully urge your immediate attention to these recommendations.

Sincerely,

Sam Washburn

Sam Washburn
President

Jav
Lg

ID # 066801

BE004

WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☑ I - INCOMING
Date Correspondence Received (YY/MM/DD) 82/03/19

Name of Correspondent: Lloyd Bentsen

☐ **MI Mail Report** **User Codes:** (A) ______ (B) ______ (C) ______

Subject: Encloses copy letter from Joel Baker, writes concerning the President's economic recovery program as outlined in his State of the Union message.

ROUTE TO:	ACTION		DISPOSITION		
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
La Dube	ORIGINATOR	82/03/19	KD	A	82/04/12
	Referral Note:				
✓ 99 OMB	D CS	82/04/15	NAN	C	82/04/16
	Referral Note: attn J.L. Cullen				
		/ /			/ /
	Referral Note:				
		/ /			/ /
	Referral Note:				
		/ /			/ /
	Referral Note:				

CJ CS

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Completion Date = Date of Outgoing

Comments: ______

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5/81

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FI001.02 __ ___.__
SP230.82 __ ___.__

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DSP	______	Time: ______	Media: ______

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- n - **6** - Ronald
- n - **7** - Ronnie

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- n - **0** - Unknown
- n - **1** - Nancy Reagan
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- **R** - Report
- **S** - Sealed
- **T** - Telegram
- **V** - Telephone
- **X** - Miscellaneous
- **Y** - Study

THE WHITE HOUSE OFFICE

REFERRAL

APRIL 15, 1982

TO: OFFICE OF MANAGEMENT AND BUDGET
ATTN: J. L. CULLEN

ACTION REQUESTED:
DRAFT REPLY FOR SIGNATURE OF KENNETH DUBERSTEIN

DESCRIPTION OF INCOMING:

ID: 066801

MEDIA: LETTER, DATED MARCH 17, 1982

TO: KENNETH DUBERSTEIN

FROM: THE HONORABLE LLOYD BENTSEN
UNITED STATES SENATE
WASHINGTON DC 20510

SUBJECT: ENCLOSES COPY LETTER FROM JOEL BAKER; WRITES CONCERNING THE PRESIDENT'S ECONOMIC RECOVERY PROGRAM AS OUTLINED IN HIS STATE OF THE UNION MESSAGE

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 62, THE WHITE HOUSE

SALLY KELLEY
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE

4/16 -
Sally -
The response sent by Mr. Duberstein is sufficient.
Beth - 3160

April 12, 1982

Dear Senator Bentsen:

Thank you for your March 17 correspondence enclosing a copy of a letter which you recently received from Mr. Joel Baker of Tyler, Texas. In his note, Mr. Baker had inquired about the President's Program for Economic Recovery and, specifically, how it will protect the needy while triggering a recovery that will benefit all Americans.

We appreciate your interest in forwarding your constituent's comments and thoughts in this important area. You may be assured that Mr. Baker's views have been transmitted to the appropriate advisory staff members, and that his concerns will be carefully reviewed.

With best wishes,

Sincerely,

Kenneth M. Duberstein
Assistnat to the President

The Honorable Lloyd Bentsen
Member, United States Senate
912 Federal Building
Austin, TX 78701

cc: w/copy of inc to J. L. Cullen - for DRAFT response

cc: Pam Turner - FYI

WH RECORDS MANAGEMENT HAS RETAINED ORIGINAL

KMD:CMP:KIR:ds--

37

LLOYD BENTSEN
TEXAS

COMMITTEES:
FINANCE
ENVIRONMENT AND PUBLIC WORKS
JOINT ECONOMIC
SELECT COMMITTEE ON INTELLIGENCE

United States Senate

WASHINGTON, D.C. 20510

KD

March 17, 1982

066801

Mr. Kenneth Duberstein
Assistant to the President for
Legislative Affairs
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Duberstein:

Enclosed is a copy of the letter recently received from Joel Baker of Tyler, Texas. Mr. Baker is asking questions concerning President Reagan's economic recovery program as outlined in his State of the Union message and I feel certain that your office would appreciate the opportunity to respond to him.

Thank you for your prompt attention to Mr. Baker's inquiry.

Sincerely,

Lloyd Bentsen

Lloyd Bentsen

Enclosure

PLEASE REPLY TO:

912 Federal Building
Austin, Texas 78701
ATTN: Ms. Leslie Pool

4801 Newcastle
Tyler, Tx. 75703

February 22, 1982

The Honorable Lloyd Bentsen
Senate Office Building
Washington, D.C. 20510

MAR 15 1982

Dear Sen. Bentsen,

I would like to ask you what you think about a few issues and also give you my views on them.

President Reagan said in his State of the Union message that his economic recovery program "will protect the needy while it triggers a recovery that will benefit all Americans." I would like to know how he proposes to do this?

He also said he would have no tax increases this year and that he had no intention of "retreating from our basic program of tax renewal." I really don't see how he is going to get us out of the present recession without doing so. If you can would you explain?

Last, I hope you will go along with Sen. Tower's issue on "navigable waterways." People should be able to prevent any type of flooding in or around their house, legally. Therefore, I think this issue should be properly defined.

Sincerely,

Joel Baker

Joel
Baker

066832

ID # BE004

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING
☐ H - INTERNAL
☐ I - INCOMING
Date Correspondence Received (YY/MM/DD) 82/03/18

Name of Correspondent: JOHN WEBER

☑ CN Mail Report **User Codes: (A)** ______ **(B)** ______ **(C)** ______

Subject: Writer expresses his appreciation for their recent meeting with the President and EM.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O	82/03/19	EM FYI	C	82/03/19
Referral Note:					
CNMEES	I	82/03/19		C	82/03/19
Referral Note:					
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Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

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Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: ______

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RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: ______ Media: L Individual Codes: 4200 4900 _.___

Prime Subject Code: BE 004.__ Secondary Subject Codes: FI 004.__ FG ___.__
FI 007.__ FG 006.01
BE 003.06 PR 007.01

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C _ _		Time:	P-
DSP		Time:	Media:

SIGNATURE CODES:

CPn - Presidential Correspondence
- n - **0** - Unknown
- n - **1** - Ronald Wilson Reagan
- n - **2** - Ronald Reagan
- n - **3** - Ron
- n - **4** - Dutch
- n - **5** - Ron Reagan
- n - **6** - Ronald
- n - **7** - Ronnie

CLn - First Lady's Correspondence
- n - **0** - Unknown
- n - **1** - Nancy Reagan
- n - **2** - Nancy
- n - **3** - Mrs. Ronald Reagan

CBn - Presidential & First Lady's Correspondence
- n - **1** - Ronald Reagan - Nancy Reagan
- n - **2** - Ron - Nancy

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- **S** - Sealed
- **T** - Telegram
- **V** - Telephone
- **X** - Miscellaneous
- **Y** - Study

NATIONAL CATTLEMEN'S ASSOCIATION
P.O. Box 569 • 1001 Lincoln Street • Denver, Colorado 80201 • 303-861-1904

Reply to Washington, D. C. Office
425 13th Street, N. W. • Suite 1020 • Washington, D. C. 20004 • 202-347-0228

NCA

065832

March 18, 1982

Mr. Edwin Meese, III
Counselor to the President
The White House
Washington, D.C. 20500

Dear Ed:

On behalf of myself personally, and on behalf of the National Cattlemen's Association, I want you to know how much our visit with you, Ed, and the President was appreciated.

The cattle industry is solidly behind your economic recovery plan. After we left you, the NCA Board of Directors unanimously passed the enclosed policy statement.

Again, thank you for the time and personal attention you give us.

Sincerely,

John Weber

John Weber
First Vice President
Box 1518
Alturas, California 96101

JW/la

Enclosure

NATIONAL CATTLEMEN'S ASSOCIATION
P.O. Box 569 • 1001 Lincoln Street • Denver, Colorado 80201 • 303-861-1904

OFFICE OF THE PRESIDENT

March 17, 1982

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

Dear Mr. President:

Two major problems facing the cattle industry today are a weak economy and high and volatile interest rates. It is imperative that the Congress and the Administration take action which will result in lower and less volatile interest rates. The Board of Directors of the National Cattlemen's Association addressed this issue at its meeting March 17, 1982, in Washington, D.C. and adopted the following policy statement:

The National Cattlemen's Association reaffirms to the Congress and the Administration its support of economic programs begun less than one year ago. These efforts to reduce taxes and control government spending were a recognition of changing economic realities and willingness to address them. Passage of these programs has signaled the end to more than a decade of rising inflation and has established an environment for real, non-inflationary economic growth.

NCA congratulates the Congress and the Administration on their efforts to date. However, the battle to restore economic stability and balance the budget is still to be won. Severe current economic conditions and projected large deficits will test the resolve of government and its ability to adhere to its programs. The time is now for Congress and the Administration to find agreement on the budget. NCA recommends:

(1) There should be a freeze on outlays for government employees and entitlement programs at current levels. This would match what is already taking place in the rest of the economy.

(2) There should be a reduction in the rate of increase and/or a delay in outlays for defense expenditures. This would recognize the political reality that no government program can be exempt in the effort to lower government spending.

(3) There should be an increase in taxes, such as excise taxes. There should also be a tightening of tax regulations involving those areas that do not contribute to economic growth. This would recognize the need to retain the recently enacted individual and business tax reductions, and it would assure that balancing the budget included both revenue raising and a reduction in government spending.

We respectfully urge your immediate attention to these recommendations.

Sincerely,

Sam Washburn

Sam Washburn
President

JV

066835

ID # BE004

WHITE HOUSE
COUNSELLOR'S OFFICE TRACKING WORKSHEET

☐ O - OUTGOING

☐ H - INTERNAL

☐ I - INCOMING

Date Correspondence Received (YY/MM/DD) 82/03/18

Name of Correspondent: GUY FISKE

☑ **CN Mail Report** **User Codes: (A)** ______ **(B)** ______ **(C)** ______

Subject: Writer looks forward to hearing from EM about matters they discussed and thanks him for their meeting.

ROUTE TO: **ACTION** **DISPOSITION**

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
CNHAMM	O	82/03/19	EM FYI	C	82/03/19
Referral Note:					
CNMEES	I	82/03/19		C	82/03/19
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					
		/ /			/ /
Referral Note:					

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet to be used as Enclosure
I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments:

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Prime Subject Code: BE004-__ Secondary Subject Codes: PR003-__ __ ____-__

FG025-__ __ ____-__

__ ____-__ __ ____-__

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THE UNDER SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

March 17, 1982

066835

The Honorable Edwin Meese III
Counsellor to the President
The White House Office
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Ed:

Thank you for meeting with me. It has been an honor to be a member of The Reagan Administration. I feel very strongly, as a businessman, that the President's programs must be carried through, and that once they are in effect, they will greatly benefit our nation and its people.

I will look forward to hearing from you on the matters we discussed.

Sincerely,

Guy

Guy Fiske