Collection: Ursomarso, Frank: Files
Folder Title: Economic Program Communication Plans (3)
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Campbell
Draft

I. PLAN DESCRIPTION

In his campaign, President Reagan promised immediate action to remove the burdens of high inflation, high interest rates, unemployment, and uncontrolled Federal spending and regulation. During his first week in office, he froze Federal hiring, reduced Federal travel and the use of contractors, and imposed a moritorium on new Federal regulations. On February 18, 1981, President Reagan addressed a Joint Session of the Congress to describe his Program for Economic Recovery. This Program will bring about a fundamental redirection of the American economy and the role of the Federal Government, and it will enhance the ability of all Americans to achieve their full potential. The Program is an integrated package consisting of:

- Spending cuts to reduce sharply the growth rate of Federal outlays and to eliminate the deficit;

- Reductions in personal tax rates and business taxes;

- Reductions in the number and impact of Federal regulations; and

- A new commitment to a stable monetary policy.

1. Under the President's Program, the growth in Federal spending will be reduced from its current rate of nearly 14% to 6%; the Government's share of national spending (GNP) will be reduced from an all-time high of 23% in 1981 to 19% in 1984; and the Federal deficit will be eliminated by 1984. This measure is essential if inflation is to be reduced. Federal deficits cause inflation because they must be financed by Federal borrowing, which crowds private borrowers (individuals and businesses) out of the credit markets, or by printing more money.

2. The President's Program will reduce personal income tax rates by 30% by 1984, and will allow business to depreciate the full cost of their plant and equipment. By reducing personal income tax rates from 14-70% to 10-50%, the President's Program will encourage work and savings. Workers will be encouraged to increase their salary because their amount of after-tax income per dollar of increased wages will be 30% greater than it currently is. Savings will be encouraged as consumers realize that investing in productive financial assets (such as corporate stock and bonds) brings a higher return than purchasing goods or real estate which are desirable during periods of high inflation. The Accelerated Cost Recovery System will allow business to depreciate their plant and equipment at a more rapid rate thus encouraging investment in more productive facilities.

3. The President has signed an Executive Order requiring that all Federal agencies adopt the least cost (or most efficient)

regulations in complying with Congressional mandates. This measure will reduce the cost of regulations to business and thus allow business to make more productive investments in plant and equipment. As business becomes more productive the cost of goods that all Americans buy will be reduced.

4. The President's program includes a commitment to a stable monetary policy. To avoid inflation in the general price level over the long run the growth of money must not exceed the growth of real output (GNP).

V. Selected Rejoinders and Justifications

A. Taxes: Growth, not redistribution (to be done by Treasury).

B./C. Impact of budget cuts on poor/Social safety net.

The President's Program was designed to improve the standard of living of all Americans, including the poor who suffer most from the prevailing conditions of high inflation and low growth. To this end it is essential that we reduce Federal spending, and the President has clearly stated that all groups must share in the temporary burden that this action will impose. But in formulating the proposed reductions, the Administration has endeavored to protectt the truly needy through a social sefety net of programs including social security for the retired (including full cost-of-living adjustments) and regular unemployment insurance benefits. Despite the President's proposed increases in defense spending, by 1984 spending for social safety net programs will increase from the current level of 37% to 41% of the Federal budget. Nevertheless, there will be families who will lose some of the benefits they now receive. For example, (insert examples).

In assessing the impact of President Reagan's Program it is important to question whether the poor are better served by mass of Federal programs currently in palce that we have proposed to reduce or eliminate, or whether they would be better served by a program that will increase jobs and economic growth while reducing inflation.

- Between 1970 and 1980, the average family's monthly benefit under the Federal Aid to Families with Dependent Children program grew from $190 to $271. After adjusting for inflation, this represents a real decline of nearly 33%.

- The President's Program will increase employment by 13 million by 1984;

- Between 1959 and 1969, when economic growth averaged 4.2% per year, the percentage of families living below the poverty level fell nearly 50%-- from 18.5% to 9.7% of all families;

- Between 1969 and 1979, when economic growth averaged 3.1% per year the percentage of families living below the poverty level declined only 6%, despite the proliferation of Federal programs; and

- The cost of purchasing a single family dwelling doubled between 1977 and 1980. In 1977 the median single family dwelling cost $48,800 and mortgage interest rates were approximately 9%. In 1980, the median single family dwelling cost $64,000 and mortgage interest rates were approximately 15%. 1/

In assessing President Reagan's Program it is also important to ask who really benefits from many of the programs that we have proposed to reduce or eliminate. Our analysis indicates that

1/ The monthly payments on a $50,000 mortgage at 9% would be $402.32 over 30 years while the monthly payments on a $65,000 mortgage at 15% would be $821.89 over 30 years.

much of the Federal spending for these programs goes to bureaucratic overhead and corporations acting as vendors to the Government. Consider, for example, the fact that:

- New construction for federally subsidized housing costs $142,000 per unit;

- One year of employment provided to one low-income black youth under the Department of Labor's Young Adult Conservation Corps costs $305,000;

- One mile of a urban rail transportation system costs approximately $75 million to construct and equip; and

- There is no evidence to indicate that the Urban Development Action Grant program (under which the Federal Government obligated $675 million in 1980) creates new investment, jobs, or is even targeted to areas of poverty.

D. Regional Fairness

President Reagan's Program is fair to all regions; all regions benefit from the Program. There are three bases on which to judge the fairness of the Program.

1. Budget Reductions.

It is not possible to precisely determine the impact of President Reagan's budget reductions on individual regions of the country because the regional impact of certain outlay reductions will be determined by decisions yet to be made, the data concerning the state-by-state distribution of Federal funds have serious technical difficulties, and because it is not possible to accurately locate the area in which certain Federal funds are spend (e.g., national defense and highway construction). Nevertheless, approximations of the regional impact can be made on the basis of past obligations for a major portion of the $46 billion reduction President Reagan has proposed. We have prepared such an analysis and it shows that the distribution of outlay reductions is approximately equal on a per capita basis.

DISTRIBUTION OF OUTLAY REDUCTIONS

Region	Percent of Total Reduction	Per Capita Reduction ($)	Reduction as a Percent of Per Capita Income
Northeast	21.1	170	1.4
Midwest	23.8	158	1.4
South	33.4	170	1.7
West	19.3	168	1.4
Other	2.3	-	-

2. Personal Income Tax Reductions. The proposed tax reduction is divided equitably among the various regions because it is an across-the board cut. Because incomes are generally higher in the Northeast and Midwest, these regions are projected to receive 51.7% of the reduction over the fiscal years 1981-1986 while the South and West will receive 48.3% of the reductions.

PERSONAL INCOME TAX REDUCTIONS, FISCAL YEARS 1981-1986

Region	Total reduction		Per capita reduction	
	Billions of Nominal Dollars	Percentage Distribution	Nominal Dollars	Constant 1972 Dollars
US total	$247.1	100%	$1066	$470
Northeast	58.1	23.5	1188	530
Midwest	69.7	28.2	1165	520
Subtotal	127.8	51.7	1176	520
South	70.6	28.6	890	400
West	48.7	19.7	1048	470
Subtotal	119.3	48.3	948	420

3. Standard of Living. The standard of living for the residents of all regions will improve substantially as a result of President Reagan's Program, and these improvements will be distributed evenly among the regions. The following table shows the improvement that will take place in three key indicators. Improvements are measured as a change from what would have taken place under President Carter's proposed 1982 budget; they are measured in real (inflation adjusted) dollars.

IMPROVEMENTS IN THE STANDARD OF LIVING
UNDER PRESIDENT REAGAN'S ECONOMIC PROGRAM, FISCAL YEARS 1980-1984

Region	Personal Income ($ billions)	Per Capita Personal Income ($ thousands)	Employment (millions)
Region	$2.11	$2.06	0.57
Middle Atlantic	2.00	2.02	0.54
South Atlantic	2.17	2.04	0.58
East-North Central	2.09	2.06	0.57
East-South Central	2.17	2.07	0.57
West-North Central	2.10	2.05	0.57
West-South Central	2.24	2.06	0.61
Mountain	2.18	1.99	0.63
Pacific	2.18	2.00	0.59

MAJOR BUDGET GOAL: SHARPLY REDUCE THE RATE OF FEDERAL SPENDING GROWTH

Historical Budget Excess

- During the previous Administration, Federal spending increased by one-quarter trillion dollars in 4 years.

- This spending growth rate of nearly 14 percent annually produced steadily increasing taxes, huge annual deficits, and powerful inflationary pressures.

- During FY 1980 and FY 1981, budget overruns of nearly $50 billion annually occurred due to so-called "uncontrollable programs" and changed economic conditions. These massive overruns destroyed confidence in the financial markets and contributed to higher interest rates.

- In 1965, government spent $118.4 billion or 17.9% of GNP. By 1981, Federal outlays increased to $655.2 billion and consumed 23.0% of GNP. Over this period, the percentage of GNP spent by the Federal government increased 5.1%. To put this in perspective, 5.1% of 1980 GNP is $130 billion -- approximately the size of all 1980 Federal outlays for defense and over four times 1980 Federal expenditures for education.

- Even after adjusting for the effects of inflation, per capita Federal spending has increased dramatically from $890 per person in 1965 to $1,324 per person in 1980.

Budget Reform Plan Direct Savings

- The budget plan would dramatically reverse this destructive trend. It would hold FY 1982 spending growth to $695.3 billion or a 6.2 percent increase in FY 1982, as compared to 15.9 percent in the preceding three years. This sharp downward spending growth trend would be continued, bringing the average rate between FY 1981-1984 down to 5.6 percent

- There would be direct budget savings of $48.6 billion next year. This includes across-the-board reduction -- involving almost 300 agencies and programs.

- Because most changes already identified are of a permanent nature, FY 82 changes would produce an automatic reduction in out-year budget growth of over $100 billion by FY 86.

Off-Budget and Credit Budget Savings

- The plan also calls for a sharp downturn in off-budget outlays, which have grown from $60 million in FY 73 to $23.6 billion in FY 81. We will reduce them to $16.7 billion next year, to $9.5 by FY 84 and to $6.5 by FY 86.

- Off-budget entities have generated culumative deficits of nearly $63 billion.

- We also propose a decisive reversal of explosive growth in credit budget. Which today lists outstanding direct loans and loan guarantees of more than $800 billion in 1982 This represents a 400 percent increase since 1970.

- We propose a credit budget (new direct loan and loan guarantee commitments) of $127.9 billion in FY 82, a reduction of $21 billion from the January budget. This would be significantly lower than the FY 81 level of $153.8 billion and even less than the FY 80 level of $131.1.

Federal Government in Debt

- Since 1975, the national debt has increased 60 percent, by $305 billion or $1,500 for every man, woman and child in this country.

- In 1980, interest costs of serving the Federal debt amounted to 40.7 billion, an amount greater than Federal expenditures for almost twice what we spend for veterans benefits and services and $10 billion more than Federal expenditures for education.

- The increased presence of the Federal government in the nation's credit markets means that private borrowers pay higher rates for money or are completely crowded out of the market. Over the period 1961-70, the share of funds raised under Federal auspices as a percentage of total funds raised was 16.7%. From 1971-80, the share increased to 26.7%. In 1980 the Federal government's share rose to 35.7%

The Bottom Line

- In 1965, government spent $118.4 billion or 17.9% of GNP. By 1980, Federal outlays increased to $593.9 billion or 23.1% of GNP. Over this period, the percentage of GNP taken up by Federal spending -- the size of government -- increased 5.2%. To put this in perspective, 5.2% of 1980 GNP is $133 billion -- approximately the size of the 1980 Federal outlays for defense and over four times the 1980 Federal expenditures for education.

- These cuts would steadily reduce the government's share of national spending (GNP) from an all-time high of 23 percent in 1981 to 19.3 percent by 1984.

o These spending control measures will reduce and eventually eliminate the Federal deficit, restore confidence in the government's ability to manage its own finances, and contribute to a steady decline in interest rates and cost-of-living growth.

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
Outlays	$655.2	695.3	732.0	770.2	844.0	912.0
Receipts	$600.3	650.3	709.1	770.7	849.9	940.2
Deficits(-) or Surplus(+)	-54.9	-45.0	-22.8	+ 0.5	+ 5.8	+28.[illegible]

CLEAR NATIONAL PRIORITIES FOR ALLOCATING THOSE FUNDS WE CAN AFFORD TO SPEND

Most Important Priorities

- o Rebuilding the national defense -- with substantial new funds for readiness and military pay, and for conventional and strategic forces adequate to keep the peace

- o Preservation of the social safety net for the retired who depend upon Social Security (including cost-of-living adjustments) and for the unemployed, veterans and the truly needy

- o These new priorities will mean that despite substantially less overall spending, the share of budget funds devoted to defense will increase from 24.7 percent in 1981 to 36 percent by 1985 and social safety net expenditures will also rise from 36.8 percent to 39.4 percent over the same period. Budget savings will come from programs of lesser priority and national importance.

- o Between 1955 and 1964, defense expenditures consumed 9.4% of GNP. Over the last five years, the defense share of GNP has declined to 5.3%. The budget reform plan proposes to partially restore that shorfall so that defense expenditures would consume 6.2% of GNP.

Major Shifts in Budget Priorities: Percent of Budget Share

	1962	1981	1985
Defense	47.8	24.7	36.0
Safety Net Program	25.0	36.8	39.4
Net Interest	6.0	9.8	7.7
All Other	21.2	28.7	16.9

THE BUDGET REFORM PLAN IS FAIR, CONSISTENT AND BASED ON SOUND ECONOMIC AND GOVERNMENTAL PRINCIPLES

Many agency programs have been targeted for elimination or consolidation

- Over 100 narrow categorical grants would be converted to three major block grants programs, in education, health and social services. This will enormously increase state and local discretion over standards, expenditures and priorities, and will correspondingly reduce Federal regulations and the need for Federal employees. Net savings of more than $4 billion will be achieved through these changes by FY 83.

- In the health and social services area alone, the President's block grant proposal would consolidate 37 categorical programs and substantially reduce the need for 465 pages of law, 1,400 pages of regulations and 5,000 Federal employees who presently administer 7,600 separate grants at approximately 25,000 grant sites and require over 7 million person hours on the part of state, local and community officials to fill out Federal forms. In the education area, 57 categorical grant programs to be consolidated into two grants: one to the states and another to local education agencies.

- 29 additional wasteful and non-priority programs would be terminated.

First Comprehensive Revision in More than a Decade of the Nation's Entitlements Program System

- Entitlements programs now cost $350 billion per year. Some, while clearly merited, are overgrown. Others have exceeded their intended purposes.

- Under the Budget Reform Plan, proposed revisions of the food stamp, extended unemployment benefits, trade adjustment assistance, student loan, secondary social security, medicaid and other entitlement programs will save $9.4 billion in FY 82. Such savings will grow to $19.2 billion by FY 86.

- Refocus welfare entitlements on the truly needy. Spending for nutrition, housing, energy, medical and unemployment assistance has grown from $5 billion to $57 billion per year since 1970. But genuine need for aid has not grown by 1,000 percent as have these programs. By eliminating duplicative benefits, waste and fraud, and aid for the non-needy, nearly $9 billion can be saved next year.

Reduction in Size of Federal Workforce and Paring of Unwarranted Federal Employee Benefits:

- o By eliminating unnecessary bureaucratic overhead, unproductive programs, and excessive regulations, the Budget Reform Plan proposes a steady reduction in Federal personnel. In non-defense agencies, a reduction of 32,900 positions in 1981 and 63,100 positions in 1982 will be achieved.

- o The twice per year retirement cost-of-living adjustment for Federal employees would be eliminated and Federal pay comparability reform will be be instituted to bring salary schedules and annual adjustment costs in line with private sector levels.

- o Through better procurement and contracting methods, better base structure management and reduced personnel costs, reduced waste and inefficiency in the Defense Department would save nearly $3 billion in 1982 and $6 billion by 1984.

Curtail Spending for Lower Priority or Less Urgent Proggrams.

- o Water projects, Amtrak, the arts, humanities and public broadcasting, foreign aid, space program, and health research all contribute important national benefits. However, we propose to cut many of these programs by 20 to 50 percent next year because slowing runaway government spending and inflation must come first.

- o Capital construction outlays for water resource projects, waste treatment facilities, highways, mass transit, and airports should be stretched out in light of urgent need for fiscal restraint. Funding levels for next several years are proposed to be held down by 10-30 percent.

- o Eliminate altogether programs of limited value, such as HUD planning assistance, National Consumer Cooperative Bank, eight Public Health Service hospitals, Impact Aid school assistance and Professional Standards Review Organizations (PSRO) program.

Reduce Unnecessary Subsidies to Business, Agricultural, Transportation and Various Regions of the Nation

- o Significant reductions in Export-Impact Bank, synthetic fuels, Amtrak, Conrail and Postal Service subsidies.

- o Sharply reduce cost of dairy price supports

- o Eliminate CETA public service jobs, the programs of the Economic Development Administration and the new solar and conservation bank.

o Streamline urban development program (UDAG and Community Development block grants)

Increased User Fees to Fairly Allocate the Cost of Federal Activities to Direct Beneficiaries:

o Clearly allocable costs now paid by all taxpayers should be recovered through fees charged to direct users. Elimination of subsidies for airports and airway users and inland waterway users will reduce government subsidies and increase government revenues by $2 billion in FY 82.

o Require more affluent Americans to pay their own way. Families with annual incomes above $15,630 per year will be asked to pay $1.50 more per week for school lunches. Ten million poor school children will continue to receive free school lunches, and three million will also receive free school breakfasts.

o Significant changes will be made in Federal student loan programs, with subsidies restricted to financial need, at an aggregate saving of more than $9.2 billion by 1986.

COMMUNICATION PLAN FOR ECONOMIC RECOVERY

OVERALL TOTAL GOAL

Win passage of the Plan for Economic Recovery in Congress.

OVERALL STRATEGY

Coordinate efforts to gain public support with strategic legislative goals.

OBSTACLES

I. Lack of Understanding: The Plan for Economic Recovery is a comprehensive, complex solution that can be easily misinterpreted resulting in loss of support for the Plan as a whole.

A. Tactical Solutions:

1. Building understanding through public channels.

- o Office for Public Liaison - E. Dole
- o Governors and Mayors groups - R. Williamson
- o White House Speakers Bureau - F. Ursomarso
- o OMB Staff speakers - R. Raborn

2. Explain the Plan for Economic Recovery clearly and easily.

- o Keep all key members in Administration briefed.
- o Support Speakers with Speakers Kits.
- o General Readership Guide and pamphlets.

3. Develop a system of answering specific questions and concerns from Congress, the Press, and the Public.

- o Cooperative Research Resources.
- o Press referrals to qualified agencies personnel or OMB staff.
- o Answer Congressional inquiries via Legislative Liaison.
- o Press Briefing for deep background held on a regular basis.

II. Winning support of Congressmen who presently do not back the Plan.

A. Tactical Solution:

Reach the Congressmen through their own people. Go to the voters with a regional focus.

1. Identify critical Congressional districts and the issues that are most critical to them.

    o Issue task force.

2. Plan local/regional events to swing the voters.

B. Congressional Relations

III. Keeping the positive momentum going on the grassroots level.

A. Overall long-term objectives:

Maintain positive support of the Administration.

B. Short-term objective:

Generate positive support of the Plan for Economic Recovery.

C. Tactical Solutions:

1. Immediately provide information and briefings to those independent groups that are supporting the Plan.

    o RNC
    o National Federation of Republican Women

2. Develop communication devices that will maintain momentum by keeping the Plan in the eyes of the Press and the Public.

    o Newsletters
    o Regional news briefings
    o Washington news briefings

3. Develop other facets of the Plan that are news worthy and positive.

   - Fraud and Waste Program - OMB/White House Communications.
   - Regulatory change bulletin - IRA/White House Communications.

IV. <u>Rebutting Arguments Against the Plan</u>

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

March 20, 1981

MEMORANDUM TO: D. Gergen
M. Friedersdorf
C. Fuller
D. Darman
R. Williamson
F. Ursomarso

FROM: Elizabeth H. Dole/Lyn Nofziger EHD

SUBJECT: Economic Revitalization Package

You are invited to attend a coordination/planning meeting on the economic package to be held on Monday, March 23rd, in Elizabeth Dole's office at 4 PM.

Expected duration: approx. 60 minutes

Discussion will focus on efforts already underway, areas of concern, timing and organization.

cc: E. Meese III
J. A. Baker III
M. Deaver

March 19, 1981

Communicating

~~MARKETING~~ THE PLAN FOR ECONOMIC RECOVERY

Elements:

1. Overall Strategic Plan and Timetable
2. Issues Identification Task Force
   --questions identification from OMB
3. Research Resources
4. Speakers Bureau
   --Speakers Kits
5. Professional Writing Pool
   --very ad hoc
6. Geographic Time Chart
7. General Readership Version of the Plan
8. General Outline from Office for Public Liaison
9. Legislative Strategy from Legislative Affairs

Issue Identification and Analysis Project

Objective: To identify and to analyze those issues that are pertinent to the understanding and success of the Plan for Economic Recovery.

Purpose: Issues that are identified will be placed in priority and developed into talking points and Q&A's. Not only is this needed for the OMB senior staff, but it will be integrated into the Speakers Kits that are now being developed for the use of other members of the Administration.

Procedure: 1) Review all sources to identify issues that reoccur. A partial list of sources follows:

- Testimonies and Q&A sessions from DAS.
- Press briefings and subsequent Q&A's.
- Issue papers from special interest groups (e.g., New York and Kentucky have each developed these).
- News media--including insight from Ed Dale.
- Input from Legislative Affairs.

2) Analyze those issues that are most frequently raised and write them up in question form.

3) Basic factual information drawn from our published materials (Fact Summaries, etc.) will be organized that address each question.

Additionally, illustrative material that Public Affairs can gather from our informal research ties will be suggested. (Linda Holwick has contacted several groups that are willing to help us with research. This has been done on a very low key basis since OMB has no jurisdiction over other research groups.

4) Facts and illustrations will be screened by OMB staff to prevent errors. This should not be very difficult if the information is drawn from documents already approved. Who should do this screening remains undecided.

5) Talking points will be developed with the assistance of professional speech writers from K. Khakhigian's staff with input from OMB staff.

March 19, 1981

RESEARCH RESOURCES

Objective: A branch of the PER marketing program to coordinate and gather informational materials for use by the inside and outside track.

Format: The areas the Research Resources should develope include: research gathering, file system and communications with the inside and outside tracks. These areas need to be put together simotaneously as they feed on one another. The quick and full development of this program is essential to provide a solid resource base for the PER program.

Procedures:

1. Research Gathering: Comprehensive gathering of budget related materials from various sources:
   --Testimony of DAS, ELH and others including secretaries of departments and outsiders-
   --Materials produced by Republican committees, e.g. Confernce, Study, Research , Senate Policy, etc. (Initial contact has been made with these groups--acquiring their written materials and names of their experts in various areas.)
   --Think Tank studies, e.g. AEI, HeritageFoundation
   --Outside group studies, e.g. Mayor's Conference, League of Cities Report, etc.

2. File System: The file system should be the central point for all research of all areas to be contained. The file system can be used as a basic outline of major areas to research.

   As materials are gathered they should be read and broken down catagorically into the file system. This includes close scrutiny of all testimony and other materials and pulling out Q's and A's.

   When sufficient information has been gathered on one subject it should be sent to the Writer's Pool to be written into a persuasive Q and A format.

3. Communications: Fluid relations are necessary with Legislative Affairs, White House communications systems, RNC, and others. These relationships should be developed in a manner that information can be gathered from them (events, priority areas) as well as transmitted to them.

SPEAKERS BUREAU

Objective: To meet the objective of providing better public understanding of the Plan for Economic Reccvery, the Speakers Bureau is a resource pool from which appropriate individuals can be assigned to address public groups and meet the constant request for administration spokesmen.

Format: The general Speakers Bureau will be under the auspices of White House Communications (Frank Ursomarso) and will be the direct responsibility of Judy Pond. Ms.Pond is setting up a computerized file that will facilitate matching speakers to audiences.

Procedure:

1. Develop a computer system to organize names of potential speakers within the Administration and in outside surrogate groups.
   Responsibility: J. Pond

2. Identify those individuals within the Administration and in outside groups who would be appropriate speakers.
   --OMB Staff Responsibility: R. Raborn/L. Holwick
   --Cabinet and Sub-Cabinet members
   --National Federation of Republican Women
   Responsibility: B. Rendel
   --National Republican Committee Responsibility: S. Riley
   --Mayors and Governors Responsiblity: R. Williamson
   --other groups are being contacted

3. Develop a format for handling requests/invitations smoothly and as quickly as possible.
   --System currently being used within OMB seems to be effective for a smaller quantity of requests and can serve as a model to be developed into a larger scale operation

4. Provide Speakers Kits and briefings to prepare all speakers adequately.
   --a general briefing and speaking tips session should be held immediately
   ---individual briefings should be provided for key administration members by staff that can address the specific issues that speaker will face
   ---as issues are identified for a specific audience, talking points on those issues should be provided to speakers

SPEAKERS KITS

Speakers Kits will be an integral function of the Speakers Bureau which is now headed by Judy Pond.

Objective: To develop a packet of materials that can be used by a variety of speakers addressing a variety of audiences to clearly explain the Plan for Economic Recovery and the position of the Administration on related issues.

Problem: The Plan for Economic Recovery is the largest economic package presented since the New Deal. It encomposes four major areas and touches on issues that are relevant to every interest group. No audience will have the same interest. No speaker will have the same perspective. This Speakers Kit is needed immediately.

Solution: A very flexible set of materials that can be easily organized by individual speakers to suit specific audiences and different styles of presentations.

Format:

1) A three page factual summary of the program.

2) An outline that encompasses all major points with suggested illustrations of each point. This outline could be used in its entirety or portions of it could be selected at the discretion of the speaker. The outline would allow the speaker the flexibility of using as much or as little detail as desired.

3) Copies of those documents released to the Press on February 18th and March 10th. For research purposes only.

4) Suggested graphic illustrations drawn from already developed documents. These could be used for charts at the discretion of the speaker.

5) Talking points and Q&A's on those issues most frequently raised. (These issues are now being identified and analyzed by OMB staff.)

6) A very brief draft speech covering those general points that all speakers could address:

   e.g. What are our current economic problems?

   What is the basic description of the Plan for Economic Recovery?

   Why is the PER necessary and why will it work?

   This should be as brief as 10 minutes and very general in nature.

7) Copies of the President's remarks on February 5th and February 18th.

I do not believe that draft speeches addressing specific audiences is an efficient use of our time and resources. The speeches will be more alive and the speakers will feel more comfortable and confident if the Speakers Kit is designed for maximum flexibility.

GEOGRAPHIC TIME CHART

Concept: A large map of the United States with critical districts identified. The strategic timing for hitting identified areas with regional events will be integrated onto this map.

Objective: To clearly identify problem regions linked to critical issues and Congressional members and to organize the local focus of the plan for marketing the President's Program.

Format:

--As trips are planned by administration officials to areas outside Washington,D.C., these will appear on the Geographic Time Chart to maximize resources and avoid ineffective overlapping.

--Surrogate speakers who are not in the Administration but who will be speaking in areas other than Washington D.C. will also have to be charted on the map.

--Color coding will be an asset to identifying the effects of this plan and organizing a strategic approach to critical areas / districts

ONE OF EVERY THREE AMERICANS RECEIVES FEDERAL BENEFITS

-- 9.5 million people have incomes under the official poverty level

-- three times that many receive some form of federal air

-- of the 79 million households in America, more than one in three rely on benefits from the government

-- 18.5 million households/Medicare

-- 8 million/Medicaid

-- 5.9 million/food stamps

-- 4.9 million/school lunches

-- 2.5 million/public or subsidized housing

DEMOCRATS FIGHT BUDGET CUTS

-- Democratic leaders acknowledge cuts inevitable

-- talking about "damage limiting" in some programs

-- Deputy Majority Whip Bill Alexander of Arkansas:

"On one hand you have the fiscal conservatives, on the other you have the liberal big spenders. It's very difficult to reconcile those two groups in the party. I have spoken to most of the factions with the House and they're just now beginning to recognize the inevitability of defeat unless we are willing to make certain sacrifices. We must first establish our priorities and then be willing to compromise."

-- Another Democratic leader:

"We're in a very difficult position. We have to fight the harsh cuts that are being proposed. But we also have the constituencies who are demanding no cuts at all."

-- "There is a terrible confusion about how far we should go, how deep the cut should be. How do you decide whether you should cut food stamps or programs for the handicappped?"

-- Local Democrat:

"I have little hope that this Congress can do what is right. I feel like I'm leading the retreat."

-- Democrats face major problem in House. A shift of only 26 votes provides a victory for the Republicans and there are more than 40 conservative Democrats who are likely to agree with Republicans on cuts and social services.

-- Congressman from Ohio:

"There's no consensus now at all. The President's plan has such overwhelming approval by the general public that most Democrats have decided not to stand up in the foxhole while the machine gun fire is at its thickest. It's going to take time.

-- "For the first time in my life, being a Democrat has become a liability. We could become the minority party in 1982.

FIVE GUIDING PRINCIPLES

- First, cut the growth of Government spending
- Second cut tax rates so that once again work will be rewarded and savings encouraged
- Third, remove the tentacles of excessive Government regulations which are strangling our economy.
- Fourth, recognize the independence of the Federal Reserve Board but work to develop monetary policy that will rationally control money supply.
- Fifth, move towards a balanced Federal budget.

THE BUDGET REFORM PLAN

-- February 18: 83 major cuts/$34.8 billion outlay savings for '82

-- March 10: 200 additional reductions/$13.8 billion additional savings

-- user chargers and off-budget payments

-- total fiscal savings: $55.9 billion

-- in terms of appropriation and other budget authority that will affect future spending, we are proposing elimination of $67 billion in 1982 and over $475 billion in the period 1981-1986.

EVEN WITH THE CUTS

-- 1982 budget will total $695.3 billion

-- increase of 6.1% over 1981

-- a spending increase of more than $40 billion

GOALS

-- individuals of the ultimate source of all savings and investment. Lasting economic progress, which is our goal, depends on our success in encourgaing people to involve themselves in this kind of productive behavior.
-- Tax proposal will have immediate impact on economic vitality.
-- Slight improvement produces dramatic results.
-- Two percent increase in economic growth will add $60 billion to gross national product in one year.
-- $60 billion adds to state and local tax base to the purchasing power of the American family, and to resources available for investment.

THE PLAN

-- This plan reflects faith in the private sector, rather than the federal government, that the fundamental source of economic motivation and growth. It is based on the belief that government economic policy must be again become reliable and consistent.

-- Departure from past policies of rapid growth in federal spending, excessive increases in money supply, frequent changes of direction, historically high and continually rising tax burdens, and unwarranted regulation.

-- Proposes to restore state and local government responsiblities in areas of public service in which the federal government has, in recent years, become excessively or improperly involved.

LESSONS FROM PAST

-- Past decade taught workers and businessmen alike that frequent government tinkering with economic policy results in increased uncertainty, unpredictable interest rates, rapid price increases, steep increases in federal budget oulays, and uncertain real returns to savings and investment.

-- The President's Program for Economic Recovery moves towards dependable stability.

BUDGET REDUCTION CRITERION

1. Preserve the social safety net.
2. Revise entitlements to eliminate unintended benefits.
3. Reduce benefits for people with middle-to-upper incomes.
4. Recover costs through user fees.
5. Apply rigorous standards to economic subsidy programs.
6. Stretch out public sector capital investment programs.
7. Impose fiscal restraint on other programs of national interest.
8. Consolidate categorical grants to state and local governments into block grants.
9. Reduce federal overhead, personnel costs and program

BENEFITS

-- Inflation, now at double-digit rates, can be cut in half by 1986.

-- Reduced tax burdens and increased private saving will provide funds for productive investment.

-- The American economy should be able to produce some 13 million new jobs by 1986.

CONCLUSION

The creativity and ambition of the American people are the vital forces of economic growth. The motivation and incentive of our people to supply new goods and services and earn additional income for their families are the mainspring of our nation's economy. The U.S. economy faces no insurmountable barriers to sustain growth. It confronts no permanently disabling trade-offs between inflation and unemployment or between high interest rates and high taxes. New economic policy can revive incentives to work and save. It can restore the willingness to invest the private capital required to achieve a steadily rising standard of living. Most important, it can help the American people regain their faith in the fu

WHAT WE FOUND

-- Debilitating combination of sustained inflation and economic distress.

-- Existing policies resulting in:

  - rising government presence in the economy, more inflation,
  - stagnating productivity, and
  - higher unemployment.

IMPORTANT LESSONS

-- High taxes not remedy for inflation.

-- Excessively rapid monetary growth cannot lower interest rates.

-- Well-intentioned government regulations do not contribute to economic vitality. More government intervention in the economy cannot possibly solve economic problems.

OBJECTIVE

-- Ultimate importance of program for sustained economic growth will arise not only from positive effects on the individual elements of the program. Rather, it will be the dramatic improvement of the underlying economic environment, an outlook that will set a new and more positive direction to economic decisions throughtout the economy.

-- Once again, economic choices involving working, saving, and investment will be based primarily on the prospect for real rewards for those productive activities which improve the true economic well-being of our citizens.

WHAT WE FOUND

-- Most serious set of economic problems since the 1930s.

-- Inflation growing from 1 - 1½% a year in the early 60's to about 13% in the past two years.

-- Not since WWI have we had two years of back-to-back double-digit inflation.

-- Rate of economic growth has been slowing.

-- Unemployment rate creeping upward.

-- Productivity growth (most important single measure of our ability to improve our standard of living) declining steadily for a decade.

-- In past three years, productivity actually fell.

-- Single greatest cause for economic problem: government itself.

REDUCING TAX BURDEN

-- Integral part of comprehensive program are tax proposals to improve after tax, after inflation rewards to work, saving and investment.

-- Inflation pushing individuals into higher and higher marginal rates increases burden of taxes.

-- For business, inflation makes the purchase of new equipment progressively more difficult by reducing the amount of cash flow available for capital investment.

-- Tax package addresses both problems.

MARGINAL TAX RATES

-- Marginal rates have been allowed to rise sharply for most taxpayers.

-- In 1965 6% of all taxpayers faced marginal rates of 25% or more.

-- Today, nearly one in every three taxpayers is in at least the 25% bracket.

-- To correct the problem, the President is asking Congress to reduce marginal tax rates for individuals across-the-board at 10% per year for the next three years, starting July 1, 1981.

-- Incentives for investment: major task in 1980's is to reverse the trend in capital formation and promote more capital investment

  - combat the decline of in-productivity growth and hasten replacement of energy-efficient machines and equipment
  - share of nation's resources going to investment
  - both improvements in productivity and increases in productive jobs will come from expanded investment

-- Program asks Congress to provide for accelerate cost of coverage for machinery and equipment and certain structures in a plan commonly called 10-5-3

REGULATORY RELIEF

-- Cost of regulation.

-- First, outlays for federal bureaucracy to administer and enforce regulations.

-- Second, cost of business, nonprofit institutions, and state and local governments to comply with the regulations.

-- Third, long run and indirect effects of regulation on economic growth and productivity.

-- Direct cost passed to individuals in form of higher federal taxes.

-- Much larger administrative expenses may add $100 billion per year for the cost of goods and services we buy.

-- Third and most adverse impacts on economic growth where regulations discourage innovative research and development, reduce investment in new plant equipment, raise unemployment by increasing labor costs, and reduce competition.

REGULATORY RELIEF -- FIVE MAJOR STEPS

-- Established Task Force on Regulatory Relief chaired by Vice President Bush.

-- Abolish Council on Wage and Price Stability's ineffective program to control wage and price increases.

-- Postpone effective dates of pending regulation.

-- Executive Order to strengthen Presidential oversight of the regulatory process.

-- Accelerated decontrol of domestic oil.

BUDGET REFORMS/REVISE ENTITLEMENTS TO ELIMINATE UNINTENDED BENEFITS

-- Food stamp reform.

-- Family of four eligibility will be eliminated for those whose gross income is less than $11,000 per year.

-- Change will help refocus food stamp program on its original purpose -- to insure adequate nutrition for America's needy families.

-- Eliminate overlapping food stamp and freeze school meal subsidies.

-- Calculate eligibility on basis of household income in the prior period.

-- Repeal provisions scheduled for '82 that will increase future food stamp costs.

-- Improve overall management and monitoring to insure compliance.

-- Policy reduction of recurring base in '82 almost $2 billion

-- Proposed budget outlay '82 $10.7 billion

-- Eliminating social security payments to adult students.

-- Unlike most other federal student assistance programs, this program is not based on actual need.

-- Policy reduction just under $1 billion

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-- Cost reduction and improved management of welfare program.

-- Policy reduction in '82: half a billion dollars.

-- Proposed outlay: $7.6 billion

BUDGET REFORM/REDUCE MIDDLE-UPPER INCOME BENEFITS

-- Elimination of subsidies for middle and upper-income households/child nutrition.

-- Administration of proposed legislation to restrict subsidies to lower-income groups.

-- $10.3 million children from poor families will continue to receive fully subsidized free-school lunches and $3.0 million will also benefit from a fully-subsidized breakfast at school. An additional 1.9 million less needy will receive annual subsidies of over $115 per year per lunch.

-- Federal support will no longer continue for 14.5 middle and upper-income students who now receive meal subsidies of less than $60 per student each year.

-- Policy reduction in '82: $1.6 billion

-- Budget outlay: $2.3 billion

-- Refocusing student assistance.

-- Policy reduction in '82: $800 million

-- Budget outlay: $4.4 billion

BUDGET REFORM/RECOVER CLEARLY ALLOCABLE COSTS FROM USERS/INCREASE IN GOVERNMENT RECEIPTS

-- Eliminate inland waterway subsidies by increasing user fees on barge fuel.

-- Receipts planned for '83: $6.7 million. Proposed increase: $258 million.

-- Eliminate subsidies for airport and airway users.

-- Establish boat and yacht owner fees.

BUDGET REFORM/APPLY SOUND CRITERIA TO ECONOMIC SUBSIDY PROGRAMS

-- Broad cross-section of various government support efforts reviewed:

-- Programs in which reductions occur range as follows: Dairy price supports, alcohol fuels, Farmers Home Administration, synthetic fuels, fossil energy, solar energy, CETA, mass transit operating subsidies, Amtrak subsidies, automotive research, CAB airline subsidies Conrail, Export-Import Bank, Postal Service subsidies, federal highway construction, water resource development construction, EPA waste treatment grants.

-- In the one area of Comprehensive Employment and Training Act public service jobs know as CETA, the policy reduction in '82 amounts to $3.6 billion.

-- Between '82 and '86, a total reduction amounts to $20 billion.

BUDGET REFORM/STRETCH OUT AND RETARGET PUBLIC SECTOR CAPITAL IMPROVEMENT PROGRAMS

-- Reduction of federal highway construction grants after '82 becomes at least $1 billion a year.

-- Still allows $81 billion spending '82 up to $10 billion in '86.

BUDGET REFORM/IMPOSE FISCAL RESTRAINT IN OTHER PROGRAMS OF NATIONAL INTEREST

-- The greatest amount of press on foreign development aid program where Administration proposing 26% reduction from current '82 budget request.

-- However, recognize Carter budget request included 33% increase for '82.

-- Cuts intended to assure that the most critical US foreign objective are served effectively but at less cost by eliminating low priority activities.

-- 1982 reduction $400 million. Proposed budget: $4.8 budget. Up to $5.6 billion in '86.

BUDGET REFORM/CONSOLIDATE CATEGORICAL GRANT PROGRAMS INTO BLOCK GRANTS

-- Elementary and secondary education programs.

-- All or part of the over 45 separate federal and secondary educational programs into two "block grant programs".

-- Cuts budget authority in '82 by $1.5 billion still provides '82 outlays of $5.7 billion.

-- Return management of health and social service programs to state.

-- Proposed to consolidate present collection of about 40 federal categorical grants for health and social services into one or more block grants to state.